

14 October 2009

Burberry Group plc

First Half Trading Update

Burberry Group plc, the global luxury company, today reports on trading for the six months to 30 September 2009.

First half highlights

- Retail revenue up 14% underlying (up 27% reported), with comparable store sales growth of 2% (Q2 up 5%)
 - Europe and Asia up double-digit
 - United States and Spain remained down double-digit
 - Continued to invest in new stores and refurbishments
- Wholesale revenue down 23% underlying (down 15% reported), in line with guidance given in April 2009
 - Down 13% as wholesale customers in all regions adjusted inventory
 - Down 10% from Burberry's own actions and closures
 - Seven franchise stores opened in China
- Licensing revenue down 6% underlying (up 13% reported)
- Looking forward, Burberry is now planning
 - Average retail selling space in the full year up by a net 8-10%
 - Wholesale revenue in the second half down about 15% underlying
 - About half from own actions and closures
 - About half as customers further adjusted inventory levels
 - United States shows relative strength
 - Licensing revenue in the full year down 5-10% underlying
 - Guidance previously down 10-15% underlying
 - Benefiting from the amendment to the Japanese apparel licence

Angela Ahrendts, Chief Executive Officer, commented:

“Having completed a strong second quarter, Burberry delivered a solid first half revenue performance. During the period, we achieved further strategic progress, highlighted by good non-apparel growth, the strengthening of our position in Japan and continued brand investment, as demonstrated by Burberry's return to London Fashion Week. In this uncertain environment, the team at Burberry remains focused on executing to capitalise on all available opportunities.”

Underlying change is calculated at constant exchange rates.

Revenue by origin of business

£ million	Six months to 30 September		% change	
	2009	2008	<i>reported</i>	
EMEA*	241	211	14	
Spain	55	80	(31)	
Americas	134	124	7	
Asia Pacific	142	124	15	
Total	572	539	6	

* Excluding Spain, including Middle East

Retail/wholesale revenue by destination

£ million	Six months to 30 September		% change	
	2009	2008	<i>reported</i>	<i>underlying</i>
Europe*	195	177	10	2
Spain	49	71	(31)	(37)
Americas	135	126	7	(10)
Asia Pacific	117	103	13	3
Rest of world [#]	32	22	44	35
Total retail/wholesale	528	499	6	(5)

* Excluding Spain

[#] Including Middle East

Comments in this announcement refer to revenue by destination which better reflects the regional demand for Burberry products

Revenue by channel of distribution

£ million	2009	2008	% change	
			<i>reported</i>	<i>underlying</i>
Retail				
- Q1	148	115	28	12
- Q2	163	130	26	16
Six months to 30 September	311	245	27	14
Wholesale				
- Q1	63	80	(21)	(28)
- Q2	153	174	(12)	(21)
Six months to 30 September	216	254	(15)	(23)
Licensing				
- Q1	18	16	12	(3)
- Q2	27	24	14	(9)
Six months to 30 September	45	40	13	(6)
Total				
- Q1	229	211	8	(4)
- Q2	343	328	5	(5)
Six months to 30 September	572	539	6	(5)

Q1 is the three month period to 30 June; Q2 is the three month period to 30 September
The Burberry Middle East joint venture was formed on 30 September 2008. This transaction marginally increased total underlying sales in the half (slight positive impact in retail; slight negative impact in wholesale).

Summary

Total sales in the first half declined by 5% at constant exchange rates, up 6% reported. Retail sales increased by 14% on an underlying basis, while wholesale revenue declined by 23%, in line with guidance. Non-apparel, especially handbags and small leather goods, performed well, driven by innovation in the iconic programmes. Burberry further reduced inventory levels during the half, partly reflecting lower procurement as well as stronger full price sales in the second quarter (which helped gross margin). There has been a significant improvement in the cash position since the year-end. The global cost efficiency programme, announced in January 2009, was fully implemented during the first half.

Retail

Retail sales, which accounted for over 50% of total revenue in the first half, increased by 14% on an underlying basis (up 27% reported). New space generated 8% of this growth and Burberry Middle East contributed 4%.

Comparable store sales grew by 2% in the first half (Q1: flat; Q2: +5%). The acceleration in the second quarter was due primarily to a positive response from consumers to the Autumn/Winter 2009 collection, especially non-apparel and casual outerwear. By region, first half comparable store sales in Europe and Asia remained up double-digit, while the United States and Spain were down double-digit. The UK and Korea were again the best performing markets (with spending boosted by favourable currency movements).

In the first half, Burberry opened nine mainline stores including its first flagship store in Singapore (Ion Orchard) and one in Omotesando, Tokyo (previously under franchise), which is the first store operated within the luxury non-apparel joint venture. Six mainline stores were closed as part of the global cost efficiency programme. Overall in the first half, there was a 12% net increase in average selling space year-on-year.

Wholesale

Wholesale revenue for the first half of the year declined, as planned, by 23% on an underlying basis (down 15% reported). Of the underlying decline, 10% resulted from Burberry's own actions, including the closure of Thomas Burberry, the rationalisation of small specialty accounts in Europe and the conversion of Burberry Middle East from wholesale to retail. The balance (-13%) resulted from wholesale customers in all regions who, as projected, adjusted their inventory levels for Autumn/Winter 2009 in line with anticipated lower sales trends.

In the half, Burberry's franchisees opened a further net nine stores, including two in Bahrain and seven in China, of which one was a childrenswear trial store in Beijing. This brings the total number of stores in China to 44.

Licensing

Total licensing revenue in the first half declined by 6% on an underlying basis but increased by 13% reported, reflecting primarily the strength of the yen.

Underlying royalty income from Japan declined only mid-single digits, benefiting from the recent actions taken to amend the apparel licence. Growth from global product licences was more than offset by the planned termination of local menswear licences.

Outlook

Retail: For the full year, average selling space is expected to increase by between 8-10%, including a 1.5% negative impact from those stores closed as part of the global cost efficiency programme. Excluding these, Burberry plans to open around 15 mainline stores in the full year, biased towards Asia and the Americas.

Wholesale: For the second half, Burberry expects wholesale revenue to be down by about 15% at constant currency. Of this, about half comes from Burberry's own actions, including the second half impact of closing Thomas Burberry and certain specialty accounts in Europe. The balance of the decline reflects a cautious buy from wholesale customers for Spring/Summer 2010, as they again adjusted inventory levels following the slowdown in their sales from late 2008. US wholesale shows relative strength in the second half, in what is still an under-penetrated market for Burberry.

Licensing: For the full year, Burberry expects underlying licensing revenue to decline by between 5-10% (previously down 10-15%). This improvement reflects the positive impact of the amendment to the Japanese apparel licence agreement announced earlier this month. Reported revenue is expected to grow year-on-year due to currency benefits.

Enquiries

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry website (www.burberryplc.com), with a replay available later today. Burberry will release its interim results for the six months to 30 September 2009 on 17 November 2009.

Certain financial data within this announcement have been rounded.

The financial information contained in this Trading Update has not been audited. Certain statements made in this Trading Update are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future results in forward-looking statements.

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

Notes to Editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear base and has one of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale, licensing and e-commerce channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify non-apparel development; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 30 September 2009, Burberry had 122 retail stores, 255 concessions, 47 outlets, 90 franchise stores and e-commerce in over 25 countries.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index.