

21 April 2009

## Burberry Group plc

### Second Half Trading Update

Burberry Group plc, the global luxury company, today reports on trading for the six months to 31 March 2009.

#### Highlights (on an underlying basis\*)

- Total H2 revenue increased by 2% (up 21% reported)
  - H2 retail revenue up 14% (up 36% reported)
    - Q4 comparable store sales up 3% (flat at -0.5% in H2)
    - Strong growth in Europe and Asia
    - Full year 2009/10 average selling space planned up 10-12%
  - H2 wholesale revenue down 11% (up 7% reported)
    - Further contraction in Spain and small European independent speciality stores
    - First half 2009/10 wholesale revenue at constant exchange rates anticipated to be
      - Down about 15%, excluding the impact of ongoing initiatives and cost efficiency programme closures
      - Down about 25%, including these initiatives and closures
  - H2 licensing revenue down 13% (down 5% reported), as expected
    - Japan remains weak
    - Planned non-renewal of menswear licences
    - Full year 2009/10 licensing revenue projected down 10-15% underlying, more than offset by exchange rate benefit
- Year-end inventory reduced by over 10% (or over £30m) at constant exchange rates compared to last year, including double-digit space growth
- Adjusted PBT for full year 2008/09 anticipated to be around the middle of the current range of market expectations
  - Lower full price sales put additional pressure on H2 gross margin
  - Offset by tight management of discretionary costs
- Cost efficiency programme to deliver annual savings of about £50m well advanced
- Cash neutral at year end
- New banking agreement, giving £260m facilities which run to 2011 and 2012

\* Underlying change is calculated at constant exchange rates

Angela Ahrendts, Chief Executive Officer, said:

“Burberry made good progress in the second half. Total revenue was strong, with 21% reported and 2% underlying growth. During the period, we intensified innovation in core outerwear and accessory categories, continued to improve inventory management and advanced execution of our cost efficiency programme. Entering the new year, we believe the Burberry brand and operations are well-positioned to capitalise on available opportunities, with the goal of delivering sustainable long-term growth.”

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

## Enquiries

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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 adviser.

**Burberry will release its preliminary results for the year to 31 March 2009 on 19 May 2009. Please note this revised date.**

## Revenue by origin of business

£ million	Six months to 31 March		% change reported
	2009	2008	
Europe*	233	194	20
Spain	84	91	(8)
Americas	178	135	31
Asia Pacific	168	126	34
Total	663	546	21

\* Excluding Spain; including Burberry Middle East

## Retail/wholesale revenue by destination

£ million	Six months to 31 March		% change	
	2009	2008	reported	underlying
Europe*	202	154	32	16
Spain	74	86	(14)	(29)
Americas	179	137	31	(2)
Asia Pacific	137	106	29	12
Rest of World#	28	18	55	37
Total	620	501	24	3

\* Excluding Spain

# Including Burberry 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	
			reported	underlying
<b>Retail</b>				
- Q3	213	161	33	12
- Q4	172	121	41	17
Six months to 31 March	385	282	36	14
<b>Wholesale</b>				
- Q3	95	74	28	8
- Q4	140	145	(3)	(21)
Six months to 31 March	235	219	7	(11)
<b>Licensing</b>				
- Q3	21	19	10	(8)
- Q4*	22	26	(16)	(17)
Six months to 31 March	43	45	(5)	(13)
<b>Total</b>				
- Q3	329	254	30	9
- Q4	334	292	14	(5)
Six months to 31 March	663	546	21	2

\* Q4 reported licensing revenue includes an 8% FX benefit offset by a c.£2m one-off accounting reclassification. There is no impact on profit

Q3 is the three month period to 31 December; Q4 is the three month period to 31 March.

As previously announced, the Burberry Middle East joint venture was formed on 30 September 2008. This transaction marginally increased total underlying sales in the second half (slight positive impact in retail; slight negative impact in wholesale).

## **Summary**

Total revenue in the second half increased by 2% on an underlying basis (up 21% reported). Highlights included the retail trend where most regions saw stronger performances in Q4 than Q3. Non-apparel was the strongest product division driven by tighter, balanced assortments, product innovation especially in the new check programmes and improved planning and replenishment processes. The new childrenswear initiative continued to perform well across all regions and channels.

At constant exchange rates, year-end inventory was reduced by over 10% (or over £30m) compared to last year, including a double-digit increase in average retail selling space. With a lower proportion of sales at full price, there was additional pressure on second half gross margin above that previously indicated. This was offset by tight management of discretionary expenses. As a result, adjusted profit before taxation for the full year 2008/09 is anticipated to be around the middle of the current range of market expectations.

Due to the focus on inventory and cash management, Burberry was cash neutral at the year end (compared to net debt of £114m at 30 September 2008 and £64m at 31 March 2008), after incurring about £15m of cash restructuring costs in the second half. Having recently signed a new agreement, Burberry's banking facilities of £260m now run to June 2011 (£60m) and June 2012 (£200m).

## **Retail**

Retail sales, which accounted for nearly 60% of total revenue in the second half, increased by 14% on an underlying basis (up 36% reported).

Comparable store sales in the fourth quarter increased by 3% (Q3: down 3%) resulting in a flat performance (-0.5%) for the second half. Though still challenging, the US, Europe and Spain all performed better in Q4 than Q3. Korea and the UK had an exceptional performance, driven in part by favourable currency movements.

In the second half, new space added nearly 11% to sales growth, with Burberry Middle East, the joint venture formed in September 2008, contributing the balance of 3%. Burberry opened a net 11 mainline stores, including Vancouver and Westfield, London and five trial childrenswear stores – two in the United States, two in the Middle East and one in Notting Hill, London. Excluding the stores now operated by the Burberry Middle East joint venture, there was a 13% year-on-year increase in average selling space, as planned.

## **Wholesale**

Wholesale revenue, which accounted for about one-third of total sales in the second half, declined by 11% on an underlying basis (up 7% reported). This included a 1.5% negative impact from converting Burberry Middle East from wholesale to retail. In the third quarter, supply chain improvements enabled a better flow of deliveries, re-phasing revenue from the fourth quarter compared to last year (Q3: up 8%; Q4: down 21% underlying).

Due in part to more conservative inventory management by department store partners, lower replenishment and reorders and continued rationalisation of European independent specialty stores, wholesale revenue in the second half declined year-on-year in all regions except Emerging Markets. Adjusting for Burberry Middle East, Emerging Markets showed continued growth. Spain showed the most significant slowdown (a fall of over 30% year-on-year), with a more rapid contraction in the number of domestic independent retail customers. Excluding Spain, underlying wholesale revenue in the second half was down 4%.

### **Licensing**

Total licensing revenue in the second half declined 13% on an underlying basis (down 5% reported), consistent with full year expectations. The planned non-renewal of certain local menswear licences reduced revenue by nearly 4%. Japanese royalty income was down about 10% underlying in the half, due to weak department store sales.

### **Outlook**

*Retail:* In the year to March 2010, Burberry plans a 10-12% increase in average selling space, including the stores now operated by the Burberry Middle East joint venture.

*Wholesale:* Burberry projects wholesale revenue at constant exchange rates in the six months to 30 September 2009 as below

- Down about 25% in total;
- Down about 15%, excluding the impact of actions under the cost efficiency programme, including the closure of Thomas Burberry; the continued planned rationalisation of many small speciality accounts in Europe; and the conversion of Burberry Middle East from wholesale to retail.

This decline of about 15% reflects wholesale customers adjusting their inventory levels in line with the current economic environment and sales trends.

*Licensing:* In the year to March 2010, Burberry expects reported licensing revenue to be up year-on-year, including a benefit of about £17m from the £:Yen exchange rate. Underlying licensing revenue is projected to decline by between 10 and 15%, reflecting continuing weakness in Japan and further planned non-renewal of local menswear licences, offset by growth from global product licences, including new product launches.

*Cost efficiency programme:* In January 2009, Burberry announced a global cost efficiency programme to deliver annual savings of about £50m to underpin profitability in 2009/10 and beyond. The total cost associated with this programme remains at up to £60m, with the majority in cash. The implementation of this programme is well advanced and total planned benefits are in line with previous guidance. More details will be given in Burberry's preliminary results on 19 May 2009.

## Notes to Editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear base and one of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale, licensing and 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 31 March 2009, Burberry globally had 119 retail stores, 253 concessions, 47 outlets, 81 franchise stores and e-commerce in over 20 countries.
- Burberry was founded in 1856 and is listed on the London Stock Exchange (BRBY.L).