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Notes:
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C: Stacey Cartwright; Burberry Group plc; CFO
C: Fay Dodds; Burberry Group plc; IR Director
P: Thomas Chauvet; Citigroup; Analyst
P: Erwan Rambourg; HSBC; Analyst
P: Michael Kaye; Bellman; Analyst
P: Francoise Lauvin; Cheuvreux; Analyst
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C: Stacey Cartwright;Burberry Group plc;CFO
C: Fay Dodds;Burberry Group plc;IR Director
P: Thomas Chauvet;Citigroup;Analyst
P: Erwan Rambourg;HSBC;Analyst
P: Michael Kaye;Bellman;Analyst
P: Francoise Lauvin;Cheuvreux;Analyst
P: Operator;;

+++ presentation
Operator: Good morning, ladies and gentlemen, and welcome to the Burberry Group first quarter plc trading update posted by Stacey Cartwright, Chief Financial Officer.

My name is Wendy, and I'll be your coordinator for this conference. Throughout the presentation you will be on listen-only. However, at the end of the call, there will be an opportunity to ask any questions.
I will now hand you over to Stacey Cartwright to begin today's conference call. Thank you.

Stacey Cartwright: Good morning, everyone, and welcome. With me this morning is Fay Dodds, our IR Director. We're going to give you a brief overview of our performance in the quarter before then taking your questions.

So an overview; sales for the quarter were up 22% on a constant currency basis, or 26% on a reported basis as we had translation benefit from the stronger euro.

If we look by channel first of all, retail sales increased by 14% on an underlying basis in the quarter. Within this, comparable store sales increased 4.5%, down from 6% in the second half of last year.

However, excluding Spain, which was down double digit, the rate of growth in comparable store sales for the rest of the Group in the first quarter was unchanged from the rate in the second half last year.

As you know, we had higher inventory levels this year, and proportionately, we've seen more stock sold during our usual sale period in the first quarter, and the sale activity continues into the second quarter.

Retail sales patterns remained volatile on a weekly basis, but we did benefit from our geographical diversity. We've seen strong growth in the US, Korea, France and Germany this quarter.

We're particularly pleased with our performance in Korea, which is our largest market in Asia, excluding Japan, and this has delivered double digit comp growth.

Here we have a new management team that's reinvigorated the business, improving the luxury quotient, driving higher average selling prices in products such as outerwear and handbags, and growing childrenswear, while also refurbishing concessions, and opening new space adjacent to our luxury peers.

If we turn now to wholesale, we've reported a 43% increase in revenue on an underlying basis. As you know, the first quarter is a small wholesale quarter. It accounted for only 13% of wholesale revenue last year, and again here, we've benefited from earlier shipments.

This has been enabled by the hard work on improving our supply chain over this last year, and as you heard from Andy Janowski, our supply chain SVP at the preliminary announcement in May, Autumn/Winter '08 ranges arrived into our DCs from our suppliers around six to eight weeks earlier than they did in the past.

So having historically delivered late, this has enabled us to deliver the first floor set in June on time, which should mean we now receive fewer cancellations and, of course, have more opportunity for reorders.

So looking now to the first half as a whole, which is a more meaningful period, we now expect wholesale revenue to be up by over 10% for the half.

Within this, Spain is expected to be down double digit, but offset by good growth in other regions, especially North America, where we continue to win share and space from other brands.

And finally, licensing. Income here was up 3% on an underlying basis, consistent with our expectation for unchanged full year income.

Overall, we're continuing to pursue our five key strategies to drive growth. So under leverage the franchise, you'll see our new autumn/winter advertising campaign, which reinforces some of our unique heritage; our Britishness, our strength in outerwear, and a renewed focus on menswear and our iconic check.

Under intensifying non-apparel, this again was our strongest performing category, especially in shoes which, as we discussed at the preliminary announcement, we believe could become 10% of total sales over the next five years.

Under accelerating retail-led growth, we remain on track to open around 15 main line stores this year, as well as testing some childrenswear standalone stores.

Under investing in under penetrated markets, we continue to see good growth in markets such as the Middle East and Russia, where we work even more closely now with our partners to drive growth.

And finally, under operational excellence; here we're in the middle of rolling out SAP into Hong Kong, and we're also fitting out our building at Horseferry House, our new global headquarters and showrooms here in London.

As Angela said in her quote this morning, we're pleased with this early start to the year, although as you're all aware, the environment is increasingly challenging in many ways.

However, our brand momentum, our innovation and our diversity by product, channel and region underpins our confidence in the future.

So with that, let me now hand you back to the operator for questions.

+++ q-and-a
Operator: Thank you. (OPERATOR INSTRUCTIONS). Our first question comes through from the line of Thomas Chauvet from Citigroup. Please go ahead.

Thomas Chauvet: Good morning, Fay and Stacey.

Stacey Cartwright: Hi, Thomas.

Fay Dodds: Good morning.

Thomas Chauvet: In your statement, you're saying you expect most of the wholesale merchandise to be sent in Q2 as usually. So should we read that H1 could be close to 15%-20% underlying, which is my translation of your over 10% comment, or are you not comfortable with that guidance?

Stacey Cartwright: I think all we're saying at the moment, Thomas, is that we expect to be over 10%, and there is a subtle change from where we were six weeks ago when we were talking about around 10%. And that's really as a result of our increased confidence in being able to reduce cancellations. There's always cancellations, but with the earlier shipments, we're now delivering on time so, therefore, reduce the risk of cancellations, and we have reorders. And the opportunity for reorders when you ship earlier in the season stands you in very good stead.

The one negative, of course, is Spain. As we've called out, we're performing nice and strongly across the global collection. Within Spain that market remains challenging.

Thomas Chauvet: Okay, so over 10% is probably between 10% and lower teens anyway, okay?

Fay Dodds: Nice try Thomas.

Thomas Chauvet: Okay. And my second question is could you qualify the retail trends in both accessories and apparel? And if non-apparel continues to grow two to three times faster than apparel, should we assume that you can still improve retail gross margin in H1, despite your higher mark down comments? Or do you still think that gross margin improvement will happen in the second half as you indicated earlier?

Stacey Cartwright: Yes, I mean we're not changing our gross margin guidance for the year as a whole where we've said we'll be able to -- we believe we'll still be able to put some improvement in on the overall gross margin. I think you should expect that with the clearance activity we've talked about in the first half, the gross margins will be adversely impacted for H1, but that we'll get some nice pickup in H2, particularly as we've anniversaried the clearance activity that took place in January of this year.

Thomas Chauvet: Okay. Thank you.

Stacey Cartwright: Thanks, Thomas.

Operator: Thank you. Our next question comes through from Erwan Rambourg from HSBC. Please go ahead.

Erwan Rambourg: Yes, hello; good morning again, Erwan Rambourg from HSBC.

Stacey Cartwright: Hi, Erwan.

Erwan Rambourg: Three quick questions. First, can you come back on the split of sales by channel for Spain between retail and wholesale, and is that a reason why you're not more aggressive than the at least 10% that you're expecting for wholesale overall in H1?

Secondly -- maybe I'll just go through the three.

Stacey Cartwright: Okay.

Erwan Rambourg: Secondly, in terms of -- quite a naive question maybe, but you are obviously invoicing much more today. What is the risk that if there's a steep slowdown that you'll have to clear inventories in H2 as well as in H1?

And then thirdly, a detail regarding licensed sales; you mentioned watches and fragrances. Can you say a word on how eyewear is doing please?

Stacey Cartwright: Okay. So going back to Spain first of all, I think we've called out that both retail and wholesale are down double digits. Yes, so in terms of the split between the two of them, I wouldn't call out either channel as being particularly beneficial or adverse as the other one. We're seeing a decline on both.

Fay Dodds: In terms of the full year, retail is about 40% of the Spanish business wholesale. Last year it was about 60%, but they've said they're both running down double digit.

Erwan Rambourg: Right.

Stacey Cartwright: And then your point in terms of -- I wasn't sure. You were referring to invoicing and the second half, and then mark downs. Are you talking about from a wholesale channel or a retail channel?

Erwan Rambourg: A wholesale. If the sales growth continues to be as strong, is there not a risk that you'll be having to take back or to clear product in H2?

Stacey Cartwright: No, that doesn't tend to be our stance. In any event, Erwan, in terms of -- the wholesale sales are wholesale sales. The risk that you may be calling out is do we have to mark down significantly more in the second half from the retail point of view? And from our point of view, we've already dealt with, or have largely dealt with the excess inventory that had built up from Autumn/Winter '07, so we'll have anniversaried that already.

Erwan Rambourg: Right, okay.

Stacey Cartwright: And then specifically, I think your question was watches, fragrances, eyewear. I think we're pleased with the performance across all three of our global licensees. It doesn't stop us pushing them for more of course, but all are performing nicely at the moment.

Erwan Rambourg: Okay, thank you.

Stacey Cartwright: Thanks, Erwan.

Operator: Thank you. There are no further questions at this time.
We have one final question coming through from Michael Kaye from Bellman. Please go ahead.

Michael Kaye: Good morning. You talked about gaining share in wholesale and in the US. Can you give us some details please as to which chains specifically, and how much floor space the department stores are adding to you, in which different product categories, and a bit more clarity around that?

Stacey Cartwright: Yes. Just to say, obviously, in the US market, we're not adding doors. What we're doing is getting better productivity out of existing space and working with those wholesale accounts on is there more space that they want to allocate to us.

I don't think there's anything specific to call out other than the fact that we know that on a relative performance basis that we are one of the strongest performers that they have, so I'm not necessarily going to call out more space at this stage. It's more productivity with the existing space.

Michael Kaye: Thanks, and could you give me some clarity please as to which chains you're doing particularly well in?

Stacey Cartwright: Well, you know the ones that we work with, so there's Nordstrom, Niemen, SAKS and Bloomingdales, and we would call out that we've got strong relationships with all of them, and they're all at slightly different stages of the growth curve. But there's nothing I'd call out specifically.

Michael Kaye: Thank you.

Stacey Cartwright: Thanks, Michael.

Operator: Thank you. And we do have one final question from Francoise Lauvin from Cheuvreux. Please go ahead.

Francoise Lauvin: Good morning.

Stacey Cartwright: Hi, Francoise.

Francoise Lauvin: Hello. I also had a question on the US actually. In your retail stores, maybe could you explain a bit if you see a change of clientele, if there are different patterns in different stores in the US, or if the growth is fairly evenly spread across the US please?

Stacey Cartwright: Yes, the first comment to call out, Francoise, is the one that we've said before about volatility. So in all of our stores, US included, we're seeing quite significant swings up and down on a daily, weekly basis; so US, Asia, Europe. Having said that, we are finding that the larger demographic markets, so the New York, Chicago, etc., West Coast, those markets are performing even more strongly. And I think we called out at the prelims, the oil producing cities in Texas, for example, are also doing extremely well.

Fay Dodds: And we're also still pleased in the US where our average unit price is still trending up very nicely as the consumers respond to the outerwear and the handbags with more innovation in. So the AUR is still increasing as well.

Francoise Lauvin: Okay. Thank you.

Stacey Cartwright: Thanks, Francoise.

Operator: Thank you. There are now no further questions. I will hand you back to your host to conclude today's conference call. Thank you.

Stacey Cartwright: Thank you very much, everybody, for listening. We look forward to speaking with you October 14, which is when we'll be announcing our first half trading update.

Thanks very much.