BURBERRY

ESTABLISHED 1856

ANNUAL REVIEW 2012/13

2012/2013 Annual Review

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INTRODUCTION

Financial Highlights

STRONG RESULTS

Total revenue (Year to 31 March)

£1,999M

2013	**1,999**
2012	1,857
2011	1,501
2010	1,185
2010*	1,280
2009	1,202

Retail revenue (Year to 31 March)

£1,417M

2013	**1,417**
2012	1,270
2011	962
2010	710
2010*	749
2009	630

Wholesale revenue (Year to 31 March)

£473M

2013	**473**
2012	478
2011	441
2010	377
2010*	434
2009	489

Adjusted operating profit (Year to 31 March)

£428M

2013	**428**
2012	377
2011	301
2010	220
2010*	220
2009	181

Adjusted operating profit is stated before exceptional items.
Reported operating profit £346m (2012: £377m)

2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

Financial Highlights

Adjusted diluted EPS (Year to 31 March)

70.0P

2013	**70.0**
2012	61.6
2011	48.9
2010	35.1
2009	30.2

Adjusted diluted EPS is stated before exceptional items.
Reported diluted EPS 57.0p (2012: 59.3p)

Net cash (As at 31 March)

£297M

2013	**297**
2012	338
2011	298
2010	262
2009	8

Dividends per share (Year to 31 March)

29.0P

2013	**29.0**
2012	25.0
2011	20.0
2010	14.0
2009	12.0

Capital expenditure (Year to 31 March)

£176M

2013	**176**
2012	153
2011	108
2010	70
2009	90


BURBERRY
VIGO STREET W1.
REGENT STREET W1

Chairman's Letter

STRONG RESULTS

In 2012/13, the Burberry team navigated a challenging environment making excellent strategic progress and achieving another record financial result.

Sir John Peace
Chairman

Strategically, activity was focused by Burberry's core themes. In product, the team continued to refine the offering across categories. Innovative digital marketing activity brought a more engaging message to targeted sets of consumers. Flagship store openings extended Burberry's presence in key gateway cities. Supported by these initiatives, the brand experience continued to be enriched and elevated. Burberry's distinctive culture was further nurtured and reinforced, and continued to project externally through the work of the Burberry Foundation. These, along with the full set of the Group's strategic initiatives, are discussed throughout this report.

This progress was also recognised externally. Interbrand, the global brand consultancy, once again named Burberry in its list of the world's 100 most valuable brands. In the digital arena, Burberry led media think tank L2's Fashion 'Digital IQ Index' for the second year. On land, Fast Company magazine listed Burberry second in its ranking of the world's most innovative retailers. And, in an indicator of cultural strength, professional platform LinkedIn identified Burberry as the 29th most in-demand employer globally.

Financial performance was also strong. Total revenue grew 8% to £2bn, with adjusted operating profit increasing 14% to £428m. While overall results are strong, a look at the core retail/wholesale business, which excludes the impact of the legacy Japan licensed business, is more indicative of the modern brand's progress. Here, retail/wholesale adjusted operating profit increased 17% on an 8% revenue gain. Adjusted after-tax return on capital was 35%. The Group ended the year with a £297m net cash balance, and the board has recommended a 16% increase in the full year dividend to 29.0p.

In addition to the team's efforts, these results were also a function of investments over the past several years. The Group has invested heavily in stores, emerging growth markets, technology and new capabilities. While in line with Burberry's growth objectives, it's worth highlighting that some of these are particularly important in a more difficult external environment. For example, previous investments in information systems and business intelligence expertise brought greater visibility and enabled quicker and more precise action during the year. Looking forward, although the near-term environment presents many uncertainties, Burberry plans to continue to invest based upon a successful strategy, its distinctive culture and generally favourable luxury sector fundamentals. Consistent with this, in 2012/13 Burberry committed to one of its largest single investments to date with its decision to integrate the fragrance and make-up business. Operating as of 1 April 2013, Beauty offers an exciting growth platform for the future.

The year also brought important management changes. Stacey Cartwright, Executive Vice President, Chief Financial Officer and a director, will stand down in July 2013 to pursue new interests. Stacey has been an outstanding contributor to Burberry during the past nine years, and we thank and wish her well in future endeavours. We welcome Carol Fairweather as Chief Financial Officer and a director. As Carol has been with the Group for six years, most recently leading the finance function, this is a natural transition. Finally, John Smith, former Chief Executive of BBC Worldwide and a non-executive director, joined Burberry's executive team as Chief Operating Officer in March. John's deep experience in digital media is an important addition to the Group. In keeping with this dynamic, growing business, we expect to continue to evolve board composition going forward.

On behalf of the Board, I thank the global team for their efforts during a challenging year and congratulate them on their achievements. By executing a consistent strategy in pursuit of clear objectives – clarity of the luxury brand message, sustainable growth and great company – the Burberry team has generated substantial value for shareholders in this and years past. Similarly, on behalf of the Board and team, I thank shareholders for their continued support.

Chief Executive Officer's Letter

STRIKING THE BALANCE

From outstanding performance in 2011/12, Burberry began the year cautiously optimistic, our long-range objectives – ensuring clarity of the luxury brand message, enabling sustainable growth and being a great company – firmly in sight.

Angela Ahrendts
Chief Executive Officer

This combination of optimism and determination, fuelled by the brand's wealth of opportunity, suggested continued pursuit of the investment-oriented strategic agenda in the year ahead. At the same time, this pre-disposition was tempered by uncertainties in the macro environment and the goal to deliver near-term financial performance. In the final analysis, the result was a balance of dynamic management, core execution and strategic investment.

Challenging context
Following standout growth in 2011 relative to the range of consumer sectors, luxury slowed dramatically in 2012. The ongoing economic crisis in the Eurozone and a continued sluggish US weighed on all areas of consumer spending. Although most of Asia remained relatively healthy, the Chinese consumer – which accounts for a majority of luxury consumption growth – was subdued by a secularly decelerating economy complicated by government transition. Industry experts estimate that luxury sector growth declined from 13% in 2011 to 5% in 2012. Within that, ready-to-wear brands and businesses were disproportionately affected. For Burberry, this climate manifested itself in a decline in store traffic and greater weekly sales volatility.

Dynamic management
Internally, we talk about managing the business dynamically and focusing on the things we can control. 2012/13's external environment tested the team on these dimensions. Supported by investments in information systems and business intelligence expertise during the past few years – which enable monitoring, analysis and implementation – we set out to do exactly that.

<u>Heightened conversion</u>
The traffic decline placed greater emphasis on converting consumers entering the stores to customers. This effort included service initiatives that maximised time on the selling floor of our most skilled associates, increased inventory availability and improved selling skills and product knowledge. In terms of product, we expedited fashion assortments targeted at core luxury customers and refined monthly floorset execution to enhance the flow of fresh merchandise.

Targeted marketing

Aided by deeper consumer insight, we retargeted marketing activities in keeping with changing consumer spending patterns. The team increased the brand's presence in high-profile outdoor and travel-oriented locations and experimented with new digital venues – some of which were contracted on a real-time basis. For festive periods, a cross-functional group refined programmes across product, visual and advertising to better highlight specific gift-giving opportunities.

Tactical efficiency

The Group also acted to enhance near-term efficiency. Discretionary expenses were tightly controlled and inventory was closely managed at all stages of the process in keeping with softer sales.

Core execution

Articulated by the five strategic themes, Burberry's core strategy has been consistently executed over the past seven years, and actions to navigate immediate conditions did not sway us from this course.

Blurring the physical and digital

Given a world of increasingly ubiquitous mobile internet access, we expect dissolution of the boundaries separating physical and digital channels. Consumers will see a single, continuous space in which to interact with a brand. Through a range of activities, we are working to integrate the benefits of the physical and digital spheres. Ultimately, the vision is to serve completely any consumer on any platform in any geography.

- In this regard, the opening of the London flagship at 121 Regent Street in September is our most ambitious effort to date. Housed in a period building restored in partnership with traditional British craftsmen, the store expresses burberry.com in tangible space – complete product assortment, RFID technology to trigger targeted multimedia content, omnipresent digital screens continuously projecting brand imagery. Burberry World Live, a store of the future, blending heritage and innovation, online with offline.
- Additional integration initiatives included the expanded use of iPads to enhance inventory availability, continued upgrading of Retail Theatre throughout the store base to ensure synchronised delivery of brand content to consumers, and experimentation with new payment systems to streamline the purchase experience.

Enhancing the product proposition

At the heart of the Burberry brand, product was a key area of strategic activity.

- Elevation of the product offering is an ongoing process. In the year, we exited selected opening price points in heritage rainwear and leather goods categories. Exacting a cost in terms of sales, this is consistent with the brand's positioning within the current luxury context. Similarly responding to consumer demand, we continued to invest in the upper tiers of our product pyramid, the Prorsum and London labels. These labels increased their share of retail sales during the year.
- Although founded as a mens brand, Burberry is underpenetrated in mens. During the year, outerwear benefited from greater emphasis on innovation and design. Tailoring developed with broader assortments and expanded distribution. Closer attention to in-store timing of seasonal merchandise enhanced relevance of the offering. And the first fully dedicated Burberry mens store was opened in London in October 2012. Achieving a 13% revenue increase, mens was the fastest growing product division in the year. With mens integration only two years old, Burberry is in the early stages of capitalising on this heritage.
- October saw the launch of The Britain watch for women and men. The Britain, featuring an advanced Swiss-made mechanical movement and more sophisticated design, is an important step in realigning Burberry's watch business with the brand's luxury positioning.

Engaging the Chinese consumer globally

Given their importance, efforts to better understand and serve Chinese consumers are an ongoing priority. During the year, Burberry conducted proprietary research, leveraging the results across functions: to extend product sizing and fit, to train sales associates in high-travel markets, to formulate occasion-specific marketing campaigns – citing a few examples. In the year, Greater China represented Burberry's fastest growing major market and this consumer was prominent throughout the retail network.

Developing growth markets

Outside Asia, the Group continued to develop other growth markets. In the directly operated markets of India, Latin America and the Middle East, the Group opened net six mainline stores during the year. While some offer below average profitability today, we believe these markets represent important components of future growth.
In regions operated through franchise partners, including Turkey, Russia and Eastern Europe, eight stores were opened with expansion to five new markets, including Georgia and Jordan. New franchise agreements were signed for Colombia and Chile.

Expanding the retail presence

In addition to London, the year included flagship store openings in Chicago, Hong Kong and Milan. While contributing to sales, these brand statements in gateway cities present the complete Burberry to diverse groups of relevant consumers, many of them new to the brand. In total, the Group opened net 14 mainline stores, six concessions and five outlets during the year, and completed seven major renovations. Average selling space increased 13%.

Refining the wholesale presence

Efforts to align the quality of the brand's wholesale presence with that of retail are ongoing. In both the Americas and Europe, we continued to concentrate on luxury-oriented department and specialty stores – with emphasis on dedicated real estate – while exiting legacy doors inconsistent with the brand's positioning. This activity, in combination with the channel's exposure to soft geographies, resulted in 1% underlying wholesale revenue growth for the year.

As part of the brand proposition, Burberry looks to be a leader in consumers' digital interaction with brands, in both innovation and capability. In marketing, the S/S13 campaign generated record awareness through social media. Total Burberry YouTube video views reached over ten million during the year. RFID-enabled personalised content was introduced with the A/W13 runway show. Experimenting with emerging digital platforms, Burberry streamed live images of London weather to prominent outdoor sites in London, Paris, Hong Kong, Los Angeles and New York during the Olympic period. In commerce, burberry.com added Spanish and Korean languages and tested new fulfilment options.

Strategic investment

While executing currently, the team invested in strategic initiatives with longer-term horizons.

Integrating Beauty

Among the most exciting strategic investments in recent years, the transition of Burberry's fragrance and make-up business from a licensed to a directly operated business began in the year.

- Offering luxury's opening price point and broadest distribution, fragrance is the most widely encountered expression of the Burberry brand. The category also accounts for a large percentage of global brand media spend. As a result, direct operation will assist in optimising brand presence in every market, further enable Burberry to capitalise on the synergistic relationship with fashion, and better align the product offering with brand architecture. Integration elevates this business to true core activity, allowing Burberry to capture the full opportunity.
- In terms of opportunity, despite Burberry's position among the largest luxury apparel and accessories brands globally, it is undersized in fragrance. Growth has been slow, with fragrance significantly underperforming the rest of the Group over the past five years. In make-up, the brand has only just started.
- From the decision to integrate in October, the team moved quickly across functions, leveraging existing skills and resources while adding external category-specific talent and capability. As of 1 April, Beauty had been successfully integrated and commenced operating. Burberry's fifth product division, Beauty is a growth platform of the future.

Evolving customer dialogue

In a landscape of Big Data and continuous communication, we believe information-intensive, deep customer relationships which allow an individualised customer dialogue will be critical to future success in luxury. As part of this, the Group began developing new tools to provide an integrated view of a customer's interaction with the brand across all Burberry platforms, with initial piloting of a clienteling application commencing at year end. Development work to enhance consumers' ability to engage the brand through mobile devices also progressed in the year.

Transitioning the Japan legacy
In Japan, transition from the legacy licensed business to global integration continued. As part of this, Burberry's early stage retail operation achieved strong growth at existing stores and concessions, opened a concession, added a third store and planned additional openings in 2013/14; while the effect of licence terminations continued to reduce legacy royalty income.

Reinforcing the supply chain
To accommodate future growth objectives, the Group reinforced the supply chain. In logistics, Burberry added distribution capacity, upgraded existing facilities and increased network efficiency. In sourcing, additional resources were committed to further develop in-house outerwear manufacturing capability and improve raw material management.

Strong financial results
This balance of activity delivered record financial results in 2012/13 while positioning Burberry well for years ahead. Total revenue increased 8% underlying to £2bn. Retail revenue grew 12% driven by new space and a 5% comparable store gain. Soft European markets particularly weighed on wholesale, resulting in a 1% underlying revenue increase. The 1% underlying decline in licensing revenue was a product of double-digit growth among global licences more than offset by declining legacy Japan royalties. Adjusted operating profit increased 14% to £428m, with the core retail/wholesale segment increasing 17% on 8% revenue growth – retail/wholesale operating margin also reached a record 17.8%. Capital expenditure totalled £176m and the Group ended the year with £297m in net cash.

Powerful culture
Burberry's culture is a key ingredient to this success. Rooted in the brand's core values and fuelled by a creative-thinking, entrepreneurial spirit, our connected, united culture creates an energy that enables innovation, coordination and agility. These characteristics are evident in the year's accomplishments. This distinctive culture is also expressed externally through ethical trade and sustainability efforts, employee engagement with local communities and the Burberry Foundation, which contributes both human and capital resources to encourage youth to realise their dreams through the power of creativity. We continued to invest in this powerful culture throughout the organisation – communication initiatives, operating structures, reward programmes and celebrations. The bigger the business becomes, the more connected we will need to be.

A great community
Through the efforts of this great team we largely realised our objectives. So I thank them, as well as Burberry's extended community of franchise and licensing partners, customers and suppliers, for their passion, commitment and hard work during the year. Looking forward, this team provides confidence for markets favourable or not.

KPI: Growth in adjusted diluted EPS (Year to 31 March) is a key valuation metric for Burberry's shareholders.

70.0p +14%

Adjusted diluted EPS is stated before exceptional items.
Reported diluted EPS 57.0p (2012: 59.3p).

BRAND, BUSINESS, CULTURE

BRAND

Founded in 1856, Burberry today remains quintessentially British, with outerwear at its core. Digital luxury positioning and the optimisation across innovative mediums of the trench coat, trademark check and Prorsum knight heritage icons make the brand purer, more compelling and more relevant globally, across genders and generations.

BUSINESS

Disciplined execution, constant evolution and balance across channels, regions and products underpin the management of the business. Innovative product design, digital marketing initiatives and dynamic retail strategies drive consistent performance.

CULTURE

A closely connected, creative thinking culture encourages cross-functional collaboration, intuition and a meritocratic ethos. United by open communication and a pure brand vision, and inspired by the company's core values – Protect, Explore and Inspire – compassionate global teams give back to their communities through the Burberry Foundation and socially responsible initiatives.

BURBERRY GROUP OVERVIEW

DELIVERING SUSTAINABLE PROFITABLE GROWTH

Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and some of the most recognised icons in the world. Burberry leverages its proven strategies and teams to assure sustainable, profitable growth balanced by channel, region and product.

Burberry Group Overview

DIVERSIFIED BUSINESS MODEL

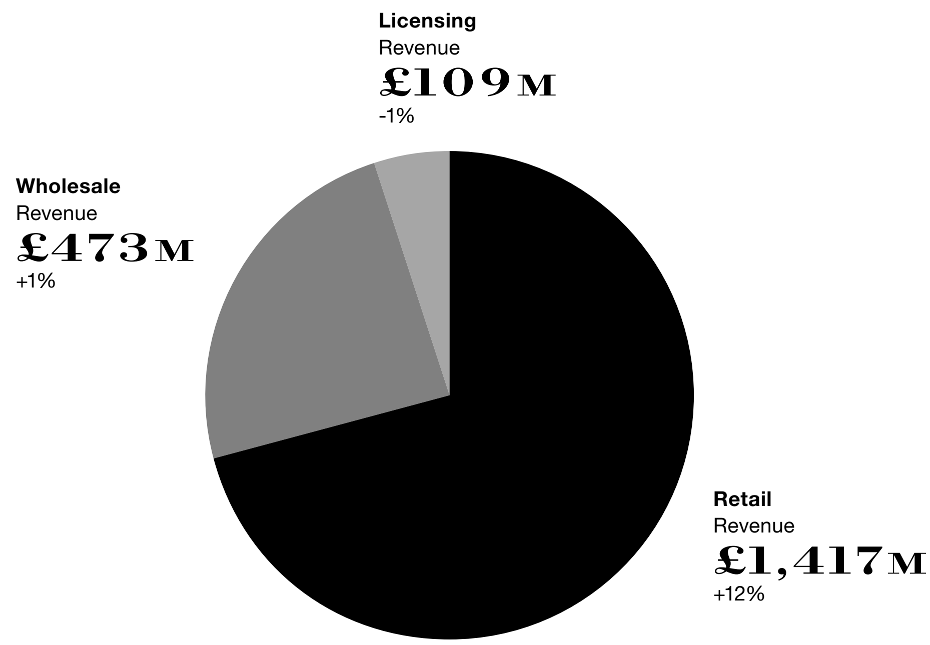
Burberry designs and sources apparel and accessories, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide. The business is structured by channel, region and product division, supported by core corporate functions.

By Channel	By Region	By Product	By Function
Retail (including Digital)	Asia Pacific	Accessories	Design
Wholesale	Europe	Womens	Marketing
Licensing	Rest of World	Mens	Store Architecture
	Americas	Childrens	Supply Chain
		Beauty (Directly operated from 1 April 2013)	Customer Resources
			IT
			HR
			Corporate Affairs
			Strategy & Finance

CHANNEL MIX

Burberry sells its products to the end consumer through both retail (including digital) and wholesale channels. For 2012/13, retail accounted for 71% of revenue and wholesale 24%. Burberry also has licensing agreements in Japan and globally, leveraging the local and technical expertise of its licence partners.

Revenue by channel
Underlying is calculated at constant exchange rates



Retail
Includes 206 mainline stores, 214 concessions within department stores, digital commerce and 49 outlets
- 12% underlying growth
- 5% comparable store growth
- 7% growth from new space
- 23 mainline store openings, focused in flagship markets including Chicago, Hong Kong, Milan and London

Wholesale
Includes sales to department stores, multi-brand specialty accounts, Travel Retail and franchisees who operate 65 Burberry stores, mainly in emerging markets
- 1% underlying growth
- Growth in North American department stores, Asia Travel Retail and emerging markets
- Net eight new franchise stores opened

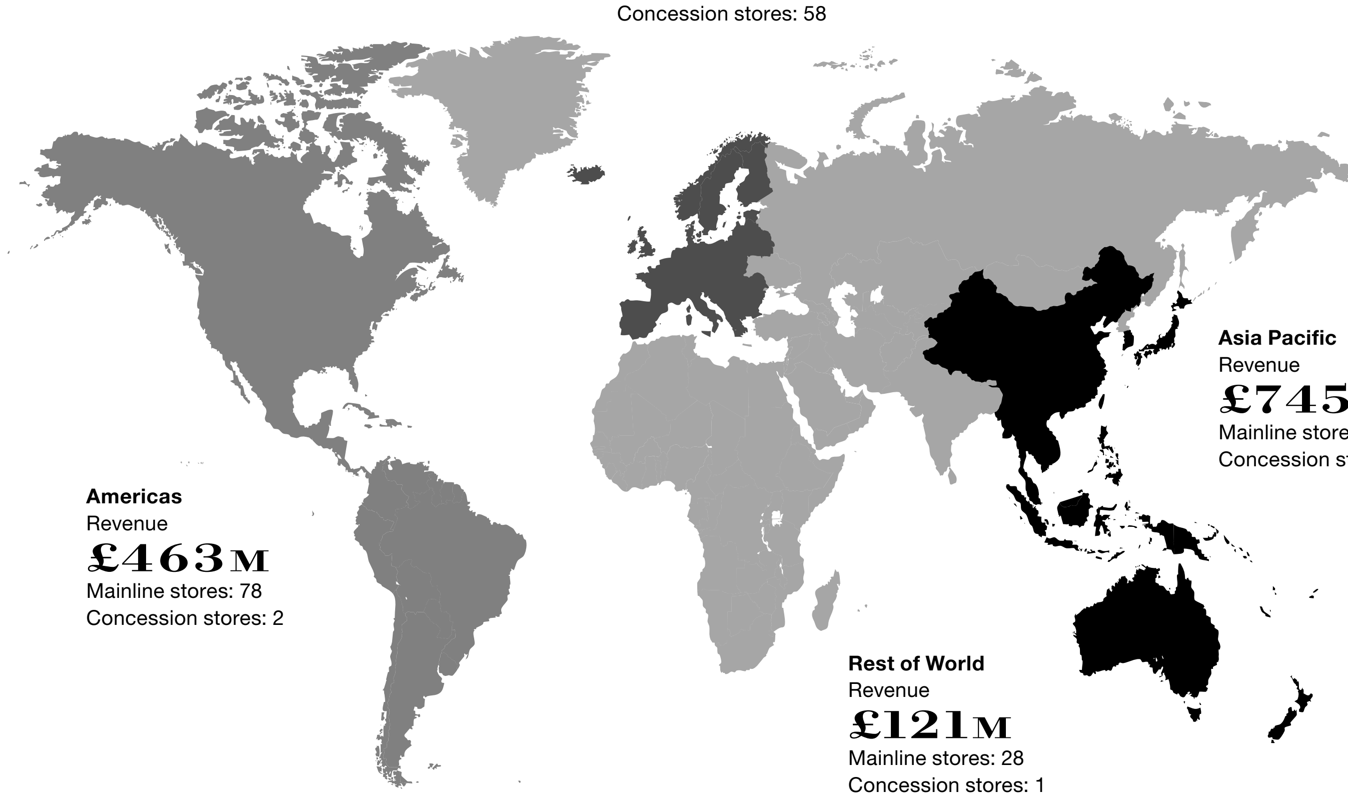
Licensing
Includes income from Burberry's licensees, just over 60% from Japan with the balance from global product licensees (fragrance, eyewear and timepieces) and the European wholesale childrens licensee
- 1% underlying decline
- Royalty income from Japan down reflecting continued rationalisation of short-term accessories licences in Japan
- Double-digit underlying growth in royalty income from global product licences
- Burberry began directly operating fragrance and beauty from 1 April 2013

BROAD GEOGRAPHIC PORTFOLIO

Burberry operates in four regions. For 2012/13, Asia Pacific represented 39% of retail/wholesale revenue, Europe 30%, Americas 25% and Rest of World 6%.

Retail/wholesale revenue by destination
Underlying is calculated at constant exchange rates

Europe
Revenue
£560M
Mainline stores: 42
Concession stores: 58



Asia Pacific
Revenue
£745M
Mainline stores: 58
Concession stores: 153

Americas
Revenue
£463M
Mainline stores: 78
Concession stores: 2

Rest of World
Revenue
£121M
Mainline stores: 28
Concession stores: 1

Americas
- 6% underlying growth
- Retail accounted for approximately two-thirds of revenue
- Low single-digit comparable store sales growth, weighted towards the second half
- Approaching 10% of Americas retail revenue came from outside the United States
- North American department store wholesale customers outperformed, with further expansion of dedicated shop-in-shops

Europe
- 6% underlying growth
- Retail accounted for nearly 70% of revenue
- Comparable store sales growth broadly unchanged year-on-year, France and Germany robust, Italy remained weak
- The United Kingdom accounted for over 40% of Europe retail revenue
- Largest wholesale region, about 40% of group wholesale revenue. Revenue impacted by weak demand, especially in Italy, and continuing planned rationalisation of accounts

Rest of World
- 11% underlying growth
- Retail accounted for nearly 60% of revenue
- High single-digit comparable store sales growth, led by India
- Good growth in wholesale revenue, mainly to franchise partners who operate 65 stores globally

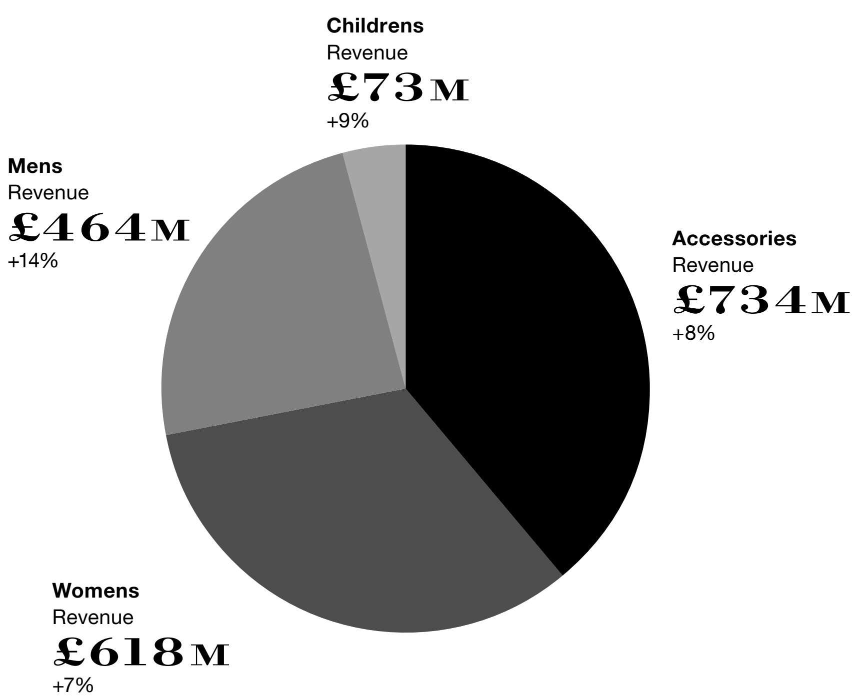
Asia Pacific
- 13% underlying growth
- Retail accounted for nearly 90% of revenue
- Double-digit comparable store sales growth in China and Hong Kong, Korea remained weak
- Good growth in Travel Retail, which makes up the majority of wholesale in the region

Burberry Group Overview

DIVERSIFIED PRODUCT MIX

Burberry has a structured product offering and has seen growth across each of these business areas. For 2012/13, accessories represented 39% of retail/wholesale revenue, womens 33%, mens 24% and childrens 4%.

Retail/wholesale revenue by product division
Underlying is calculated at constant exchange rates

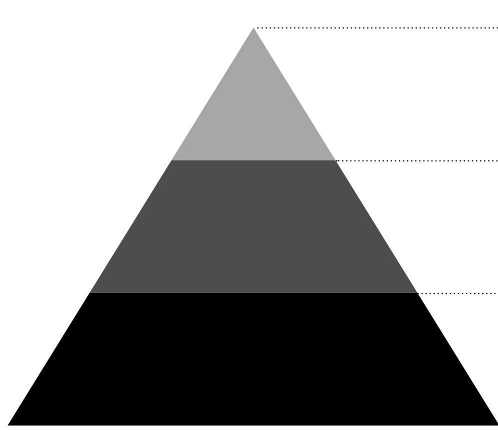


Accessories
- Large leather goods, nearly half of mainline accessories revenue
- Continued innovation in core leather programmes and key fashion shapes
- Men's accessories increased by over 30% in mainline retail, to reach nearly 20% of total accessories revenue

Womens
- Core outerwear was the largest growth category, over half of mainline revenue
- Prorsum and London outperformed, S/S13 Brit resurgent

Mens
- Significant growth in tailoring, up over 50% year-on-year
- Prorsum and London outperformed
- First standalone mens store opened in Knightsbridge, London

Childrens
- Strong growth in outerwear, supported by S/S13 advertising campaign
- Replenishment up to nearly 30% of mainline revenue



Burberry Prorsum
The most fashion forward collection centred around runway shows, providing the design inspiration for the brand

Burberry London
The tailored collection, typically what a customer wears on weekdays for work

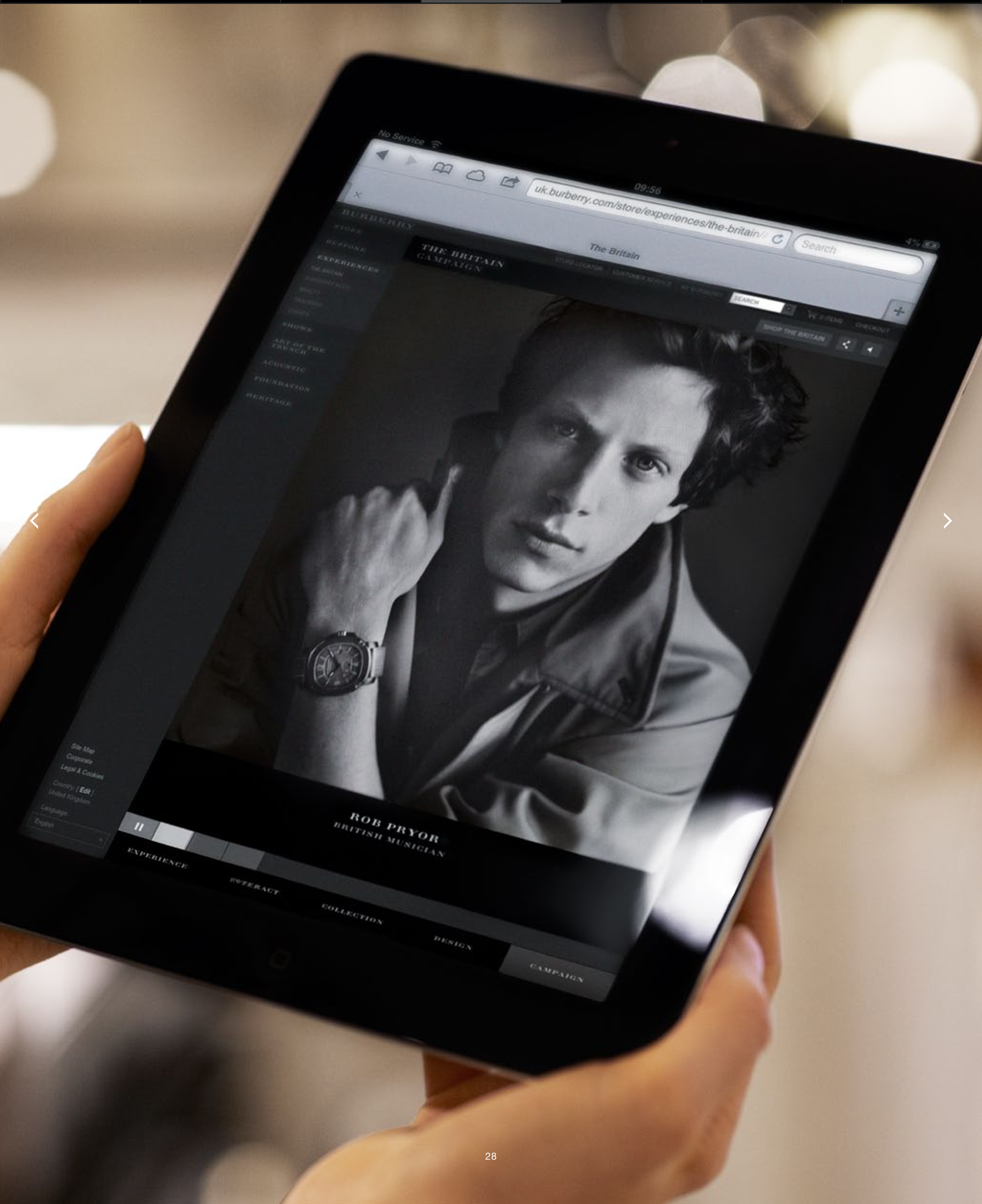
Burberry Brit
The most casual collection, typically worn on the weekend


BURBERRY
PRORSUM
BURBERRY
PRORSUM
MADE FOR
ELIZABETH THOMAS

STRATEGIC THEMES

LEVERAGE THE FRANCHISE

Enhance consumer resonance and operate more effectively through exacting use of brand assets and coordinated action across the global organisation. One brand, one company.


No Service
09:56
uk.burberry.com/store/experiences/the-britain/
Search
The Britain
THE BRITAIN CAMPAIGN
ROB PRYOR
BRITISH MUSICIAN
EXPERIENCE
INTERACT
COLLECTION
DESIGN
CAMPAIGN

Key highlights from 2012/13 include:

Brand momentum

Ensuring the strength, purity and positioning of the Burberry brand remained a priority.

Burberry World Live

- Burberry Regent Street opened in London in September 2012 as the brand's most comprehensive expression to date. Introducing the concept of 'Burberry World Live', Regent Street blurred the physical and the digital to bring all aspects of burberry.com ('Burberry World') to life in a meticulously-restored heritage space.
- Offering the full collection in a digitally-enriched environment, Regent Street engaged customers with brand content continuously projected on over 100 screens throughout the store, including product-specific content triggered by RFID-enabled merchandise on mirrors that turn instantly to screens. In-store audiences could watch key brand moments live from other locations, including the womenswear S/S13 and A/W13 runway shows.
- Regent Street also gave physical expression to the brand's most innovative digital launches. This included live music events featuring Burberry Acoustic artists and the first in-store Burberry Bespoke experience.

Beauty

- In October 2012, Burberry announced the transition of its fragrance and make-up business from a licensed to a directly operated structure.
- As consumers' most widely encountered expression of the Burberry brand, Beauty provides outstanding growth opportunities for the Group. Business integration was completed during the year with operations commencing on 1 April 2013.

Digital

- Investments in burberry.com continued with expanded delivery to over 100 countries, while the introduction of Spanish and Korean brought the number of languages online to eight.
- Retail theatre was rolled out to a further 84 stores, extending the global streaming of brand content in all flagship markets.

Brand recognition

- Listed in Interbrand's 'Top 100 Global Brands' for the fourth consecutive year, Burberry was named the luxury fashion brand with the greatest increase in brand value. Burberry was cited by Altagamma as the luxury brand with the highest digital customer awareness and led media think tank L2's 'Fashion Digital IQ Index' for the second year, as well as being named by L2 as the fashion brand with the highest 'digital IQ' in China. LinkedIn ranked Burberry the 29th most in-demand employer globally.

Marketing innovation

Continued extension of its reach through marketing innovation, leveraging brand content to engage and connect global audiences.

Digital engagement

- Brand excitement was driven globally across a range of platforms. The S/S13 main campaign generated record awareness through social and traditional media, with the launch video generating over 1.7 million views on YouTube and Burberry trending globally on Twitter. The womenswear A/W13 show was streamed live on Twitter for the first time, allowing followers to embed the show stream in personal newsfeeds.
- Burberry finished the year as the most followed luxury brand on Facebook, with nearly 15 million fans. Total lifetime YouTube video views reached nearly 24 million and the brand's combined Twitter following was over two million. Burberry was also the leading luxury lifestyle brand on Instagram.

Outdoor investment

- Investment was increased in out-of-home marketing in key markets. To emphasise the brand's association with weather, Burberry streamed live images of London scenes simultaneously throughout the Olympic period to prominent outdoor sites in London, Paris, Hong Kong, Los Angeles and New York.
- The Art Of The Trench social media platform was taken to outdoor spaces in London and Chicago in conjunction with flagship store launches.
- More broadly, the brand secured key airport and iconic urban locations on a long-term basis.

Product excellence
Burberry creates great product through intensive focus on design innovation, quality and core heritage icons.

Outerwear

- Outerwear is the core of the apparel business, underpinned by monthly fashion groups and a robust replenishment programme. Leveraging the brand's unique heritage together with design innovation and excellence, outerwear accounted for about 50% of mainline apparel sales. The iconic trench coat continued to be a central feature of the brand's marketing activities.

Mens

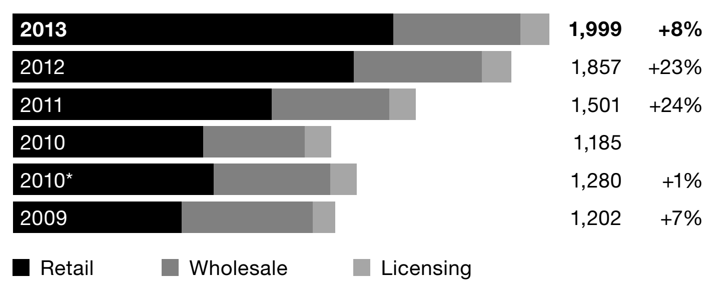
- Investments in infrastructure saw increased product and marketing excellence in men's outerwear, London and Brit. As the fastest growing product division, mens represented 24% of retail/wholesale revenue.
- Retail sales of men's tailoring, available in over 70 mainline stores, grew by nearly 70% year-on-year and the first dedicated standalone mens store opened in Knightsbridge, London.

Product hierarchy

- Burberry Prorsum and London continued to outperform, reflecting customer preferences and representing about half of womens and mens mainline retail sales.
- An ongoing focus on innovative product, marketing and merchandising and a shift in the product pyramid mix drove growth in mainline average unit retail prices.
- Runway Made to Order launched, continuing to put the Burberry customer at the centre of increasingly personalised luxury experiences. Engraved nameplates could be added to custom-made outerwear and bags from the womenswear A/W13 collection. Smart personalisation technology was introduced to unlock bespoke digital content relating to each item on touchscreen devices.

KPI: Total revenue growth (Year to 31 March)
Measures the appeal of the brand to consumers, be it through Burberry stores or those of its department store or specialty retail customers.

£1,999M +8%



Growth rate is year-on-year underlying change i.e. at constant exchange rates.
2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

INTENSIFY ACCESSORIES

Capitalise on opportunities in under-penetrated accessory categories by combining Burberry's creative expertise and iconic branding with intensified investment in product development, sourcing and marketing.

Accessories remained Burberry's largest product division, contributing 39% of total retail/wholesale revenue and recording underlying growth of 8%.

Key highlights from 2012/13 include:

Men's accessories

- Continued investments in product design, development and marketing drove an increase in sales of over 30%, to account for nearly 20% of total mainline accessories revenue. Growth in this category was particularly strong in Asia Pacific and on burberry.com.

Soft accessories

- Continued diversification and innovation in fabrications and prints, supported by enhanced visual merchandising, enabled outperformance in this key category.
- Scarves, one of the largest trans-seasonal businesses, performed strongly, driven by a balanced offer across cashmere and lighter-weight blends.

Large leather goods

- Accounting for around half of all mainline accessories revenue, large leather goods remained the backbone of this category. Growth was driven by focused marketing of key fashion shapes and continued innovation in the core leather programme, including the launch of the Heritage Grain collection.
- Following a successful launch in the womenswear A/W12 collection, the Orchard bag was subsequently introduced as a replenishment style and became the brand's second-best selling shape within a year.

Festive

- The seamless execution of giftable product was a focus throughout the year, with a particular emphasis on accessories. New experiences were created on burberry.com and brand marketing campaigns were synchronised across all platforms to drive awareness and sales growth around key global holiday periods.

Watches

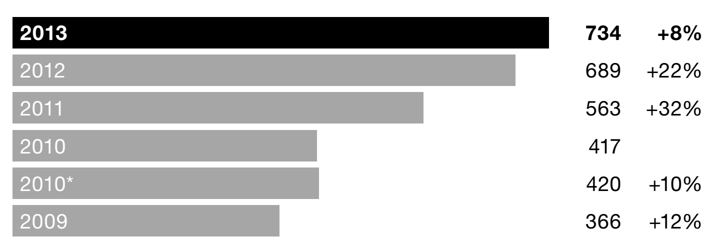
- With the introduction of The Britain, Burberry took a major step in realigning its watches with the brand's global luxury positioning.
- Inspired by the iconic trench coat, the mechanical watch collection for men and women celebrated the brand's values of functional design and craftsmanship.
- The launch included a bespoke mobile experience, featuring a to-scale interactive 3D model of the watch displaying the user's time, location and local weather conditions.

Eyewear

- A continued focus on product development and distribution drove robust sales growth.
- Product activity included the addition of two high-profile collections in the year. The Aviator sunglasses collection was launched with a digitally-led music campaign, which included live performances by Burberry Acoustic bands in Milan, New York, Paris and Sydney. Splash sunglasses were introduced at the womenswear and menswear S/S13 runway shows and featured in the main advertising campaign.

KPI: Growth in accessories revenue (Year to 31 March)
Measures the success of Burberry's initiatives to expand in this category, which includes large and small leather goods, scarves, shoes, belts and jewellery.

£734M +8%



Revenue is retail/wholesale only. Growth rate is year-on-year underlying change i.e. at constant exchange rates.
2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

ACCELERATE RETAIL-LED GROWTH

Apply a dynamic digital retail mindset across the organisation and processes to drive growth in all distribution channels – online and offline.

Burberry finished the year with retail revenue up 12% and accounting for 71% of total revenue.

Key highlights from 2012/13 include:

Driving productivity

- Burberry invested in enhanced training, physical and digital synchronisation and improved merchandising disciplines.
- Interactive training materials were rolled out, providing social and online learning tools to enhance the expertise of sales associates in delivering a seamless experience across physical and digital channels.
- Monthly floorsets and gifting strategies drove consistent brand messaging across all customer touchpoints.

Customer focus

- Investment in customer service continued with the opening of a new service centre in Shanghai. These facilities supported Burberry customers 24/7 by phone, email, live chat in 11 languages and via a dedicated customer service Twitter account.
- Global customer analytics and insight capabilities, together with the development of enhanced customer intelligence tools, began to drive deeper understanding of customer trends.
- Burberry Private Client teams, dedicated to offering exceptional service, continued to grow globally, with the investment focused in flagship markets.

Real estate investment

- 13% increase in average space growth, focused in flagship markets.
- 23 mainline stores were opened, including flagships in London, Chicago, Hong Kong and Milan. Major renovations including Paseo de Gracia Barcelona and Knightsbridge London were completed.
- The first US retail concession was opened, occupying a three-storey space in the refurbished Macy's Herald Square, New York.

External recognition

- Burberry was ranked second in Fast Company magazine's 'Top 10 Most Innovative Companies in Retail' for 2013. The custom-designed Chicago flagship, Burberry's second-largest store in North America, was awarded '2013 Development of the Year' by the Greater North Michigan Avenue Association.

KPI: Growth in retail revenue (Year to 31 March)
Includes comparable store sales growth (measuring growth in productivity of existing stores), plus revenue from new space.

£1,417M +12%

■ Comparable stores ■ New space ■ China acquisition

Growth rate is year-on-year underlying change i.e. at constant exchange rates. Comparable store sales growth is defined as the annual percentage increase in sales from stores that have been opened for more than 12 months, adjusted for closures and refurbishments.

KPI: Number of stores (As at 31 March)
Measures the reach of Burberry directly-operated stores around the world.

469 +25 STORES

■ Mainline ■ Concessions ■ Outlets

2009 and 2010* include the stores of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

INVEST IN UNDER-PENETRATED MARKETS

Focus on and invest in under-penetrated markets. For Burberry, these include opportunities in both developed markets like the United States and the growth economies of China, India and the Middle East. A range of distribution channels and business models are used to address these opportunities.

Key highlights from 2012/13 include:

Engaging the Chinese luxury consumer

- Leveraging proprietary research into the Chinese luxury consumer, Burberry refined services to these customers at home and abroad.
- Over 150 Mandarin-speaking sales associates were integrated into teams across top tourist destinations outside Asia. In China, a specialised sales and service programme was developed, enhancing the customer experience and driving brand consistency.
- Bespoke product assortments were developed for stores in China, key tourist destinations and on burberry.com, to coincide with the Golden Week and Chinese New Year holidays.
- The brand's digital presence continued to be strengthened, engaging customers with dedicated content across multiple Chinese platforms.

Developing the Middle East

- The store portfolio in the Middle East was extended with the opening of five new stores across Kuwait, UAE and Saudi Arabia.
- Customised Eid Al Fitr and Eid Al Adha campaigns were introduced in-market and on burberry.com, engaging customers at these peak gifting periods.

Building Central and Latin America

- The brand's footprint in Latin America increased with the opening of four new stores in Brazil – São Paulo, Recife and two in Rio de Janeiro.
- Leases were signed to open a planned three further retail stores in Antara, Santa Fe and Cancun.
- New franchise agreements were signed for Colombia, Chile and Barbados.

Entering new markets

- Recognising the potential volatility in emerging markets, Burberry continued to work with franchisees and partners in countries where it has more limited experience, benefiting from local expertise.
- During the year Burberry opened stores in five new markets: Jordan, Kazakhstan, Latvia, Estonia and Georgia.

Elevating wholesale presence

- Securing appropriate in-store locations and refining assortments, Burberry made further progress in aligning its wholesale presence with the global brand positioning.
- North American department stores performed strongly with further expansion of dedicated shop-in-shops.

KPI: Number of stores in emerging markets

(As at 31 March) Measures the reach of the Burberry brand in these high potential countries.

173 +19 STORES

Emerging markets include: China, the Middle East, Eastern Europe, Russia, Brazil, India and other parts of South East Asia, South Africa and Latin America.

PURSUE OPERATIONAL EXCELLENCE

Continue to pursue operational excellence consistent with the brand's product and marketing expertise.

Burberry continued to drive operational improvements and increased efficiency across all global functions, with a particular focus on technology, planning and supply chain.

Key highlights from 2012/13 include:

Technology investments

Process innovation

- Back office finance and HR functions continued to evolve with enhanced governance, risk and compliance systems. Automated and standardised processes were introduced to enable scalable growth and to support the incorporation of the Beauty division.
- Technology was leveraged to enable the rapid delivery of consolidated data such as product details, customer and transaction information to front-end applications, including the development of an iPad-enabled digital catalogue for showrooms.

Social entity

- Continued development and deployment of Burberry's internal communications portal connected and engaged employees worldwide with chat forums, video content and tailored working groups.
- In November 2012, this was rolled out to select external partners, reinforcing and enhancing the connections between the business and its global constituencies and facilitating greater transparency, efficiency and responsiveness.

Planning

- Assortment planning and inventory management continued to improve, balanced by product division, label, category and price point.
- The global brand buy, a common product assortment across Burberry stores, provided increased supply chain efficiency, while maintaining regional flexibility.

Supply chain

Optimising logistics

- Logistical enhancements were implemented to provide capacity for long-term growth. The regional distribution hub in Piacenza, Italy was expanded to optimise European logistics activities, while in Asia Pacific a new distribution centre in Kwai Chung, Hong Kong was opened to service China.
- Digital commerce operations in Europe moved in-house, with all online customer orders fulfilled by the recently-enhanced UK distribution centre in Blyth.

Investment in UK manufacturing

- Additional capital investments in Castleford, the brand's heritage rainwear manufacturing facility, enabled seamless end-to-end product development and production, increasing accuracy and efficiency.
- The Woodrow facility, where the brand's iconic gabardine fabric is woven, was renamed Burberry Mill to align the site more closely with the brand. Burberry Mill benefited from the integration of finance, HR and site management resources with Castleford during the year.

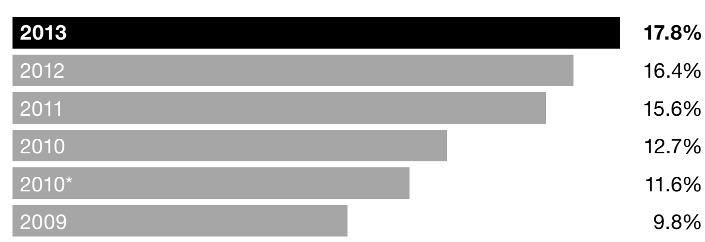
KPI: Retail/wholesale gross margin (Year to 31 March)
Measures, among other things, how effectively Burberry sources its products.

70.6% +250 BPS

2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

KPI: Adjusted retail/wholesale operating profit margin
(Year to 31 March)
Measures how Burberry's initiatives and its investment to improve its business processes, including sourcing, IT and logistics are impacting its profit margin.

17.8% +140 BPS



Adjusted operating profit margin is stated before exceptional items.
2009 and 2010* include the results of the discontinued Spanish operations.
2010 has been re-presented to exclude the discontinued Spanish operations.

GREAT BRAND, GREAT COMPANY

GREAT BRAND, GREAT COMPANY

Burberry believes that to be a great brand, it must also be a great company. Burberry constantly leverages the energy of its creative thinking culture for positive change, from its own organisation, to its business partnerships, wider community engagement and societal and environmental impact. Commitment to its extended global community is at the heart of the Burberry core values: to Protect, Explore and Inspire, and the business strives to evolve its practices in line with these principles.

1%

1% of Group profit before tax donated to charitable causes, the majority to the Burberry Foundation

830

Over 830 audits, visits and trainings conducted in the global supply chain

65%

Tanneries supplying more than 65% of accessories leather are engaged in Burberry's environmental management programme

20%

Further 20% increase in uptake of global Sharesave Scheme

8,000

8,000 hours dedicated to volunteering by associates in 55 cities

155

155 young people participated in Burberry Create, an immersive six-week creative training and employability programme, delivered by Burberry associates

700

700 associates recognised for reaching Long Service milestone anniversaries

BURBERRY BEYOND

Burberry Beyond encompasses all activities relating to Burberry's commitment to driving positive social, cultural and environmental impact globally, underpinned by three pillars: Burberry Impact, Burberry Engage and Burberry Invest.

BURBERRY IMPACT

Leveraging our creative thinking culture to inspire sustainable action

BURBERRY ENGAGE

Harnessing the passions and talents of Burberry associates

BURBERRY INVEST

Supporting and inspiring the next generation of creative thinkers

Burberry Impact

The Burberry Impact programme, covering ethical trade and environmental sustainability, was introduced as a five-year commitment to make meaningful and lasting improvements to workers' employment and workplace conditions, as well as to significantly reduce the company's environmental impact. These commitments, informed by baseline assessments, were developed in partnership with Forum for the Future and with support from the Ethical Trading Initiative. The programme is supported by an advisory committee of external expert stakeholders and the Burberry Strategic Responsibility Council.

Burberry Impact has four areas of focus: people, product, process and property.

People

Burberry expects all its suppliers to comply with local labour and environmental laws and the Burberry Ethical Trading Code of Conduct, providing their workers with safe working conditions and fair pay, and allowing them to exercise their right to freedom of association and collective bargaining.

Further integration of ethical trade principles into commercial decision making continued to be a focus across the business, with opportunities identified to improve labour standards through strong supplier relationships. Engagement activities included announced and unannounced audits; monitoring; continuous improvement programmes supported by third parties; and the provision of training and confidential worker hotlines.

Burberry continued to provide suppliers with the necessary tools and support to ensure compliance with the Burberry Ethical Trading Policy, including the Burberry Ethical Trading Code of Conduct. The Code is underpinned by the United Nations Universal Declaration of Human Rights, the fundamental conventions of the International Labour Organisation and the Ethical Trading Initiative base code.

Number of audits, supplier visits, training sessions, improvement programme and hotline training visits

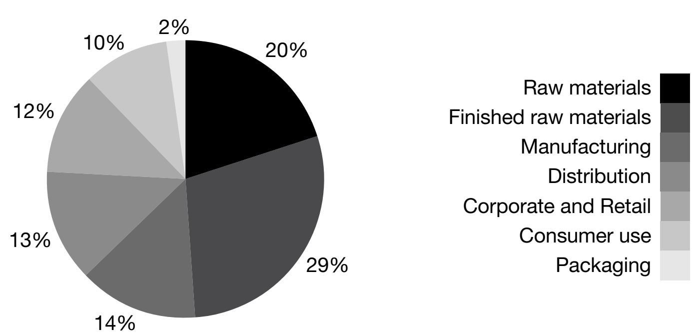
839* +11%

Recognising the importance of workers in protecting workplace rights, the rollout of NGO-run confidential worker hotlines was extended. Currently 70* factories offer hotline access, giving 30,000* workers a free and confidential consulting, counselling and whistleblowing line.

Across its supply chain, Burberry endeavours to work through multi-stakeholder dialogue to contribute to sustainable change. Burberry continued to collaborate with peers and stakeholders, including Business for Social Responsibility and the UN Global Compact, as well as through its membership of the tri-partite Ethical Trading Initiative.

Product
Burberry initiated an environmental baseline assessment of both direct and indirect carbon dioxide equivalent (CO_2e) impacts from raw materials, energy, water, chemical inputs and waste. This detailed analysis enabled the identification of risks and priority areas for the business to focus reduction efforts at a regional, functional and raw material level.

Environmental Baseline Assessment*
(A/W11 and S/S13 as % of CO_2e)



Together, cotton and leather represent 57% of CO_2e^ from Burberry raw materials. Building collaborative partnerships with the suppliers of these materials is therefore critical to achieving Burberry's product commitments. Working closely with other luxury brands and the Leather Working Group, Burberry committed to monitoring and improving the environmental management and traceability in its leather supply chain, working with tanneries supplying more than 65%^ of accessories leather.

Process
Burberry is committed to driving more sustainable outcomes throughout its worldwide operations.

Reflecting its commitment to reducing energy consumption across the supply chain, Burberry conducted energy efficiency assessments at key vendor sites and distribution centres, which account for almost one-third of CO_2e^ identified in the environmental baseline assessment.

Property
Leveraging the sustainability expertise of the Burberry construction team is crucial to the continued pursuit of more sustainable construction practices and energy efficiency in both existing and new buildings.

Pilot energy saving schemes were introduced after store audits identified up to 65% kilowatt hours^ of potential energy savings in selected stores. The new Chicago flagship store achieved LEED Silver certification, using innovative technologies to increase efficiency.

Recognising that associate education and engagement is critical to achieving Burberry's energy efficiency targets, a training programme was established and supported by a global challenge encouraging the submission of creative ideas for sustainable action.

Global buildings energy CO_2
(CO_2 kgs per £1,000 turnover)

20* +5%

Burberry Engage
Leveraging core business competences and individual talents in the communities where associates live and work remains a key objective. Burberry continued to encourage its associates to connect with the Burberry Beyond framework, extending its positive impact in new and existing locations. Eight taskforces were established to dynamically embed the framework into ways of working across the global organisation.

Associates were encouraged to dedicate their skills and passions during working hours to volunteering programmes, harnessing their talents to give back to local communities. 2,300^ associates in 55^ cities dedicated over 8,000* hours to inspire young people in their local communities.

Employee volunteering hours
Time volunteered by Burberry associates

8,000* +45%

2013	8,000*
2012	5,500
2011	3,700

Burberry Invest
Burberry Invest supports innovative organisations and programmes in Burberry's communities worldwide, combining associates' dedication, knowledge and creativity with corporate financial support and in-kind donations.

Burberry donates 1%* of Group profits before tax to charitable causes, the majority to the Burberry Foundation (UK registered charity number 1123102), an independent charity that aims to help young people realise their dreams and potential through the power of their creativity. The Foundation has partnered with 32 charities to directly and indirectly inspire over 75,000 young people since it was established in 2008. Today, the Foundation is active in 14 cities around the world.

In addition to financial support, the Foundation made in-kind donations ranging from non-trademark fabric and materials to assist young people enrolled in art and design courses, to the annual Christmas Coat Donation programme, benefiting disadvantaged young people around the world. Total coat donations since its launch in 2008 reached 10,000.

The Foundation launched Burberry Create, a bespoke six to eight week creative training and employability programme, delivered by Burberry associates at corporate locations worldwide. Designed to leverage the full range of Burberry's competences to develop young people's creative thinking and problem solving skills through practical work experience, business challenges and mentoring, the programme enriched the lives of 155^ young people in London, New York, Hong Kong, Shanghai and Beijing.

Burberry continued to support the next generation of creative talent through multi-year scholarship funds at the Royal College of Art in the UK and Ball State University in the US.

In response to the devastation caused by Hurricane Sandy in October 2012, the Burberry Foundation and its associates assisted with the rebuilding of lives and communities in the most impacted areas of New York and New Jersey.

Community donations £
Direct contributions made by Burberry

£4.3M* +16%

2013	4.3*
2012	3.7
2011	3.0

Governance
A global governance system connects Burberry's global community on people issues, ethical trading, community investment and environmental sustainability policies and initiatives.

The Chief Corporate Affairs Officer is responsible for ethical trade, community and environmental sustainability matters and reports on these topics to the Group Risk Committee and the Board. He also chairs the Strategic Responsibility Council and sits on the Supply Chain Risk Committee.

An advisory board of external stakeholders was established in 2012 to oversee the Burberry Impact Strategy for ethical trade and environmental sustainability.

To reflect the Company's continued expansion, Burberry strengthened its health and safety team and resources globally. Occupational health and safety compliance is reviewed tri-annually in stores and annually in offices and supply chain sites. All improvement plans are monitored by the Global Health and Safety Committee, chaired by the Executive Vice President, Chief Financial Officer.

External assurance and performance indicators
To provide confidence in the Burberry Beyond metrics, Burberry appointed Deloitte LLP to review selected sustainability key performance indicators (denoted with *) and to provide limited assurance using the International Standard on Assurance Engagements (ISAE) 3000. Deloitte LLP has assertion tested the indicators (denoted with ^). See the full independent assurance statement and the basis of reporting at www.burberryplc.com.

Great Brand, Great Company

OUR PEOPLE

Burberry recognises that its people are its greatest asset and constantly strives to attract the best talent worldwide, to provide meaningful development opportunities at all levels and to reward and recognise high performance.

Recruit
Burberry maintained its commitment to diversity and equal opportunities in recruitment. Nearly 10,000 associates from over 100 countries are now employed across all continents, with an age span from 16 to 77 and a global management team that is 37% female. The diversity within the Burberry community underpins its energy, vibrancy and connectedness.

Following the establishment of a new Resourcing Centre of Expertise in 2011/12, applications increased by 70% year-on-year and 82% of all recruitment globally was conducted directly.

Increased use of social media directly impacted these results. On LinkedIn, Burberry's followers increased by 250%, leading to applications from the site accounting for 6% of global direct recruitment. In addition to being ranked LinkedIn's 29th most in-demand employer globally, Burberry was the 'most-watched' midsize company by UK students.

Retain
Burberry continued to enhance its retail teams and secure a talent pipeline for the future. A pilot Retail Management Programme was launched to prepare retail associates for a career in store management, through a series of assignments, masterclasses and mentoring support.

An extended and improved new associate on-boarding programme was rolled out in London, New York and Hong Kong, including regular and consistent pre-communication, defined training modules and in-depth insight into the Burberry culture and values over a three-month period.

The Burberry Leadership Council supported the development of 75 high potential associates towards becoming next-generation leaders through international networking opportunities, global strategy off-sites, mentoring from senior executives and leadership training workshops.

Reward
Burberry continued to strengthen the link between reward and performance across the organisation, with all associates in a bonus or incentive scheme and able to share in the success of the business through the All Employee Free Share Plan. Accessibility was improved for the global SAYE programme, complementing existing online applications with the UK launch of text and telephone requests, which contributed to a 20% increase in global take-up.

The Icon Awards programme, which recognises exceptional performance at all levels of the company, reached its sixth anniversary. A record 10,000 nominations were received globally and 97 awards were presented across four regions, in categories inspired by the Burberry brand, heritage and core values.

The Long Service Awards scheme celebrated the loyalty and commitment of around 700 associates who reached milestone service anniversaries with Burberry, including 15 associates with 30 years' service or more.

Reinvent
A new, fully cross-functional and global team was established to integrate Beauty into the wider organisation. This was achieved through strategic recruitment of Beauty expertise and the reallocation of talent within the business. Regional accountability for organisational design and development was ensured, reflecting the diverse markets in which Burberry operates.

The technology function was also evolved to support the Beauty integration, with strategic competences brought in-house.

FINANCIAL REVIEW

Financial Review

GROUP FINANCIAL HIGHLIGHTS

Revenue
(2012: £1,857m)

£1,999M +8%

Retail revenue
(2012: £1,270m)

£1,417M +12%

Adjusted profit before tax
(2012: £376m)

£428M +14%

Year end net cash
(2012: £338m)

£297M

Adjusted diluted earnings per share
(2012: 61.6p)

70.0P +14%

Full year dividend per share
(2012: 25.0p)

29.0P +16%

	Year to 31 March		% change	
£ million	**2013**	2012	reported FX	underlying
Revenue	**1,998.7**	1,857.2	8	8
Cost of sales	**(556.7)**	(558.3)	0	(2)
Gross margin	**1,442.0**	1,298.9	11	11
Operating expenses*	**(1,013.9)**	(922.0)	(10)	(10)
Adjusted operating profit	**428.1**	376.9	14	13
Net finance charge*	**(0.3)**	(0.7)	–	–
Adjusted profit before taxation	**427.8**	376.2	14	13
Exceptional items	**(77.1)**	(10.2)		
Profit before taxation	**350.7**	366.0	(4)	
Taxation	**(91.5)**	(100.6)		
Discontinued operations#	**(0.0)**	(0.3)		
Non-controlling interest	**(4.9)**	(1.8)		
Attributable profit	**254.3**	263.3		
Adjusted EPS (pence)~	**70.0**	61.6		
EPS (pence)~	**57.0**	59.3		
Weighted average number of ordinary shares (millions)~	**446.5**	444.3		

Adjusted measures exclude exceptional items and discontinued operations.
* Operating expenses in 2013 in the table above exclude a charge relating to the termination of the licence relationship of £82.9m (2012: nil) and a restructuring credit of £0.6m (2012: nil) included in the reported expenses of £1,096.2m (2012: £922.0m). The net finance charge in 2013 in the table above excludes a £5.2m China put option liability finance credit (2012: £10.2m charge) included in the reported net finance income of £4.9m (2012: £10.9m charge).
# Discontinued operations in Spain in 2013 delivered a nil profit (2012: loss of £0.3m).
~ EPS is presented on a diluted basis.

Revenue analysis

Revenue by channel

	Year to 31 March		% growth	
£ million	**2013**	2012	reported FX	underlying
Retail	**1,416.6**	1,270.3	12	12
Wholesale	**472.7**	478.3	(1)	1
Licensing	**109.4**	108.6	1	(1)
Revenue	**1,998.7**	1,857.2	8	8

Retail
71% of revenue (2012: 68%); generated from 206 mainline stores, 214 concessions within department stores, digital commerce and 49 outlets.

- Retail sales increased by 12% on an underlying and reported FX basis.
- Comparable store sales increased by 5% (H1: 3%; H2: 7%).
- New space contributed the balance of growth (7%).
- Average retail selling space increased by 13% (2012: 14% excluding China acquisition).

During FY 2013, retail trading was uneven, with comparable store sales growth of 6%, 1%, 6% and 8% by quarter, achieved against double-digit growth throughout the previous year.

Product, marketing and customer service initiatives drove strong performance in the second half festive periods including Christmas and Chinese New Year. Digital was further optimised, with innovative marketing and monthly global messages leveraged and synchronised online and offline, responding to rapidly changing consumer behaviour.

Overall, store traffic was soft, offset by increased conversion rates and higher average transaction values. Online traffic and conversion were up significantly.

With continued focus on the execution of proven retail strategies, the drivers of growth were consistent with previous years.

- Outerwear and large leather goods remained at about half of mainline revenue.
- Replenishment remained at about half of mainline revenue.
- Burberry Prorsum and London penetration increased by four percentage points to reach 49% of mainline apparel revenue.
- Mens and men's accessories accounted for over half the growth in mainline revenue.

There was positive comparable store sales growth in all four regions during the year.

Asia Pacific
Nearly 90% of Asia Pacific revenue came from retail. China and Hong Kong both delivered double-digit comparable store sales growth in the year, while Korea remained weak.

A net seven stores were opened in the region, focused on upgrading the store portfolio in China and in flagship markets including Hong Kong, with new stores in Pacific Place and Russell Street.

Europe
Retail accounted for nearly 70% of Europe revenue. Following a strong first quarter, comparable store sales growth was broadly unchanged for the remainder of the period. France and Germany were robust and Italy remained weak. The United Kingdom, Burberry's home market, accounted for over 40% of Europe retail revenue and delivered good overall growth, driven by the investment in London stores (Regent Street and Knightsbridge mens).

New store openings were largely in flagship markets, including London, Milan and Rome, which typically benefit more from travelling luxury customers.

Americas
About two-thirds of Americas revenue came from retail. Low single-digit comparable store sales growth in the year was weighted towards the second half. Approaching 10% of Americas retail revenue came from outside the United States, with five stores in Canada, seven in Brazil and two in Mexico at the year end.

Store openings included the rebuilt Chicago flagship, a further store in San Francisco and four openings in Brazil.

Rest of World
Retail accounted for nearly 60% of revenue for Rest of World, with 30 stores at the year end (23 in the Middle East and seven in India). Although uneven, high single-digit comparable store sales growth was achieved in the year, led by India.

Wholesale
24% of revenue (2012: 26%); generated from sales to department stores, multi-brand specialty accounts, 65 franchise stores and Travel Retail.

- Wholesale revenue increased by 1% underlying (down 1% at reported FX).
- H1: up 5% underlying; H2: down 3% underlying as guided.
- Growth in North America, Asia Travel Retail and emerging markets offset by continued planned account and product rationalisation.
- Outerwear and mens outperformed other products.

Asia Pacific
Good growth was achieved during the year in Travel Retail, despite weakness in Korea.

Europe
Europe remains the Group's largest wholesale region at nearly 40% of wholesale revenue. Revenue was impacted by weak demand from domestic customers, especially in Italy, coupled with continuing planned rationalisation of small specialty accounts for brand and credit reasons.

Americas
The Americas is about one-third of Group wholesale revenue. Sales to North American department store customers again performed strongly, despite the greater impact of withdrawing entry price point products in core accessories and outerwear than in other regions. There was a further expansion of dedicated shop-in-shops during the year, reflecting brand segmentation initiatives with key customers.

Rest of World
Wholesale revenue in Rest of World, which is mainly to franchise partners, saw good growth.

At the year end, Burberry had 65 franchise stores, a net increase of eight during the year, including in Jordan, Kazakhstan, Latvia, Estonia and Georgia.

Licensing
5% of revenue (2012: 6%); of which just over 60% is from Japan (split roughly 85% apparel and 15% from three remaining short-term accessories licences), with the balance from global product licences (fragrance, eyewear and watches) and European wholesale childrens.

- Licensing revenue down 1% on an underlying basis (up 1% at reported FX).
- Consistent with full year guidance.
- Fragrance and beauty taken in-house from 1 April 2013.

At constant exchange rates, royalty income from Japan was down compared to last year. Income from the apparel licence, which expires in June 2015, increased slightly, reflecting higher minimum payments, offset by the planned termination and downsizing of the remaining short-term accessories licences in Japan.

Global product licences delivered double-digit percentage growth. Product launches included Body Tender fragrance, the Aviator and Splash sunglasses collections and The Britain watch, starting the realignment of Burberry watches with the brand's luxury positioning.

Burberry began directly operating fragrance and beauty from 1 April 2013. The royalty revenue (£27m in FY 2013) from this product category will no longer be received.

Operating profit analysis

Adjusted operating profit

	Year to 31 March		% growth	
£ million	**2013**	2012	reported FX	underlying
Retail/wholesale	**335.6**	286.9	17	17
Licensing	**92.5**	90.0	3	1
Adjusted operating profit	**428.1**	376.9	14	13
Adjusted operating margin	**21.4%**	20.3%		

Adjusted operating profit increased by 14% to £428.1m, including a £2.9m translation benefit.

Adjusted retail/wholesale operating profit

	Year to 31 March		% change
£ million	**2013**	2012	reported FX
Revenue	**1,889.3**	1,748.6	8
Cost of sales	**(556.7)**	(558.3)	0
Gross margin	**1,332.6**	1,190.3	12
Gross margin	**70.6%**	68.1%	
Operating expenses	**(997.0)**	(903.4)	(10)
Adjusted operating profit	**335.6**	286.9	17
Operating expenses as % of revenue	**52.8%**	51.7%	
Adjusted operating margin	**17.8%**	16.4%	

On 8% revenue growth, retail/wholesale adjusted operating profit increased 17% to £335.6m, resulting in a 140 basis point improvement in operating margin to 17.8%. This included a £12m benefit from a lower performance-related pay charge, due in part to the external environment being more challenging than budgeted. Without this benefit, adjusted operating margin would have been 17.1% compared to 16.4% in FY 2012.

Gross margin increased by 250 basis points, driven by modest price increases, FX benefits on sourcing, improved inventory management and the mix shift to retail.

The operating expenses to revenue ratio increased by 110 basis points, driven in part by the shift to retail. Of the £94m increase, over half related to net new space. Spending by the largest corporate functions (marketing, IT, product and design) was tightly controlled, falling marginally as a percentage of sales, funding further investment in areas including digital.

Licensing operating profit

	Year to 31 March	
£ million	**2013**	2012
Revenue	**109.4**	108.6
Cost of sales	**–**	–
Gross margin	**109.4**	108.6
Gross margin	**100%**	100%
Operating expenses	**(16.9)**	(18.6)
Operating profit	**92.5**	90.0
Operating margin	**84.6%**	82.9%

Licensing revenue declined by 1% on an underlying basis (up 1% at reported FX). With lower expenses, operating profit increased slightly to £92.5m, including a £1.7m FX benefit.

Exceptional items

£ million	Year to 31 March 2013	2012
Termination of licence relationship	**(82.9)**	–
Restructuring credit	**0.6**	–
China put option liability finance credit/(charge)	**5.2**	(10.2)
	(77.1)	(10.2)

During the year, £82.9m has been recognised as an exceptional item relating to the termination of the fragrance and beauty licence relationship.

- Of the Euro 181m termination payment, £70.9m has been capitalised as an intangible asset and will be amortised on a straight-line basis over the period 1 April 2013 to 31 December 2017. This intangible asset relates to the present value of the anticipated incremental income from fragrance and beauty which will be earned by the Group up to 31 December 2017. The annual amortisation charge is expected to be £15m.
- The remaining £71.3m has been recognised as an expense, together with related costs of £2.7m. It is anticipated that this value will be recovered through increased income from fragrance and beauty beyond 31 December 2017.
- Set up costs of £8.9m were incurred during the second half of the year as Burberry prepared for the transition to direct control. These included marketing, product registration and headcount costs.

The restructuring credit of £0.6m relates to the release of a provision held in respect of the cost efficiency programme announced in January 2009.

The China put option liability finance credit/(charge) relates to fair value movements on the put option liability over the non-controlling interest in the acquired Chinese business. The credit in the full year was £5.2m (2012: £10.2m charge).

Taxation
In FY 2013, Burberry had a tax charge of £91.5m (2012: £100.6m), giving a tax rate on adjusted profit of 25.8% (2012: 26.7%). Tax on exceptional items has been recognised as appropriate. The resulting effective tax rate on reported profit is 26.1% (2012: 27.5%).

The tax rate on adjusted profit for FY 2014 is currently expected to be about 25%.

Net cashflow
Cash inflow from operations was £523m, an increase of £40m over last year. This funded significant investment during the year, with capital expenditure of £176m (2012: £153m) and £144m to terminate the fragrance and beauty licence relationship. Other major outflows were dividends (£114m) and tax (£99m). Net cash at 31 March 2013 was £297m (2012: £338m).

Inventory at 31 March 2013 was £351m. Excluding Beauty (£9m), this was a 7% increase year-on-year at constant exchange rates, compared to 12% retail sales growth.

Outlook

Retail

In the year to 31 March 2014, Burberry plans to open about 25 mainline stores and close about 15, while opening about ten concessions and closing about the same number. Openings are biased towards the evolution of the portfolio in China and further expansion in Latin America. Following two years of above average space growth, net new openings are planned to contribute low to mid single-digit percentage growth to retail revenue in FY 2014.

Wholesale

Excluding Beauty, Burberry expects underlying wholesale revenue to decrease by about 10% in the six months to 30 September 2013 (2012: £253m). Wholesale customers globally planned more conservatively for Autumn/Winter 2013 and there is a continuing impact from Burberry's strategic rationalisation of wholesale accounts (particularly in Europe) and entry price products (particularly in North America).

In addition, and as previously guided, with Burberry directly operating Beauty from 1 April 2013, wholesale revenue of about £140m and incremental retail/wholesale operating profit of around £25m is still expected in FY 2014. This will be weighted towards the second half, reflecting the impact in the first half of the move from licence to direct operation.

Licensing

In the year to 31 March 2013, licensing revenue, excluding £27m royalty income from fragrance and beauty, was £82m. In the year to 31 March 2014, Burberry expects growth from this level to be slightly positive at constant exchange rates and broadly unchanged at reported exchange rates, with the difference in growth rates largely reflecting the impact of the Japanese Yen hedge rate.

In FY 2014, royalty income from Japan is expected to be broadly unchanged at constant exchange rates year-on-year, with higher minimum payments from the apparel licence offset by ongoing rationalisation of the three remaining accessories licences. The two global product licences (watches and eyewear) are expected to deliver double-digit percentage growth.

Retail/wholesale profit

For FY 2014, the aim is to modestly increase on the operating margin achieved in FY 2013, which was 17.1% without the £12m benefit of a lower performance-related pay charge. Reflecting the evolution and phasing of the business, adjusted PBT for the six months to 30 September 2013 is currently expected to be below the level of the prior year (£173m):

- Revenue continues to be weighted to the second half.
- First half wholesale revenue, excluding Beauty, expected to be down 10% underlying, as guided.
- H1 2012 benefited from a £15m lower performance-related pay charge, as previously disclosed.
- Beauty is expected to be dilutive in H1 2013, reflecting the short-term impact of the transition to direct operation.

Store portfolio

	Directly-operated stores				
	Stores	Concessions	Outlets	Total	Franchise stores
At 31 March 2012	192	208	44	444	57
Additions	23	22	10	55	11
Closures	(9)	(16)	(5)	(30)	(3)
At 31 March 2013	**206**	**214**	**49**	**469**	**65**

Store portfolio by region

	Directly-operated stores				
At 31 March 2013	Stores	Concessions	Outlets	Total	Franchise stores
Asia Pacific	58	153	12	223	15
Europe	42	58	20	120	30
Americas*	78	2	16	96	3
Rest of World	28	1	1	30	17
Total	**206**	**214**	**49**	**469**	**65**

* Three franchise stores in the Americas are in Mexico.

CORPORATE GOVERNANCE

BOARD OF DIRECTORS

Chairman

Sir John Peace (64)†

Chairman

Sir John Peace has been Chairman of the Board since June 2002 and is also Chairman of the Nomination Committee. He is Chairman of Standard Chartered PLC and Experian plc. Previously he was Group Chief Executive of GUS plc from 2000 until 2006. Sir John is Lord-Lieutenant of Nottinghamshire and was knighted in 2011 for services to business and the voluntary sector.

Executive Directors

Angela Ahrendts (52)†

Chief Executive Officer

Angela Ahrendts became Chief Executive Officer in July 2006, having served as an executive director since January 2006. Angela previously held various senior appointments, including the position of Executive Vice President at Liz Claiborne Inc between 1998 and 2006, Executive Vice President of Henri Bendel from 1996 to 1998 and President of Donna Karan International from 1989 to 1996.

Stacey Cartwright (49)

Executive Vice President, Chief Financial Officer

Stacey Cartwright became Executive Vice President, Chief Financial Officer in June 2008 having joined as Chief Financial Officer in March 2004. Stacey is a non-executive director of GlaxoSmithKline plc. She was previously Chief Financial Officer at Egg plc and held various finance related positions at Granada Group plc. Stacey will step down as a director at the conclusion of the Annual General Meeting on 12 July 2013, and will end her employment with the Group on 31 July 2013.

John Smith (55)

Chief Operating Officer

John Smith became Chief Operating Officer in March 2013, having previously been a non-executive director from December 2009. John was Chief Executive of BBC Worldwide from 2004 to 2012. John joined the BBC in 1989, where he held the positions of Chief Operating Officer, Director of Finance, Property & Business Affairs and Finance Director. He previously served as a non-executive director of Severn Trent plc and Vickers PLC, and on the Accounting Standards Board from 2001 to 2004.

Key to membership of committees
* Audit Committee
† Nomination Committee
‡ Remuneration Committee

Back row: Ian Carter, John Smith, Stephanie George, David Tyler, Philip Bowman
Front row: Angela Ahrendts, Sir John Peace, Stacey Cartwright

Non-Executive Directors

Philip Bowman (60)*†‡

Senior Independent Director

Philip Bowman was appointed as a non-executive director in June 2002 and is the Senior Independent Director and Chairman of the Audit Committee. Philip is Chief Executive of Smiths Group plc. He previously held the positions of Chief Executive at Scottish Power plc and Chief Executive at Allied Domecq plc. His earlier career included five years as a director of Bass plc. He was previously Chairman of Liberty plc and Coral Eurobet plc and a non-executive director of Scottish & Newcastle plc and British Sky Broadcasting Group plc.

Ian Carter (51)*†‡

Non-Executive Director

Ian Carter was appointed as a non-executive director in April 2007 and is Chairman of the Remuneration Committee. He is President of Hilton Hotels Corporation Global Operations. Previously Ian was CEO of Hilton International Company and Executive Vice President of Hilton Hotels Corporation, and a director of Hilton Group plc until the acquisition of Hilton International by Hilton Hotels Corporation in February 2006. He previously served as an Officer and President of Black & Decker Corporation between 2001 and 2004.

Stephanie George (56)*†‡

Non-Executive Director

Stephanie George was appointed as a non-executive director in March 2006. She also sits on the Board of Lincoln Center. Previously Stephanie was Executive Vice President and Chief Marketing Officer at Time Inc. Before this, Stephanie spent 12 years at Fairchild Publications, first as publisher of W magazine and then as President, Women's Wear Daily Media Worldwide.

David Tyler (60)*†‡

Non-Executive Director

David Tyler was appointed as a non-executive director in June 2002, having been a director of the Company since 1997. He is currently Chairman of J Sainsbury plc and Chairman of Hammerson plc. David was Group Finance Director of GUS plc from 1997 until its demerger in October 2006, Chairman of Logica plc from 2007 to 2012 and Chairman of 3i Quoted Private Equity plc from 2007 to 2009. He was a non-executive director of Experian plc from 2006 to 2012 and Reckitt Benckiser Group plc from 2007 to 2009. Earlier in his career, David worked at Unilever plc, County NatWest Limited and Christie's International plc.

EXECUTIVE TEAM

Executive Directors

Angela Ahrendts
Chief Executive Officer

Stacey Cartwright
Executive Vice President,
Chief Financial Officer

John Smith[1]
Chief Operating Officer

Carol Fairweather[2]
Chief Financial Officer Designate

Senior Management

Christopher Bailey
Chief Creative Officer

Roberto Canevari
Chief Supply Chain Officer

Simona Cattaneo
Senior Vice President, Beauty

Yvonne Chan
Senior Vice President,
Beauty & Partnership Business,
Asia Pacific

Virginie Costa
Chief Financial Officer &
Chief Operating Officer, Americas

John Douglas
Chief Technology Officer

Ryad Djellas
Chief Financial Officer,
Asia Pacific

Jon Ehlen
Senior Vice President,
Beauty & Partner Businesses,
Americas

Fabrizio Fabbro
Senior Vice President,
Product Development

Alessandro Fabrini
Senior Vice President, Licensing

Emilio Foa
Chief Financial Officer,
Europe Senior Vice President,
Emerging Markets

Marco Gentile
Chief Operating Officer,
Europe Senior Vice President,
Southern Europe

Stephen Gilbert
Senior Vice President, Architecture

Jan Heppe[3]
President, Americas

Scott Jameson
Chief Financial Officer, Architecture

Donald Kohler
Senior Vice President, Planning

Andrew Maag
President, Europe &
Emerging Markets

Michael Mahony
Chief Corporate Affairs Officer
& General Counsel

Sarah Manley
Chief Marketing Officer

Matt McEvoy
Senior Vice President,
Strategy & New Business
Development

Marianne Naberhaus
Senior Vice President,
Wholesale Americas

Karin Ong
Chief Operations Officer,
Asia Pacific

Stuart Pemble
Chief Financial Officer, Marketing,
IT, CMD & Digital Commerce

Pascal Perrier
Chief Executive Officer,
Asia Pacific

Paul Price
Chief Merchandising Officer

Edouard Roche
Senior Vice President,
Merchandising Europe

Steve Sacks
Chief Customer Officer

Mark Taylor
Chief People Officer

Eugenia Ulasewicz[4]
President, Americas

1. From 4 March 2013
2. Director from 11 July 2013
3. From 10 January 2013
4. Until 10 January 2013