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Angela Ahrendts: Good morning, welcome to Burberry's interim results presentation.

I'm going to make some introductory comments, mainly around revenue and then I'm going to hand over to Stacey, who will review our overall financial performance.

And, I'm thrilled to say, we've got Pascal Perrier, our President of Asia Pacific with us today, and he's going to update you on all of the progress in this key growth region.

I'll then come back up briefly to discuss some of the second half priorities, before Stacey and I then take your questions.

Burberry has had a great start to the year, delivering record first half profits of GBP129 million, up nearly 50%, with revenue growth up 21%.

Net cash is up to GBP181 million and we're increasing the interim dividend by 43%.

During the half, we acquired a retail business in China. And I'm thrilled by the progress Pascal and his team have made in the last few months.

And as you'll hear this morning, we invested in growth initiatives, while continuing to clean up legacy issues.

I would like to remind you all that our commentary today excludes the discontinuing business in Spain. Stacey will give you the details later, but I'd like to also thank our teams in Spain and in London for all of their time and effort to ensure this difficult transition was handled so smoothly.

Turning to revenue, for the first half revenue grew 21% reported, up 17% underlying.

And by channel, Retail contributed 57% of sales or just over 60% if we were to include China Retail on a pro forma basis for the first six months.

Retail sales were up 20% underlying, 7% from new space, 4% from China and 9% from comp store growth, with mainline directly operated stores consistently outperforming outlets.

This was good quality growth as we continued to execute strategies implemented in the second half of last year, which increased average retail selling prices, as well as mainline sell through.

We introduced our iconic pricing policy, reduced initial inventory procurement, improved replenishment and implemented a much more dynamic pricing model to ensure our price value and relative positioning were both appropriate.

And all were underpinned by continued product innovation and high impact monthly presentations, which I'll touch on shortly.

Turning now to the store portfolio, where you know we're increasing our investment.

In the first half, we spent nearly GBP30 million on new stores and refurbishments, a 50% increase year-over-year. In the first half, we opened 20 new stores, excluding those acquired in China.

These were not concentrated in any one geographical region but, in line with our flagship cluster strategy, were concentrated in high demographic markets such as London, New York, Hong Kong, Tokyo, Shanghai and new markets like Mumbai and Brasilia.

We added 8% selling space in the first half and will add an additional 25% during the second half, split broadly 15% from China and 10% from other regions.

Headline growth in Wholesale revenue was up 17% underlying. If we exclude China in both '09 and '10, Wholesale revenue was up 21% underlying, slightly ahead of our guidance, benefiting from strong branch performance as well as customer restocking, following the reduced demand in the same period last year.

Asia Pacific, the Americas and Emerging Markets all showed growth in excess of 20%. And meanwhile, the planned ongoing rationalization of small specialty store accounts continues to depress Europe's relative performance.

For the second half, excluding China, we expect Wholesale revenue to be up around 10% led by emerging markets and travel retail.

Licensing revenue was down 3% on an underlying basis but up 9% reported, benefiting from the hedged yen rate.

There was negative impact from terminating the final menswear licenses and the Japanese leather goods license. Japan remained a difficult market, although our royalty income from the apparel license, as you know, is guaranteed until 2015. And we saw good growth in royalty from our global license partners.

We continue to work with our eyewear and our watch partners to more closely connect their assortments to the brand and as you can see from these images from the current advertising campaign.

And as we said in this morning's statement, we will continue to evaluate integration opportunities across our licensed businesses in line with our brand strategy.

In the first half, we saw growth across all regions. Asia Pacific showed the largest increase, up 37%. At 29% of our Retail and Wholesale revenues, it's now larger than the Americas and much more in line with our luxury peers. This percentage will increase further in the second half, when China is included for the full six months.

Europe saw revenues increase by 12% on an underlying basis with strong double digit percentage growth in Retail, led by the UK, Italy and France and helped by tourist spend in the key flagship cities.

In the Americas, we continue to focus on improving margins, which resulted in first half comp store sales being broadly unchanged year-on-year and as planned, mainline stores strongly outperformed outlets, improving profitability.

Wholesale also posted strong growth and at only 8% of Group sales, still remains a key growth opportunity for Burberry.

And we continued to make good progress in emerging markets. Parts of the Middle East, such as Dubai and Kuwait, remained somewhat inconsistent, while we had excellent growth elsewhere, including Turkey, India and Lebanon.

We continue to enter new markets, with partners in Egypt and Israel both targeted for the second half.

And finally, turning to revenue by product category, the diversity and balance of our product divisions, as you know, is one of our greatest strengths.

Each product division and core category saw good growth. Non-apparel, now 40% of sales, increased 26%, driven by continued innovation and replenishment, while outerwear and large level goods, Burberry's two core categories, drove about half of the growth in Retail.

And shoes and children's wear, two key Wholesale growth initiatives made excellent progress, with children's wear showing growth of 40%.

Each level of our product pyramid, Prorsum, London and Brit performed strongly. And it was great to see Prorsum delivering some fantastic

figures, up about 50% in the half in our own retail stores. And remember, Prorsum is a small percentage of our overall business at about 5% but it's the halo that sets the seasonal image for the brand.

Finally, we are very pleased with the accelerated growth in menswear, reflecting the early success of some of the strategies that Andrew Maag talked to you about last May.

As you know, we've terminated all of the menswear licenses, so Spring/Summer 2011 is the first truly global Burberry menswear collection. We're seeing very positive trends in the order book, with men's apparel and non-apparel categories the fastest growing businesses.

Burberry London contributed 30% of the men's order book, up from 26% last year, with strength in tailoring. For example, jackets are up fourfold and suits up threefold, albeit from a small base.

So before handing over to Stacey, let me show you a short clip, which highlights some our achievements in the first half of this year.

(Video playing)

Stacey Cartwright: Good morning everyone. As you can see from the DVD, it's been a busy six months at Burberry.

Let me now explain how this has driven our financial performance, reminding you again that our comments exclude the discontinuing business in Spain.

So starting with the highlights; as you heard from Angela, revenue was up 21% and adjusted profit before tax was a record for the first half at GBP128.5 million, up 49%. And we finished the period with GBP181 million of cash.

Our dividend policy remains to pay out 40% of adjusted earnings in the full-year. We've increased the first half dividend by 43% to 5p per share, both as a measure of the Board's confidence in the future, but also to start rebalancing between interim and final dividends.

This slide shows how adjusted operating profit increased by 44% to GBP130 million, including a relatively small GBP5.7 million currency benefit.

At constant FX rates, Retail and Wholesale profits grew by nearly 70% or GBP35 million, continuing the momentum from the second half of last year. Our Licensing business saw a small decrease, as expected.

And there are two things which impact all of our numbers for the first half, being China and Spain, which I'd like to talk you through.

Firstly China; this slide summarizes the transaction.

As you know, we announced in mid July that we'd agreed to pay around GBP70 million to acquire the 50 stores in China run by our franchise partners, although we now expect the total cost to be closer to GBP65

million, reflecting final inventory numbers. An existing strategic partner has retained a 15% economic interest in the business, subject to customary put and call options.

And on revenue, let me just remind you that the strong, over 25%, comparable store growth in China in the first half wasn't included in our H1 comps and, of course, won't be until the anniversary of the acquisition in September next year.

And on profit, we're expecting the deal to be broadly mutual to adjusted earnings for this financial year but to add up to GBP20 million to adjusted operating profit next year.

Secondly, let me comment on Spain, where our restructuring is now well advanced.

As I said, we've excluded the discontinuing business in Spain in the numbers for the half, excluding all Retail concessions and Wholesale accounts that sell the local collection.

The three mainline stores and five outlets, which are being operated by the Europe team, are now reported as part of Europe in the regional disclosure.

There's no material change to the financial implications we expect for this year and next, but we have summarized the key figures on this slide for completeness.

Now moving on to look at Retail and Wholesale; revenue was up 23% reported; gross margin as a percentage of sales was up 670 basis points to 64.3%, a record high for us; while operating costs increased as planned to 49.5% of sales.

Overall, the EBIT margin improved to 14.8%. And we're delighted with the 410 basis point improvement in operating margin in this first half, which follows the 630 basis point improvement in the second half of last year.

But please do bear in mind as you look out to the second half of this year that we are now facing stronger comps. Comp sales were up 2% in the first half of last year but accelerated to up 10% in the second half, while gross margin and operating margin recovered sharply in the second half as well.

As Angela's explained, we had high quality sales growth in the half, with the team very focused on margin rather than just driving comp sales. Gross margin was up significantly, driven almost exclusively by the strategies to increase full price sellthrough that had already been implemented in the second half of last year.

And the 670 basis point improvement in the first half follows a 1,400 basis point improvement in the second half last year, so comparables are, again, stronger. So consequently for the second half of this year, we're expecting a modest increase in gross margin.

And secondly, remember the supply chain team do continue to make savings through vendor negotiations and process improvements but from the second half, these are increasingly being used to mitigate raw material price increases rather than benefit the bottom line. And this trend will continue into the next financial year.

In May we said we expected operating expenses to be around 50% of sales for the full-year. And in the first half, they were in line with this guidance at 49.5%.

If you look at the increase of GBP67 million, around GBP9 million comes from FX and around GBP4 million from higher share scheme costs.

Looking at the balance, around half comes from our conscious decision to increase investment in creative media, digital, IT and customer services, as well as the higher OpEx in new businesses including Latin America, the Japanese non-apparel JV and one month of China.

The other half of the increase in operating expenses relates to sales growth, new space and general inflation, which together grew less than sales.

Many of these factors will continue into the second half, so for the full-year we're still expecting the OpEx ratio to be around 50% of sales. Remember that we will have six months of China Retail operating expenses, which will add over GBP20 million alone to OpEx in the second half.

Returning to Licensing, sales and thus gross margin were down 3% on an underlying basis, as Angela's already discussed. With only a small increase in operating expenses, the margin rose slightly to 86.7%.

Returning now to the income statement, the net finance charge, before exceptionals, was GBP1.2 million, reflecting the fees on our banking facilities and, of course, low interest rates on our cash position. As we guided at the preliminary results, we expect this number to rise to a low to mid-single digit pounds million interest charge for the full-year.

I'll cover the exceptional items on the next slide.

The tax charge is in line with our guidance of an effective underlying rate of 28% on adjusted PBT. The reported rate is higher as there's no tax relief assumed on the Spanish exceptional items.

And the GBP1.4 million minority, or non-controlling interest, as it's now called, relates to our partners' share of profit from China, Burberry Middle East and the trading losses from the Japanese non-apparel JV and Burberry India.

We do have a number of small exceptional items to call out in the half.

Firstly, the operating losses from the discontinuing Spanish business, which amounted to GBP2.7 million in the half. We continue to expect to see a full-year loss here of around GBP10 million as the business downsizes fully.

And secondly, the final GBP7.6 million of costs associated with the Spanish restructuring, slightly less than we expected in May.

And finally, as I said earlier, one partner does retain a 15% economic interest in the acquired China business, so a put and call option's in place on this. And accounting rules state that we have to recognize this future potential liability on the balance sheet at its net present value and make, among other things, a related notional interest charge through the P&L account every year.

The GBP0.5 million non-cash charge taken in the first half represents one month of this adjustment. There are further details in this morning's announcement for those of you who are still interested.

So turning now to the cash flow, let me highlight a few items.

The cash spend on restructuring in Spain was GBP9.5 million in the first half, with a final GBP15 million to GBP20 million still to come.

Depreciation increased to GBP29 million, with full-year guidance at around GBP60 million.

And following tight control of working capital at an unprecedented level last year, we did see a more normal seasonal outflow in the first half of this year.

Underlying inventory was up around 7% year-on-year, with a further 10% added by the Chinese acquisition. Looking forward to March, we'd expect inventory levels at that year-end point in time to be higher than Retail/Wholesale sales growth.

The GBP167 million inventory level at March 2010 was unsustainably low, as evidenced by the need for the April Showers capsule, for example.

We also need to stock our stores in China to appropriate levels, as you'll hear from Pascal. And as we restock to optimize strong growth trends, especially on top replenishment styles, this will result in higher inventory levels at March 31, 2011.

Debt has also increased in line with the recovery in Wholesale revenue.

And let me just comment on capital expenditure. As we discussed in May, we're significantly increasing our capital expenditure this year; nearly doubling it versus last year.

We're still expecting to spend around GBP130 million, with the increase due to the investment in China new openings largely offset by timing differences around certain refurbishments.

By region, the spend is fairly evenly spread and with about 20% of our capital now going to new emerging markets and businesses, including China, Brazil, India and the Middle East and the Japanese non-apparel JV. That compares to only 5% last year.

And the other things to highlight on this slide are that we made an initial payment of GBP39 million to acquire our Chinese business, a further GBP10 million also falls in the second half as the remaining seven stores transfer across, and the balance of the circa GBP65 million is therefore deferred.

And our tax payments return to normal levels after prior year refunds.

After a GBP46 million dividend payment in the first half, the cash outflow in the period was GBP81 million, leaving us with net cash of GBP181 million as at September 30.

The Board continues to regularly review our capital structure and currently views a prudent balance sheet as appropriate for Burberry, especially given the new business and brand integration investment opportunities available to us. There are no plans to resume a share buyback program at this point.

And finally, this slide summarizes our guidance for the current year, which is unchanged from that that we shared with you in October.

We're delighted with our first half performance, which was consistent with the momentum of the second half of last year.

And, as you look ahead for the rest of this year, do bear in mind that we've still got the all-important holiday season ahead of us. For the P&L account we do face stronger comps in terms of sales and margin, while operating expenses as a percentage of sales are still planned at around 50%.

In terms of cash for the second half, although the business remains high cash generative, we continue to invest in capital expenditure, working capital, the Spain restructuring costs and the China payments.

Now, let me hand over to Pascal Perrier, our President of Asia Pacific, who's been running this high growth region since 2007 and has been with Burberry since 2005.

By way of introduction, Pascal has spent the last 15 years working in the luxury industry at LVMH and Gucci Group prior to joining Burberry. He's worked for 20 years in Japan and in Asia and is now based in Hong Kong, having previously spent his first four years with Burberry in London.

Pascal?

Pascal Perrier: Good morning. Thank you very much, Stacey, for this very kind introduction. I'm thrilled to present today Asia Pacific, as we're doing very exciting things in this region. I start by how our business has developed, then how we're growing it and finally discuss about China.

As you can see, the Asia Pacific business has grown strongly, doubling revenues over five years, with first half sales this year exceeding the full-year in 2007. And this is a very profitable region for Burberry too.

Asia was a federation of six independent businesses, which we brought under one regional structure. And we have put in place, I believe, a best-in-class team with strong regional and local management, the most recent addition being regional strategy to support our growth plans in the region.

We have over 200 stores and concessions in the region, excluding those run by our license partner in Japan. And we employ over 1,800 people in nine different countries.

Please note that our Japan license business is excluded from this chart. By channel, the region is more weighted towards retail, at about two-thirds last year, which will increase to about 80% this year, following the acquisition of our China business. This means a very high control on our brand.

Wholesale is predominantly sales to travel retail, by which I mean duty free. It also includes sales to franchised partners in the region.

The Burberry Asia travel retail business is worth about $150 million at retail value, and is performing very strongly, driven by Chinese customers.

By product, the region is slightly more weighted towards non-apparel than the Burberry average.

We are also investing in children's business, leveraging the success we have in Korea and Hong Kong.

Having put these businesses together as one region, we have been consistently deploying Burberry's five key strategies. And today I would like to focus on leveraging the franchise and accelerating retail-led growth.

Under leveraging the franchise, there were three key unlocks.

The biggest unlock was certainly the introduction of regional planning and merchandizing back in May 2009. Before, all nine countries were selecting their product assortment independently. Today, one single team does the buy for the whole region and, doing so, we went from less than 1% of styles common across all markets to 75% today.

And this congruency brings further efficiency gains, such as in training, but, most importantly, in inventory management.

The second unlock is that regional planning and merchandizing enabled us to rationalize our logistics, moving from seven distribution centers to one regional hub in Hong Kong and three satellite distribution centers.

Historically, there was one order per country, delivered into that country with no flexibility to reallocate inventory. From the regional hub in Hong Kong today, we are able to move the right product in the right quantity at the right time to the right market.

Finally, the connector between the regional planning, merchandizing and hub (inaudible) is SAP. Its deployment throughout the region, with China to go live next year, is starting to show benefits, as Burberry in Europe has already demonstrated.

Indeed, with this key initiative in place we have been able to increase retail store productivity to further drive margins and we are able to serve our customers better, resulting in double-digit comparable store sales growth for the last 18 months. We now have great confidence in rolling this initiative in China, which I will touch on later.

Now let me discuss about accelerating retail-led growth.

We are very well positioned to pursue expansion opportunities and look at the store network strategically on a city-by-city basis. In fact, we have nearly doubled the number of directly operated stores opening over the last two years.

We are implementing the corporate flagship cluster strategy in key markets. In Asia, which historically had no flagship, last year we opened our first flagship at Ion Orchard in Singapore and we are strategically investing for the second half next year.

And looking out to 2012, we will be opening the largest Burberry store in the region in central Hong Kong. And we continue to look for opportunities for at least one flagship in every key market, such as Korea and Taiwan.

Being a very large profitable market, Hong Kong is an interesting example of how we've been clustering stores and investing.

We have renovated nearly all of our stores in three years. We have two new flagship stores opening. We have selectively invested in mainline stores and we're capturing the opportunity in children, having opened four children's stores over the last 18 months.

These investments create a powerful brand statement in this important high growth market, with a halo effect on the entire region; and the returns are amongst the highest in the world for Burberry.

I'd like to discuss about China. Stacey updated you on the financials and from an operational standpoint, this is very exciting for me and the team because the acquisition brought all the operations under our direct control. Let me remind you of our strategic rationale.

First, this is in line with the Company's strategy to own and control its brands.

Second, the China market growth is very attractive because it combines increasing wealth and young demographics. An expert predicts luxury goods consumption to increase by 30% this year.

There is also an opportunity outside China with 50 million outbound trips in 2009, 90% of which were in Asia. Enhancing the brand image in China will also benefit other regions at Burberry as the Chinese traveler is becoming increasingly important.

And third, we see that our brand is well positioned towards the Chinese customers. China is a male-dominated luxury market and we see a large opportunity to grow our men's business there. It is a big outerwear market, due to its cold climate in northern parts.

With our strong recognizable icons in non-apparel, we're well placed to capture this huge gifting market. With the one-child policy we believe that we have a large opportunity with our children's offer.

The Chinese consumer is young. 80% of the population is below the age of 45, compared to 30% in the US. This plays well to our digital marketing capabilities.

And the last reason for taking over the business was that the time was right for us, because the business developed to a sufficient scale and because we had the key team in place.

This map shows you the location of the store network we acquired, fundamentally in flagship or Tier 1 cities. Specifically, we acquired 13 stores in the flagship markets of Beijing and Shanghai combined, and 26 stores in high growth provincial capitals. After announcing the acquisition in mid-July, we rapidly proceeded with our integration plans.

First, in terms of team, we built a shadow organization ahead of acquisition, headed by a world-class managing director, who joined us last April, with an amazing experience in luxury retail in China, as does the team of 45 people he has already hired.

Second, on the acquisition date, more than 99% of all the sales associates, that is over 550 people, were smoothly transferred to Burberry China. And we have already completed the initial training on products and IT.

Third, we also moved quickly on store operations, aligning all the store visual merchandizing with other stores globally, and our team is now shipping the right products in the right quantities, consistent with the local demand.

Finally, the team has already opened four new stores in the first half, with about five more planned in the second half; all in flagship cities or high growth provincial capitals.

So, what are our plans in China going forward? We will focus on customer acquisition and retail productivity. The Chinese customer already has an affinity for Burberry, but we do not believe he or she is fully aware of how much the brand has to offer.

We will aggressively invest in the brand, particularly in marketing and PR, using our global marketing tools and digital content, stressing our

attributes, especially our Britishness. And we will bring into play our digital capabilities, such as social networking, capitalizing on the 420 million Internet users currently in China.

Retail productivity will be the number one focus for the China team, executing the same strategies for them to be successful elsewhere in the world.

We believe we will see rapid results as we manage the business the directly, implementing effective planning and merchandizing, introducing replenishment programs to ensure we are never out of stock in key items, deploying global training, sales and service programs, starting with the Burberry Experience launch next February.

And we have transferred some store managers from elsewhere in the region to cascade their retail experience into the China organization.

Finally, as I mentioned earlier, we will start this month the groundwork to roll out SAP in autumn 2011. As a result of these initiatives, we see significant potential to increase the productivity in China.

While productivity gains are a priority, we will also evolve the store network by renovating, expanding and relocating certain stores, especially because some are too small in flagship cities.

And we'll be selective in opening stores, building key partnerships with developers to ensure that we can get the best real estate, only opening with the right mix of luxury peers.

Finally, we see the potential for around 100 stores in the medium-term.

On this slide is an illustration of our coming flagship store in Beijing, opening this December. It will be Burberry's most advanced digital flagship store and it will set the tone for the brand presence going forward in China.

And finally, I would like to share something exciting with you, which is that the Chinese state TV, with a reach of more than 200 million people, covered our last September fashion show. This is very unusual for the state channel to broadcast a luxury brand.

This happened just three weeks after the acquisition and we thought that it was a great welcome to our direct operation in China. Let's have a quick look at the news clip.

(News clip playing)

In conclusion, Asia Pacific is a large profitable and growing region for Burberry, and we are particularly excited about future potential.

Continuing to execute Burberry key strategic initiatives, while capitalizing on the long-term China opportunity, and support and scale our strong profitable growth.

Thank you very much for your attention, and now let me hand back to Angela. Thank you.

Angela Ahrendts: Thanks Pascal. And thanks also to Pascal's team, because it's like he said, they are a best-in-class team, and they've done a tremendous job; specifically the last couple of months with the rapid and successful integration of the Chinese business, so thank you.

So as hopefully you know by now, we have five key strategies that we have been executing consistently since 2006, and we've touched upon a number of them throughout the morning's presentation. But I'd also like to take the last few minutes and highlight three of the key priorities that we'll be focusing on for the second half.

Building brand awareness through innovative marketing, introducing high impact monthly floor sets to provide newness for the customer, and continuing to build replenishment to drive sales, gross margin, and also help reduce fashion risk.

Our innovative brand content is our most powerful means of connecting with our customers. Through the use of digital technology, we are developing more sophisticated and engaging content, increasing both reach and frequency, which create a halo that connects consumers to the brand. Its function is much wider than just driving digital commerce.

We deploy this content across multiple platforms. In social media, it's allowing the brand to connect to a new younger demographic, and we're the first luxury brand to attract nearly 3 million fans on Facebook today.

Burberry Acoustic and our fully interactive digital advertising campaign are enabling customers to experience the brand in increasingly exciting and immersive ways.

While innovation around our runway shows also dramatically increases reach. Some 650,000 people watched the live stream of the September show, compared to just 1,500 invited guests two years ago. They were able to watch, listen, comment, even click and buy straight from the runway. And the associated media coverage reached an estimated audience of some 70 million people around the world.

During the second half, we have two further initiatives we're also developing. First digital commerce. Historically we've had two operating platforms, one in the US, one in Europe showing a very selective assortment to only 28 countries.

We're now integrating to one digital commerce platform, which will offer a comprehensively consistent expression of the Burberry brand and products around the world.

We're well under way with this initiative, and the new fully integrated platform is built. It's in test now, and will be rolled out on burberry.com in the coming months. We think the opportunity is huge, especially in Asia and emerging markets.

The second opportunity is what we call retail theatre, which is installing state of the art screens and sound systems in key retail locations. This initiative was launched to relay the September runway show to invited audiences in 25 flagship stores, and will be rolled out to about 55 further stores this year.

And what retail theatre enables us to do, for the first time ever, is centrally control and distribute our brand content. Be it images, music, videos directly to our stores, show rooms, and offices globally, giving further consistency across all channels and to all audiences.

About 15% of our current capital expenditure will be on digital commerce and retail theatre this year, and of course we are investing through the P&L too. We'll look forward to showing further roll-out plans and results with you over time.

And as we interact much more with our customers in this digital space and connect all channels globally, we need to provide monthly, what we call high impact brand presentations. They only help us to continue to cut through the competitive clutter.

As a part of our retail-led growth strategy, we have been working towards monthly flow of products internally for some time. This has been a huge cultural shift but we're now at the start of a new retail-led journey which will further differentiate us from our retail luxury peers.

We talked a little at the prelims about April Showers, a small capsule of about 30 styles designed in January and in 90 stores three months later. But remember this capsule was done as a one-off to fill an inventory gap, as we had pulled product forward in response to higher planned sales.

Starting from Autumn/Winter 2010, we're beginning a monthly flow model across the entire Company, as shown on the slide, all of course enabled by earlier investment in SAP.

One example of this new approach is Winter Storms, which was planned as a part of the Autumn '10 season. For the first time, in the same week we were able to move and make sure that everything the customer saw had one point of view, across all customer touch points, across most of the world.

But Winter Storms is small, it's only about 3% of the assortment in 260 stores that it went into. But in retail it gave freshness in the stores, had high visual impact in windows and in store merchandizing, and in digital it was supported by rich online content and gave another opportunity to reach out and connect with our customers on burberry.com via social media, and directly by email.

The campaign generated over 300 additional articles in print and online, 50% more than April Showers, which have reached 22 million views. And the customers responded well, with Winter Storms contributing around 5% of retail sales in just four weeks.

Replenishment continues to be another area of key focus. When we talk about replenishment we mean those styles that are our core items, such as Heritage rainwear, or cashmere scarves that should never be out of stock. These are key volume drivers helping gross margin, and have a longer life span, reducing fashion risk.

The percentage of our sales coming from replenishment styles continues to grow, up 10 percentage points to over 40% of mainline retail in the first half.

In non-apparel, replenishment styles are counted for nearly 60% of H1 Retail sales, with apparel at about 30% of sales. Although we've made huge strides in replenishments, there's still significant opportunity in women's wear, in children's wear, where we have only just begun.

And in Wholesale where there's still a meaningful opportunity for in-season replenishment orders. And in automating the entire replenishment process which is still very manual today, both internally and for our large Wholesale partners.

All of these initiatives will continue to drives sales, productivity, gross margins.

So in summary, Burberry has delivered a very strong first half. The team is more united than ever before, and I would say more disciplined in driving growth and margin. We continue to focus on and invest in the brand, be it differentiation through digital content and technology, to drive awareness and traffic, or investing in new stores and digital commerce around the world.

While continuing to improve retail productivity through monthly flow and focused replenishment, and continuing to invest in emerging markets and not just China, which is very exciting, but Brazil, India, and throughout the Middle East, all with the aim of continuing to drive long-term sustainable and profitable growth.

Thanks very much again for your attention, and Stacey and I will now take your questions.

+++ q-and-a
Fraser Ramzan: Thank you. Good morning. Fraser Ramzan, at Nomura. Three quick questions, if I may, first of all on China. Could you just talk a little bit about the opportunity to improve store productivity; maybe what the gap is at the moment. That's the first question.

Angela Ahrendts: Honestly, we've again not even owned it 60 days, so September 1 when we did the closing. So we don't know what we don't know. We think that there's significant opportunity, but I think you need to give us a little bit more time before we can quantify it.

Fraser Ramzan: Second question on gross margin. You talk about mitigating the cost pressures. A few of your soft goods peers have talked about

potentially declining gross margins, so could you expand there a little bit, please?

Stacey Cartwright: We would say that our supply chain team, you heard from Andy Janowski in recent presentations, our supply chain team are still only part way on the journey to drive out improvements and to leverage to the best ability with our suppliers in Burberry's best interest. So the team are very focused on mitigating raw material price increases with benefits elsewhere.

So therefore, because we're at the earlier stage of development within the supply chain team, I think we have the opportunity to offset where others are having to actually suffer the hit to the bottom line.

We do still see some modest opportunity for gross margin improvements, as I outlined previously. So in terms of all of the strategies that we've implemented in terms of the iconic pricing policy and everything else that we're doing in terms of shifting the balance of sales more to mainline rather than outlet, with a tighter control of inventory, that is what's driving out the underlying benefit in gross margin still.

Fraser Ramzan: Opportunities of Spain, now it's part of the global, or will be part of the global brand fully next year; how do you think about the size of the opportunity in that market?

Stacey Cartwright: I think the point to remember with Spain is that it's not a huge luxury market, so although Burberry historically had a very high penetration in that market, it was at a premium level rather than at a luxury level. And if you look at any of our luxury peers, they tend to have low single digit percentage of their sales coming out of the Spanish market, and we see no reason why Burberry, the global collection, would be far different from that.

Fraser Ramzan: Sure, but very, very high brand awareness in that market, of course.

Stacey Cartwright: Yes.

Angela Ahrendts: Very high brand awareness, but a lot of repositioning that needs to take place.

John Guy: Good morning. It's John Guy from RBS. Three questions, please. With regards to the gross margin and looking at where you've come from and come to, if you like, now, when I'm looking at a normalized gross margin level or the expectation of 65% to 70%, is that effectively where you're moving over the next three years?

And I suppose in the same vein, where do you think that the OpEx as a percentage of sales normalizes? Obviously, again, there's been quite a lot of movement in OpEx geared towards China.

On the monthly replenishments, you've had April Showers, Winter Storms; Summer/Spring is next. Is this going to be a continued theme whereby monthly replenishments are backed up by capsules?

And Pascal talked about the Asian returns being the strongest in the business. Are you going to put a number on that?

Stacey Cartwright: I'll take the first two and the last one, and let Angela have the one in the middle, because I'm sure there were four, not three there.

In terms of gross margin, you see we've now hit record levels which is terrific. All I would say internally is that the team are very focused on continuing to nudge that up gently and modestly each year to the best of our ability. We're not putting a target out there, and I noted your subtle reference to 70%. That's not something that we have said, nor will we say, but we do want to be able to continue to deliver improvements year-on-year.

In terms of the OpEx normalizing, there's a lot of moving parts within OpEx. As I articulated, we've got a lot of investment that actually sits within the OpEx number, particularly in the new emerging markets, so we see this as a combination of, yes, driving out operating leverage from the core expense base, but continuing to reinvest in the business where it's appropriate to do so.

And you have to trust that we're looking to balance that in the most appropriate way to make sure that with gross margin improvements and with net operating margin improvements, everything is done in an affordable fashion.

And then you mentioned Asian returns. We're not going to get into regional profitability, but I think it's fair to assume that both Asia and Europe actually are our highest margin regions.

And then April Showers?

Angela Ahrendts: Yes, April Showers. And I would also add that Europe right now is still a larger region than Asia, so Pascal's rapidly catching up. But we have a highly competitive team and I would say they're neck and neck from a profit standpoint, Europe and Asia.

I think you're confusing the monthly flow high impact with replenishment; two different things. Replenishment is ongoing, not just monthly, so we have weeks of supply that we hold -- that the supplier holds, raw materials that we hold, it's a whole process. So replenishment, the numbers that I gave, 60% in non-apparel, that is simply ongoing.

The opportunity replenishment-wise is we're not yet electronically linked to all of our big department store players, EDI, etc. We're still doing it manually to a lot of our regions with our hubs, etc., so the opportunity is to -- as we add technology onto replenishment, to just make it sharper and optimize it more.

The high impact Winter Storm, April Showers, we brand them, we put names on them, because again, if you're using digital marketing as -- let me back up.

If 35 million people are going to view the brand through the website this year, which is where the numbers are trending, then customers respond to clarity, very strong what we call high impact messages, and shame on us if we don't connect every store window as they walk by, or every ad that they see.

So when we talk about these monthly high impact presentations, we ship goods monthly, but we've never had a focused compelling story that just takes the customer in with the appropriate music, etc., and then try and convert every point of sale around the world within one week. So that's the exercise; that's what we're playing with right now.

And then looking at the results, how can we control the business? How can we spike the comps for the month, if you will? So April Showers, we ran out of inventory. Winter Storms is a high impact brand story that for the first time, in one week we were able to convert nearly every point of sale in the world. So that's the new journey, if you will.

John Guy: Thank you very much.

Louise Singlehurst: Hi. It's Louise Singlehurst here from Morgan Stanley. A couple of questions actually for Pascal, if I may. Just, Pascal, drawing on your wealth of experience in the Japanese market, are there any other characteristics that you would like to share with us from parallels that you see between Japan years ago and the Chinese consumer that you're seeing today?

And in terms of purchasing habits, we know that the Asian market is more skewed towards the non-apparel market, but anything particular there for China?

And also on the retail rollout, how easy is it to negotiate space, particularly beyond Tier one and Tier two cities? I can see that you've got your store in Mongolia. Thank you.

Pascal Perrier: So let's start by Japan, if you like. Is your question, if I understood well your question, you just want to know whether the Japanese customer can be compared with the Chinese customer, right? I think they are totally different, and honestly, it's -- the time has changed also the profile of the Japanese customer. In short, I believe that the China customer is going to be much more sophisticated than what the Japanese customer is or was; looking for the best, highly educated, and probably spending much, much more.

Today, the Japanese customer is -- this is still a very big market. We should not misunderstand that. Japan is a large luxury market, but overall, and we see that very, very clearly in the duty free business, the Japanese consumer is spending much less than he used to spend before, my 10 years before, and is overtaken by the China customers.

Overall, what we see in Japan is that there is -- the luxury real estate is shrinking, because department stores are going to more entry price point brands, but there is still room for luxury to develop. In Japan,

you have brands that are growing, you have brands that are not growing, so it's the big market.

And talking about China on the second and third Tier cities, we have just started, so I think we'll have to understand how this market works. We -- as I said, we want to open stores very strategically, certainly not overexpose the brand, and we'll take the time to put the correct plans in place for China. Thank you.

Angela Ahrendts: The only two things I would add is just the opportunity, from a China standpoint, versus Japan, from a population density standpoint, and the number of high capital cities that you'll have, or provincial cities that you'll have in China.

So, I think that down the road, and again, we have a licensed business in Japan, but China, the opportunity should be multifold what the long-term opportunity was in Japan. But the biggest significant difference, as Pascal mentioned, that DFS and some of our travel retail partners call out, is that the Chinese consumer today is predominantly male.

And so that's the biggest shift, and that's why -- as we've relaunched our menswear apparel, and now as we're rapidly growing our menswear non-apparel, those are two significant opportunities, and very different from the Japanese consumer.

Melanie Flouquet: Yes, hi. Melanie Flouquet from JP Morgan. I have another question, sorry, on China.

I wondered whether you could actually quantify the percentage of your sales that are derived from the mainland Chinese consumer, both at home and travelling. We have this data for a number of your peer group, so it would be interesting to compare and contrast, and therefore see how obvious the growth is. Because clearly if you're already hitting a lot of travelers, this is a lot more obvious. Thank you.

Angela Ahrendts: As of right now, we do not have traffic counters in every store. We're not fully connected in every store yet. We don't even have China on SAP, or some of the additional Asian markets, so we do not completely have the information. We've got it from a couple of the AT markets here, but we can give you our estimates a little bit, but we cannot give you facts like a lot of our peers right now.

You know what, it's market by market, it's a low level, it's high single digits in the US. We think that in Paris and in London, which are two of the most heavily visited cities, we think it could be 20% to 30%. And throughout Asia, it just is -- as Pascal said, 90% of the tourism is staying in the market, so could be as high as 40%, 50%. But again, we don't have the technology in those stores yet to get that specific information.

I think the most important thing too though, honestly, when you talk about customer bases, because we're thrilled that the Chinese consumer has a propensity to the brand. But when you look at a market like the UK or even a market like Paris, yes, the Chinese consumer's helping drive

incremental growth, but the Russian consumer's back in the UK, estimated at about 20%, the Middle Eastern customer's very big in Paris and London and these markets as well.

You've got a huge new Indian consumer that's travelling globally, also to these flagship markets. In a market like the US, we estimate we do 25% of our business in New York City to the Brazilians coming up.

So I just -- I think it's really important, when you run a portfolio like we do, we keep -- balance is a very big deal here, whether it be by product division, whether it be by region of the country, regions around the world, whether it be by channel.

So, I know that there's a lot of press right now on the Chinese consumer, and it's wonderful, but I would argue that there's a lot of growth consumers right now traveling around the world, and it's why we're very focused on the brand, and just luring and connecting with those customers to the brand.

Othar Forzell: Hello. [Othar Forzell] from Merrill Lynch. We've heard some competitors talking about the increasing polarization of consumption around key cities. We talked also about reaching out to Tier 2, Tier 3 cities in China. How do you balance, precisely, the need to reach out for these consumers and at the same time, perhaps, also have fairly large stores to display your increasingly global brand offering, basically? How do you look at this going forward, notably in China?

Angela Ahrendts: Honestly, we look at China no different than America or Europe. We've got multiple formats, so we've got a flagship format, we've got a mainline format, we've got a small format, which we use in the travel retail markets, etc. So I think you go into -- and again, China is so new, guys, it's been 60 days, so Pascal and his team are doing a lot of continued diligence on the market.

But I would anticipate that depending on the market, and whatever the market can handle -- and, honestly, no different than emerging markets. You go to Istanbul, the market can handle three big flagships. You go north to Ankara, you see more of a mainline store, which is about 4,000 square feet.

So, around the world, it's market by market, we've got these multiple formats. And then we have shared with you, we are testing, in a market like America, we have our fifth Brit store open now, which is a much smaller format, closer to 2,000, 2,500 square feet. That is simply in test mode, but it's even smaller than mainline. So we'll look at it city by city, opportunity by opportunity, and then utilize the format accordingly.

Melanie Flouquet: Sorry, it's me again, Melanie Flouquet, JP Morgan. I have two more questions. If we turn to the US, during your sales release, you singled out the US as the most difficult, or actually the most volatile market, I should correct. And so, I was wondering whether you could give us an update on this market, and on the same -- by the same

token, also longer-term, your optimism on your increased penetration in Wholesale, so that's my number one question.

And the number two is about pricing power. You talked about raw materials prices, and your ability to offset this through price -- through efficiency, sorry, production efficiencies. I was wondering what -- how do you foresee your ability to increase prices and continue to drive the mix, because I believe this year was also extremely favorable in the mix effect. Thank you.

Stacey Cartwright: I'll take the US question, and Angela will pick up pricing then.

I think the phrase we used at the trading update was that the US was inconsistent, and we were referring specifically to the fact that, for us, given that the US had been traditionally a more promotional market, our evolution away from that, and driving more through our mainline stores, and having less inventory to flow to the outlets, was giving us -- and less promotion then in store, in the mainline stores in the US as well -- was giving us a slightly difficult read on what the market was doing on an underlying basis.

We did call out that in Wholesale we continued to outperform our luxury peers, but certainly in our own retail stores we were seeing this mix shift, particularly between outlets and mainline.

I will say that we're very pleased with the way that that US market has evolved, particularly because it's driven much better margin performance to the bottom line, so the US has contributed very nicely to the sets of numbers that you've just seen in the half-year here.

In terms of anything that's by way of an update on the market, then clearly we're not going to talk about anything beyond September 30, as we're always very disciplined, as you know, Melanie, about not talking about current trading. Pricing?

Angela Ahrendts: Pricing we've always been focused on, but not, I don't think, as much like our peers are. We've been focused on driving the average unit retail price, which if you'll look back over the five years, was up 20%, up 20% -- even in the worst year on record, the average unit retail for the business was still up 9%. So even with this promotional, as the environment got, etc.

And to your point, Melanie, a lot of it is mix, and that's why we continually talk to you about the power or the strength of having two high average unit retail product categories. Outerwear is the most expensive apparel category that we do. It's half of the apparel business, and half of that today is on replenishment. Half of non-apparel is large leather. That's the highest average unit retail, and half of that is on replenishment.

So that's where the teams around the world are focused. That's what drives the average unit retail. That's what keeps the mix in check, or keeps it balanced, and that's what drives gross margin, and to me,

eliminates this fashion risk I keep reading about in every analyst's report that I read.

William Hutchings: Good morning. It's Will Hutchings from Goldman Sachs. Just a quick question on your US strategy for Wholesale. You talk about it being 8% of sales, and that there's an opportunity there for you to grow that. I wonder how -- could you give us an update on how you expect to execute on that strategy?

And also, is there an opportunity for you to close the gap in terms of your margin that you achieve in the US, relative to the rest of the world, or do you think that's a sort of structural positioning?

Angela Ahrendts: Great question. We're very focused on US Wholesale, and we've been very -- it's always there based on performance, but we've had pretty consistent performance now for the last couple of years, so you can assume that we are putting intense pressure on all of the partners, and the teams have been heavily negotiating.

It's a real estate game in American department stores, no different than department stores anywhere, and convincing them to tear down a peer shop in order to give you that real estate is often the game. So you can assume that with every major CEO on down, there are massive negotiations that are under way, and we've got about 20 shop-in-shops under renovation right now in the US.

And it's -- again, the brand has performed. We've got full support, they love the brand, but it's simply a real estate negotiation, no different with retail stores, so ongoing.

The margin gap is a trickier one --

Stacey Cartwright: Well, I think you heard Angela talk earlier about how competitive our regions are, and so you've heard from Pascal today, and we've talked about how profitable the European region is as well. I think it's fair to assume that the Americas team are equally focused on driving improvement so that they can get up there with the other regions. So we're not going to say we're going to close the gap, but certainly there'll be good improvements to come out of the US.

Angela Ahrendts: Okay. Thank you very much.

Stacey Cartwright: Thank you.

Operator: Ladies and gentlemen, this will conclude today's conference call. Thank you for your participation. You may now disconnect.