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Operator: Good morning ladies and gentlemen and welcome to the Burberry Group second half trading update. My name is John and I'm your conference coordinator. For the duration of the call you will be on listen only, however, at the end of the call you will have the opportunity to ask questions. (Operator Instructions).

I will now hand you over to. Stacey Cartwright, Chief Financial Officer to begin today's call.

Stacey Cartwright: Good morning ladies and gentlemen. Welcome to Burberry's second half trading update call. With me this morning I have Fay Dodds, who's our Investor Relations Director. We're going to give you a brief overview of our performance in the half before taking your questions.

Looking at the second half in summary we've made good progress. We've grown sales by 21% reported, or 2% at constant exchange rates. We've reduced our inventory significantly, down by over 10% at constant FX, or GBP30 million. This is all the more impressive given that we've had double-digit increase in selling space in the period.

We've focused on cash finishing the year cash neutral compared to debt of over GBP100 million last September. We've renewed GBP200 million worth of our GBP260 million banking facility and we're well advanced with our cost efficiency program to drive GBP50 million of annual benefits, which should underpin or support profits in '09/'10; and we've continued to pursue new brand initiatives.

The net result of this being that we anticipate adjusted PBT for this financial year being around the middle of the range of market expectations and consistent with the guidance that we gave last November.

Let me now give a little more detail on our second half performance. Total turnover was up 21% reported, 2% underlying. We're delighted with the progress we've made on inventory and converting this into cash, although obviously with an impact on gross margin, which in the second half will be down more than we previously indicated. But this has been offset by higher than expected sales and a better performance on operating expenses, including tight management of discretionary expenses. Obviously more details on our P&L performance will be given at our prelims in four weeks time, that's on May 19.

If we look at the individual channels now; Retail sales were up 14% underlying with our comparable store sales broadly flat at minus 0.5%. While Europe and Asia were up, America and Spain remained the more difficult market, albeit both were a little improved on Q3.

In Wholesale underlying revenue for the half was down 11%. Just to remind you that Q3 was much stronger than Q4, due to a better flow of deliveries as a result of our supply chain improvement effectively benefiting Q3 at the expenses of Q4.

In Licensing underlying revenue was down in line with expectations at 13% and part of this was our own actions bringing more of the menswear licenses in-house. And of course, part reflected the continued weakness in Japanese department stores.

If we look ahead to the new financial year we're expecting total increase in average selling space of about 10% to 12%. We're starting to see new and improved real estate opportunities coming through, which is of particular interest given our strong financial position.

And in Wholesale we're expecting underlying revenue in the first half to be down by about 25%. However 10% of this decline comes from our own actions under the cost efficiency program, including closing the Thomas Burberry brand. As well as ongoing initiatives including rationalizing the number of independent specialty stores.

Excluding these actions Wholesale revenue is expected to be down about 15%. A credible performance as our wholesale customers globally adjust their inventory levels to reflect the current sales trends. Don't forget that this autumn/winter '09 season is the first opportunity for both our retail stores and our wholesale customers to proactively plan in reduced procurement.

And finally in Licensing reported revenue in '09/'10 will be up as we benefit from better exchange rates, but underlying revenue is projected to be 10% to 15% down mainly due to Japan.

Also just a note for '09/'10, when thinking about gross margin for your models we would expect an improvement year-on-year, although operating expenses as a percentage of sales is also expected to increase in '09/'10 reflecting, of course, inflation, sales de-leverage and the shift to retail, which has a higher cost base. But our cost efficiency program, which is well advanced, will underpin or help support '09/'10 profits.

And finally here as we continue to refine our strategies and we're seeing positive consumer response to our initiatives, our innovative check program continued to drive non-apparel sales. Outerwear which is a core icon continues to perform well. Of course, it's roughly half of our apparel sales, so significantly reduces any element of fashion risk. And we've opened a further five trial childrenswear stores in [this] second half, while The Beat for men fragrance launch has also been successful, stimulated by some innovative digital marketing.

So as Angela said in her quote this morning, we've made good progress in the second half and as we enter the New Year we believe that the Burberry brand and operations are well positioned to capitalize on available opportunities. But the goal is delivering sustainable long-term growth.

And with that, thank you very much for your attention. Happy now to hand back to the operator, so that we can start questions.

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Operator: Thank you. (Operator Instructions). The first question we have is from the line of Erwan Rambourg of HSBC. Please go ahead with your question.

Erwan Rambourg: Yes, hi good morning again, Erwan Rambourg from HSBC.

Stacey Cartwright: Hi Erwan.

Erwan Rambourg: Three quick questions if I can. Firstly, on Retail expansion you seem to be planning quite an aggressive retail push this year as well. Can you tell us where this will take place? And what types of stores you're looking to open?

Secondly, looking at Asia trends despite a quite strong Korea, Asia seems to be softening. Can you explain what this is linked to? Is it because Asian consumers are actually buying in Korea, or London or elsewhere? Or is there something else we should look at?

And then finally looking at the cost of the restructuring program of about GBP60 million, how should we split this between this year and the next please?

Stacey Cartwright: Okay. So your first one was on retail expansion, where and what type for next year. Again, it's in recognition of the fact that there are bigger -- there are better deals to be done out there. There are some opportunistic elements within the US that we're looking at. There's probably less in Europe than you've seen historically, but there's also good opportunities in Asia. So think of the weighting as being more Asia and US focused.

In terms of any softening in Asia it's probably fair to call out Hong Kong as probably the one territory that does appear to be softening overall. Whether there's any diversion of trade into Korea I'm not sure. I think it's more that you're seeing some of the Japanese tourism into Korea rather than Hong Kong. But certainly Hong Kong is the one I would call out there.

And then in terms of the cost of the restructuring program, from a cash point of view we've called out that we've spent GBP15 million in the period to March '09. But from a P&L point of view we'll be looking to charge the vast majority in '08/'09. Clearly, there is a few actions that we haven't yet announced, but work on the basis that 90% of the plans are out there, committed to before the end of the year and, therefore, will be accrued.

Erwan Rambourg: Thank you very much; very clear. Thanks.

Stacey Cartwright: Okay, thanks Erwan.

Operator: Thank you. The next question we have is from the line of Lisa Rachal of Redburn Partners. Please go ahead with your question.

Lisa Rachal: Hi, good morning.

Stacey Cartwright: Hi Lisa.

Lisa Rachal: Hi there. I've got two questions please. The first one is about procurement for fall/winter '09. I remember maybe six months ago we spoke about your very cautious assumptions built into your forecasting and, therefore, procurement for that collection.

Based on what you know now, and in trading for the fourth quarter as well as the order intake for first half '10. How do you feel you're placed with respect to fall/winter '09 collections in terms of procurement? Do you see any need to top up? Or do you feel rather that you're sort of going to be in line with demand?

The second question is, are there any implications for cost of debt as a result to the refinancing of your credit lines? I know that you had quite a favorable rate before? Thank you.

Stacey Cartwright: Okay. In terms of procurement for autumn/winter '09 we're very happy with where we are. What we've said is that we would procure significantly less for autumn/winter '09 versus autumn/winter '08, recognizing the new world that we're in, but we always have replenishment.

And remember, there's a large part of the product offering, which is in a lot of our core items whether it's trench coat, whether it's the classic or some of the more innovative handbags where we will keep replenishment stock and as we go through the season we will chase and get more replenishment in if we need to. But I'd rather be in that position than the other way round. So no we're not looking to top up at this stage. It will only be what gets pulled in through our replenishment processes.

And then the second question in terms of the refinancing. Yes, we've refinanced a year early on the GBP200 million. That was due to run to March 2010. The refinancing does come at a cost, so we're paying more like just over 200 basis points now above LIBOR rather than the 32.5% -- or 32.5 basis points above LIBOR. But I think for the certainty of the funding we felt that was the most sensible thing to be doing.

Lisa Rachal: Sure. Thank you very much.

Stacey Cartwright: Thanks Lisa.

Operator: Thank you. The next question we have is from the line of Aurelie Husson of Societe Generale. Please go ahead with your question.

Aurelie Husson: Good morning. I have two questions. The first one I was wondering if it was fair to assume that the Middle East joint venture did not have any impact on the same store sales growth in Q4. I believe no, but I just wanted to make sure.

Stacey Cartwright: Yes; no, that's right. It's not in the comparable store sales, no.

Aurelie Husson: Okay. The second question regards the debt. You mentioned the cash neutral position at the year end was including GBP15 million restructuring cost. Is this GBP15 million part of the GBP60 million one-off restructuring charge? Or is it something else?

Stacey Cartwright: No, it's the element of the GBP60 million that has gone out in cash before the end of March '09.

Aurelie Husson: Okay. Does it mean that the GBP45 million -- the remaining GBP45 million has to be accounted next year or not necessarily?

Stacey Cartwright: Yes, but remember that it's not all cash. We said the majority of the GBP60 million is cash, but not all of it.

Aurelie Husson: Okay.

Stacey Cartwright: Okay. We'll give more details when we come back in four weeks time.

Aurelie Husson: Thank you.

Stacey Cartwright: Okay.

Operator: Thank you. The next question we have is from the line of Warwick Okines of Deutsche Bank. Please go ahead with your question.

Warwick Okines: Yes good morning, just two questions please. Firstly, on the balance sheet also, just trying to work back to this neutral balance sheet. Can you just confirm the CapEx charge for '08/'09 please?

Stacey Cartwright: Warwick, you have got to leave us something to talk about in May. And sorry, but we are only three weeks after the period end and what we've done here is obviously to give you a lot more color than we would ordinarily do in just a trading statement. But all these numbers are literally being consolidated and finalized as we speak, so I'd rather not go into more detail at this stage.

Warwick Okines: There's nothing else other than the inventory position you'd like to flag though?

Stacey Cartwright: Well simply that, we'd left ourselves more wriggle room when we were talking about net debt being below GBP100 million back in January. We'd left ourselves some wriggle room within that for if the debtor collection wasn't as strong as it needed to be in this quarter, if we had problems with some of the hundreds of Wholesale accounts across Europe and Spain. But actually the debt collection has held up quite nicely, so that's the other point to note.

Warwick Okines: Okay. And just secondly on your gross margin outlook, you said you'd expect gross margins to be up year-on-year. Would that all be second half weighted?

Stacey Cartwright: Yes, think of the bounce back as being more second half weighted, yes.

Warwick Okines: Yes. And in terms of the GBP50 million of cost savings, how would that split between gross margin and OpEx? Have you got a clear idea of that at this stage and if --?

Stacey Cartwright: Yes. Again, we'll give you more detail in May, but work on the basis that almost a kind of 60/40 split in terms of OpEx and then gross margin.

Warwick Okines: And are your gross margin comments excluding that?

Stacey Cartwright: No, it's including that.

Warwick Okines: Okay great, thanks very much.

Stacey Cartwright: Okay.

Operator: Thank you. The next question we have is from the line of Katharine Wynne of Investec; please go ahead with you question.

Katharine Wynne: Yes, part of my questions have been answered, but just to follow up on the gross margin position, what proportion of sales in the second half have gone through outlet stores? And what impact you assume that upcoming stock management will continue to have on the gross margin in the first half of the current year?

Stacey Cartwright: Okay. We don't pull out outlets and mainline separately. What we have said over the course of the last six to nine months is that we have seen outlets perform a little better than mainline.

Remember, in terms of numbers of outlets, you've got about one outlet for every 10 mainline/concessions, so they're not part of the growth strategy here. But, of course, we are very pleased that we've got them, because they're a very effective means of clearing excess inventory.

Katharine Wynne: Sure.

Stacey Cartwright: It's quite hard to try and work out. The balance between the two depends upon also what our strategies are as to whether we want to clean up the mainline stores quickly and move stuff to outlets or leave stuff on sale longer in the mainline stores. So again, it's not a strict sort of this is the number.

In terms of assumptions moving forward, we've talked about autumn/winter '09 being the first season where we, and indeed our Wholesale customers, have been able to plan proactively inventory levels down to take account of the new world, if you like.

Katharine Wynne: Sure.

Stacey Cartwright: So therefore, for spring/summer '09, we'd still expect to have inventory clearance, albeit not to the same extent as you had for autumn/winter '08.

Katharine Wynne: Okay, lovely. And just to follow up on Spain, can you perhaps give us a little bit more color around the outlook there, given the measures that you've been taking and the impact we've seen thus far on Wholesale?

Stacey Cartwright: Yes. Spain continues to be a difficult market in terms of the economy obviously and for us particularly, bearing in mind that we were probably oversized to start with. So, there's an element of right sizing going on with the Spanish market. It was always disproportionately big relative to the rest of Europe and even the US.

The measures that we're taking there, we've got a lot more interaction now between the local Spanish team and the global team in terms of product initiatives. They're working much more closely together.

But as always, these things take a while to come through, because you're always working a year in advance in terms of upcoming seasons. So, we're pleased with the level of interaction that's going on between the respective teams, but you're not going to really see the output of that for a little while.

Katharine Wynne: For another year perhaps?

Stacey Cartwright: Possibly not that long, because they have been working together for a little while now. But we're testing a number of things. It'll take a little while for it to come through.

Katharine Wynne: Okay, thank you.

Stacey Cartwright: Thanks.

Operator: Next question we have is from the line of Thomas Chauvet of Citigroup. Please go ahead with your question.

Stacey Cartwright: [Hi Thomas, morning.]

Thomas Chauvet: Good morning, two quick questions. Can you give us a sense of the differential in revenue trends between apparel and accessories in the fourth quarter? That's my first question.

And the second question, looking at FY'10, you have said in recent months you felt comfortable with consensus expectations of adjusted PBT broadly flat versus March '09, so probably around GBP170 million. Is it still the case following the guidance you've given for Wholesale and Licensing?

Stacey Cartwright: Yes, I think the range for '09/'10, if I start with your second question first, is anywhere between GBP150 million and, I think, GBP195 million. But again, you'd therefore say the middle of the range is not dissimilar to the middle of the current range. And certainly, the messages that we're putting out there about the cost efficiency program underpinning profitability for '09, '10, I think the flat position is a reasonable one to be working on.

I'll let Fay pick up on the product side.

Fay Dodds: Yes. In terms of non-apparel, it's outperforming both menswear and womenswear by a few percentage points. So we're clearly pleased with that. It's driven by the success we're seeing in the handbags, the scarves and then in the smaller areas like jewelry and belts.

Stacey Cartwright: And underpinned by the innovative checks that we're introducing as well. I've talked before about the fact that there's almost a reversion on the part of customers here to investment pieces. They're more thoughtful about their purchases and, therefore, the new innovative checks, which are clearly Burberry but have got a new twist to them, are proving particularly attractive.

Thomas Chauvet: Okay, thank you.

Stacey Cartwright: Thanks Thomas.

Operator: Thank you. The next question we have is from the line of John Guy at MF Global Securities. Please go ahead.

John Guy: Yes good morning.

Stacey Cartwright: Hi John.

John Guy: Hi, just two questions please. Just talking about -- well going to Spain, I just wanted to confirm that Spain is above breakeven and effectively -- ?

Stacey Cartwright: Yes.

John Guy: Yes great. And effectively where you think that your number of suppliers will actually go? I know you've taken some pretty drastic action to cut that number down from 50 to around 15. How much more do you see to go there? That's the first question.

Stacey Cartwright: In terms of Spain?

John Guy: Yes.

Stacey Cartwright: Yes, there will be more to do there, but it's more about getting the right picture between what the global offering is and what the local offering is, and where there's crossover of being able to use the same global suppliers. So, if you like, the main legwork has already been done in Spain. Is there more to go for? Yes, but not of the same quantum by any stretch.

John Guy: Okay. And my second question with regards to the US performance. Comparing your sales in US department stores compared to the likes of Neiman Marcus, Saks and so on, it seems as if you've had a much, much better performance. Can you just maybe flesh out that 2% down underlying for the second half of the year in relation to your sales within the US department stores?

Stacey Cartwright: Yes. Bear in mind that US number is also helped by the space growth that we've had in the US on the Retail side.

Notwithstanding that, we do think that we are outperforming our peers when it comes to trading within the US department stores. We know we're getting extra space in some of the stores, where we've got the opportunity now to break out the Lifestyle and the Tailored collection, for example, so that we have two spaces in the store instead of one on womenswear. We're getting more shelf space when it comes to things like shoes. Definitely taking share, but it's still a market that's been negative over the course of the last six months.

John Guy: Okay great, thanks very much.

Stacey Cartwright: Thanks John.

Operator: Thank you. There are currently no further questions in queue. (Operator Instructions). We do have a question coming through from the line of a Mr. Yamaguchi at UBS. Please go ahead with your question.

Yasuhiro Yamaguchi: Hello Stacey.

Stacey Cartwright: Hi Yama.

Yasuhiro Yamaguchi: Two questions please. You mentioned that there are opportunities for the floor expansions you're seeing. Can you give us some idea about how the rents -- average rents are coming down or other costs associated for the floor expansions and [decide] to continue with the double-digit growth?

The second question is, can you give us some color on the monthly trend for both Retail and Wholesale, and how they have finished the quarter or entered into April relative to what you saw post Christmas period please?

Stacey Cartwright: Okay, well on floor expansion and whether rents are coming down, it's more about the deal that you're doing, not necessarily on the absolute rent but what the length of the rent free period is.

So, there are deals out there; 18 months/two years rent free, the landlord paying a bigger share of the CapEx. It's more in that territory as well as in a couple of European locations, where previously the only way we might have looked at these locations would have been if we were prepared to pay key money, which historically we've not been very keen on at all. All of a sudden, the key money is off the table and there's deals to be done without needing to buy your way into it. So, that's more directionally the sorts of things that we're looking at.

In terms of Retail and Wholesale monthly trend, clearly our Wholesale sales, there isn't really a monthly trend to report, because we're shipping for the half. I'll let Fay pick up on whether there's anything specific to say on the retail monthly trend in the quarter.

Fay Dodds: No, there's nothing very specific, especially as you look month-to-month, you've had the different timing of Chinese New Year. You've had a different timing of Easter. So it's very difficult to say whether there is a new trend emerging.

Stacey Cartwright: Yes.

Yasuhiro Yamaguchi: Okay, thank you very much.

Stacey Cartwright: Thanks Yama.

Operator: Thank you. There are no further questions so I'll hand back to you host to wrap up today's call.

Stacey Cartwright: Well, thank you very much everybody for your attention. We look forward to speaking to you again, which will be on May 19, which is when we announce our preliminary results. Thanks very much.