

19 April 2011

## **Burberry Group plc**

### **Second Half Trading Update**

Burberry Group plc, the global luxury company, today reports on trading for the six months to 31 March 2011. The financial information contained herein is unaudited.

#### **Highlights\***

- Total revenue of £860m, up 30% underlying
- Retail revenue of £596m, up 42% underlying
  - 13% comparable store growth
  - Double-digit mainline growth in all regions
  - Prorsum and Burberry London outperformed
  - Around 30% comp growth in acquired stores in China
- Wholesale revenue of £214m, up 14% underlying
  - Up 29% excluding China, ahead of high teens guidance
  - Better than expected in-season orders
  - Menswear grew strongly
  - Americas and Asia Pacific outperformed
- Licensing revenue of £50m, down 5% underlying, in line with guidance
- Further strategic and operational progress
  - Retail nearly 70% of total revenue
  - Monthly flow and replenishment drove growth
  - Further development of retail theatre and global digital commerce platform
  - Saudi Arabia joint venture being formed to directly operate five stores
  - Spain restructuring complete
- Looking forward, Burberry is planning
  - 12-13% increase in average selling space for FY 2011/12 excluding the acquired stores in China; building presence in Latin America and Middle East
  - Mid teens % growth in underlying wholesale revenue for H1 2011 excluding China
  - Mid single-digit % growth in underlying licensing revenue for FY 2011/12

Angela Ahrendts, Chief Executive Officer, commented:

“Burberry had a strong finish to the year, driven by our design, digital marketing and retail initiatives, as well as good early progress in China. As a result, we expect adjusted profit before tax for the financial year 2010/11 to be around the top end of market expectations. While the luxury industry faces global challenges in the year ahead, we remain confident in our team’s ability to outperform, underpinned by the consistent execution of our key strategies.”

\* Highlights exclude the discontinued business in Spain  
Underlying change is calculated at constant exchange rates

## Revenue by channel of distribution (unaudited)

£ million	2011	2010	% change	
			reported	underlying
			FX	
<b>Retail**</b>				
- Q3	335	239	40	36
- Q4	261	176	48	48
Six months to 31 March	596	415	43	42
<b>Wholesale**</b>				
- Q3	112	97	15	15
- Q4	102	92	12	14
Six months to 31 March	214	189	13	14
<b>Licensing</b>				
- Q3	23	26	(11)	(7)
- Q4	27	27	(2)	(2)
Six months to 31 March	50	53	(6)	(5)
<b>Total excluding Spain</b>				
- Q3	470	362	30	27
- Q4	390	295	32	33
<b>Six months to 31 March</b>	<b>860</b>	<b>657</b>	<b>31</b>	<b>30</b>
Spain	17	50	-	-
Reported total six months to 31 March	877	707	24	23

Q3 is the three month period to 31 December; Q4 is the three month period to 31 March  
 \* H2 2010 restated to exclude discontinued business in Spain (retail £22m; wholesale £28m). H2 2011 Spain discontinued sales are retail £12m; wholesale £5m. See appendix for further details  
 # Burberry acquired its Chinese operations with effect from 1 September 2010. Excluding China in both H2 2010 and H2 2011 gives underlying growth of 23% in retail and 29% in wholesale

## Retail/wholesale revenue by destination excluding Spain\* (unaudited)

£ million	Six months to 31 March		% change	
	2011	2010	reported	underlying
			FX	
Europe#	254	224	13	16
Americas	228	186	22	21
Asia Pacific~	281	166	70	64
Rest of World	47	32	48	47
<b>Total excluding Spain</b>	<b>810</b>	<b>608</b>	<b>33</b>	<b>32</b>

\* Excludes discontinued business in Spain

# H2 2010 restated to include continuing parts of Spain business. H2 2011 includes marginal contribution from 20 concessions in Spain selling the global collection from February 2011

~ Japan accounts for less than 2% of group retail/wholesale revenue

*The following commentary excludes the discontinued business in Spain*

## **Retail**

Retail sales, which accounted for nearly 70% of total revenue in the second half, increased by 42% on an underlying basis (up 43% at reported FX). China, which transferred from wholesale to retail on 1 September 2010 following the acquisition of the former franchisees' operations, contributed 19% to this underlying growth. New space in other regions generated a further 10% of the underlying growth.

Comparable store sales in the half increased by 13% (Q3: +14%; Q4: +11%) with a consistently strong performance across quarters from Asia Pacific. Each of the regions delivered double-digit mainline growth in the half, led by Hong Kong, Taiwan and Germany. The acquired Chinese business continued to perform well, with comparable store sales up by around 30% in the half. These sales were not included in Burberry's 13% comparable growth in the period.

Average selling price increased, driven by greater penetration of Prorsum and Burberry London in apparel and continued outperformance from outerwear. Sales of replenishment styles grew strongly across all product categories.

During the second half, Burberry opened a net seven mainline stores including Beijing, Shenzhen, Delhi, São Paulo and Puebla, Mexico, as well as further Brit trial stores in New York and Milan. Average retail selling space for the second half increased by 26%, of which 16% came from China (both acquired stores and new openings) and 10% from other regions.

## **Wholesale**

Excluding China, wholesale revenue in the second half increased by 29% at constant exchange rates, ahead of guidance. Robust demand and improved supply chain and systems capabilities led to increased in-season orders and higher fulfilment rates in all regions. Americas and Asia Pacific grew strongly, as did menswear, where Spring/Summer 2011 was the first collection designed entirely in house, following the termination of regional licences. Initial sales of the global collection in Spain also contributed 4% of the 29% growth.

Including China, wholesale revenue in the second half increased by 14% underlying (up 13% at reported FX).

During the second half, a net eight franchise stores were opened, including new markets such as Tel Aviv, Cairo and Armenia.

## **Licensing**

Total licensing revenue in the second half declined by 5% on an underlying basis (down 6% at reported FX), in line with guidance. As expected, growth from global product licences was offset by the planned termination of both the Japanese leather goods licence in 2010 and the final regional menswear licences.

## **Outlook**

*Retail:* In the year to 31 March 2012, Burberry plans an increase of 12-13% in average retail selling space. This includes a net 20-25 additional mainline stores with a bias towards China, Latin America and the Middle East. In addition, the 50 stores acquired in China will add about 12% to average selling space in the first half of the year.

*Wholesale:* In the six months to 30 September 2011, Burberry projects wholesale revenue excluding China to increase by a mid teens percentage at constant exchange rates. Good progress is expected from the Americas, Travel Retail and Emerging Markets and sales of the global collection in Spain are expected to continue to contribute a low single-digit percentage to this growth.

Including China, wholesale revenue growth in the first half is projected to increase by a mid single-digit percentage at constant exchange rates (2010: £226m).

*Licensing:* In the year to 31 March 2012, Burberry expects licensing revenue at constant exchange rates to increase by a mid single-digit percentage. This assumes all Japanese apparel and non-apparel royalty income is received at contractual minimum levels as originally planned.

On this basis, underlying licensing revenue from Japan is expected to be broadly flat year-on-year. A step-up in royalty income from the apparel licence, which was negotiated in October 2009, will be offset by the planned termination of additional non-apparel licences in Japan. The global fragrance, eyewear and timepieces product licences are expected to deliver double-digit growth.

In the year to 31 March 2012, licensing revenue at reported FX is expected to increase by a high single-digit percentage, reflecting a more favourable yen hedge rate year-on-year.

## **Enquiries**

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry website ([www.burberryplc.com](http://www.burberryplc.com)), with a replay available later today.

Burberry will announce its preliminary results for the year to 31 March 2011 on 26 May 2011.

Certain financial data within this announcement have been rounded.

Certain statements made in this Trading Update are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

## **Notes to editors**

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and one of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale, licensing and digital channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify non-apparel development; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 31 March 2011, Burberry had 174 retail stores, 199 concessions (including 20 in Spain now selling the global collection), 44 outlets and 56 franchise stores.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index.

## APPENDIX - Spain restructuring

Burberry has now completed the restructuring of its Spanish operations announced in February 2010. The global collection was introduced from Spring/Summer 2011, with the final local collection being Autumn/Winter 2010.

### Discontinued business (local collection via wholesale and retail concessions)

#### Retail/wholesale revenue by origin – Spain

£ million	2011	2010
Retail		
- Q3	7	10
- Q4	5	12
Six months to 31 March	12	22
Wholesale		
- Q3	3	8
- Q4	2	20
Six months to 31 March	5	28

#### Restatement of FY 2009/10

£ million	H2 2009/10		FY 2009/10	
	As reported	Excluding Spain	As reported	Excluding Spain
<b>Retail/wholesale</b>				
Retail	437.2	415.3	748.8	710.1
Wholesale	217.5	189.2	433.6	377.5
Adjusted retail/wholesale revenue	654.7	604.5	1,182.4	1,087.6
Cost of sales	(246.2)	(219.2)	(475.9)	(423.9)
Gross margin	408.5	385.3	706.5	663.7
<i>Gross margin</i>	62.4%	63.7%	59.7%	61.0%
Operating expenses	(318.8)	(299.2)	(568.8)	(526.0)
<b>Adjusted retail/wholesale operating profit</b>	<b>89.7</b>	<b>86.1</b>	<b>137.7</b>	<b>137.7</b>
<i>Operating expenses as % of sales</i>	48.7%	49.5%	48.1%	48.3%
<i>Adjusted operating margin</i>	13.7%	14.2%	11.6%	12.7%
<b>Licensing profit</b>	<b>43.9</b>	<b>43.9</b>	<b>82.2</b>	<b>82.2</b>
<b>Adjusted operating profit</b>	<b>133.6</b>	<b>130.0</b>	<b>219.9</b>	<b>219.9</b>
Spain	-	3.6	-	0.0
Restructuring costs	(44.6)	(44.6)	(48.8)	(48.8)
<b>Reported operating profit</b>	<b>89.0</b>	<b>89.0</b>	<b>171.1</b>	<b>171.1</b>

#### Global collection

Sales of the global collection through mainline stores and outlets have been included in Europe for the year to 31 March 2011. In addition, revenue for the six months to 31 March 2011 includes a small contribution from the first sales of the global collection through wholesale and in 20 retail concessions.

In FY 2011/12, sales of the global collection in Spain through all channels will continue to be reported in Europe.