

13 October 2010

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 2010.

First half highlights*

- Total revenue up 17% underlying (up 21% reported)
- Retail revenue up 20% underlying (up 24% reported)
 - Comparable store sales growth of 9%
 - mainline stores up double-digit in both Q1 and Q2
 - Material improvement in gross margin
 - Outerwear and large leather goods drove about half of growth
- Wholesale revenue up 17% underlying (up 20% reported)
 - Up 21% excluding China, slightly ahead of guidance
- Licensing revenue down 3% underlying (up 9% reported)
- Further strategic and operational progress
 - Opened 20 mainline stores including two in India and first in Brazil
 - Chinese retail operations acquired on 1 September 2010
 - integration on track
 - comparable sales for acquired stores up over 25% in first half
 - Digital initiatives around shows in June and September increased awareness
- Looking forward, Burberry now expects
 - About 25% increase in H2 selling space, of which about 15% is China
 - About 10% increase in H2 underlying wholesale revenue excluding China
 - Mid single-digit % decline in full year underlying licensing revenue, with improvement in guidance due to higher growth from global licences

Angela Ahrendts, Chief Executive Officer, commented:

“The momentum at Burberry continues, with 21% revenue growth and a material improvement in the gross margin in the first half. While mindful of our strong second half last year, we currently expect adjusted profit before tax for the full year to be in the top half of market expectations. Continued product innovation, digital and customer service initiatives, coupled with the recent acquisition of our Chinese retail operations, underpin our confidence in delivering long-term sustainable growth.”

* Highlights exclude the business in Spain affected by restructuring

Underlying change is calculated at constant exchange rates

Adjusted profit before tax excludes exceptional items and losses from the business in Spain affected by restructuring

Certain financial data within this announcement have been rounded.

Revenue by channel of distribution

£ million	2010	2009	% change	
			reported	underlying
Retail*#				
- Q1	171	140	21	16
- Q2	195	154	27	22
Six months to 30 September	366	294	24	20
Wholesale*#				
- Q1	87	58	51	46
- Q2	139	130	6	4
Six months to 30 September	226	188	20	17
Licensing				
- Q1	24	18	36	14
- Q2	25	27	(9)	(13)
Six months to 30 September	49	45	9	(3)
Total excluding Spain				
- Q1	282	216	30	24
- Q2	359	311	15	12
Six months to 30 September	641	527	21	17
Spain				
- Q1	9	13	(27)	(25)
- Q2	23	32	(29)	(26)
Six months to 30 September	32	45	(29)	(26)
Reported total				
- Q1	291	229	27	21
- Q2	382	343	11	8
Six months to 30 September	673	572	18	13

Q1 is the three month period to 30 June; Q2 is the three month period to 30 September

*Q1 and Q2 2009 restated to exclude business in Spain affected by restructuring, which is planned to be discontinued from H2 2010/11. See appendix for more details

#Burberry acquired its Chinese operations with effect from 1 September 2010. Excluding China in both H1 2009 and H1 2010 gives underlying growth of 16% in retail and 21% in wholesale

Retail/wholesale revenue by destination, excluding Spain*

£ million	Six months to 30 September		% change	
	2010	2009	reported	underlying
Europe#	224	205	9	12
Americas~	159	139	14	8
Asia Pacific	175	117	50	37
Rest of World~	38	28	34	31
Total excluding Spain	596	489	22	18

* Excludes business in Spain affected by restructuring

2009 restated to include continuing parts of Spain business

~ Central and South America have been reclassified from Rest of World to the Americas (2009: £4m)

The following commentary excludes the business in Spain affected by restructuring.

Retail

Retail sales increased by 20% on an underlying basis, up 24% reported (2009: £294m). New space generated 7% of the underlying growth, while China, which transferred from wholesale to retail from 1 September 2010, contributed 4%.

Comparable store sales increased by 9% in the first half (Q1: +10%; Q2: +8%), with mainline stores delivering consistent double-digit sales growth in both quarters. Burberry's two core categories – outerwear and large leather goods – drove about half of this growth, with strong performances also from Prorsum, shoes and childrenswear. Digital catwalk show initiatives in June and September further increased brand reach and awareness. Replenishment, inventory and pricing strategies introduced during the second half of last year led to a material improvement in gross margin in this first half.

By region, Asia Pacific and Europe continued to deliver double-digit comparable store sales growth, with Hong Kong, United Kingdom, Italy and France among the best performing markets. As the Americas continued to focus on improving margins, comparable store sales in the region were broadly unchanged year-on-year.

In addition to those stores acquired in China, Burberry opened twenty mainline stores in the first half, including Marina Bay Sands, Singapore, London Heathrow Terminal 5 and two further childrenswear stores in Hong Kong. There was an 8% increase in average selling space year-on-year excluding China.

Wholesale

Excluding China, which transferred from wholesale to retail from 1 September 2010, wholesale revenue grew by 21% at constant exchange rates, slightly ahead of guidance. This largely reflects restocking by wholesale customers, following reduced demand in the same period last year.

Asia Pacific, the Americas and Emerging Markets all showed above average growth. Sales in Europe, still the group's largest wholesale region, were slightly ahead of last year, despite the planned continued rationalisation of small specialty accounts.

Wholesale revenue including China increased by 17% at constant exchange rates, up 20% reported (2009: £188m). This growth included only five months of revenue from China in H1 2010 until acquisition, compared to six months in H1 2009.

Licensing

Total licensing revenue in the first half declined by 3% on an underlying basis (up 9% reported). Good growth from the global product licences was offset by the planned non-renewal of the final menswear licences and the Japanese leather goods licence. There was a strong initial response to Burberry Beauty which was launched in July on a limited distribution basis.

Outlook

Retail: For the second half, average selling space is expected to increase by about 25%. About 15% of this is from China (both acquired stores and new openings), with the balance of about 10% from other regions as previously guided. Burberry expects to open around ten mainline stores in the second half, of which about half are planned for China.

Wholesale: For the second half, against a period last year where demand had recovered, Burberry expects wholesale revenue excluding China to increase by around 10% at constant currency, led by Emerging Markets and Travel Retail. Rationalisation of European small specialty accounts continues.

For the second half, wholesale revenue including China is expected to be down by a low single-digit percentage at constant currency (2009: £189m). This includes no revenue from China in H2 2010/11, compared to six months in H2 2009/10.

Licensing: For the full year, Burberry now expects underlying licensing revenue to decline by a mid single-digit percentage (previously down by between 5-10%), due to a stronger than expected performance from the global licences, especially fragrance and watches. This will partly offset a broadly flat performance from the Japanese apparel licence and the non-renewal of the final menswear licences and the Japanese leather goods licence.

The yen hedge rate for the full year 2010/11 will give only a marginal benefit to reported numbers compared to 2009/10, with the exchange benefit already reported in the first half expected to reverse partly in the second half.

Spain: The restructuring in Spain remains on track.

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 2010 on 16 November 2010.

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.

Further information on China

- Burberry announced the acquisition of its Chinese retail operations on 16 July 2010. It agreed to acquire 50 stores across 30 cities for a purchase price of approximately £70m in cash. The transaction is expected to add up to £20m to group operating profit in the financial year 2011/12.
- Burberry completed the transfer of 43 of the 50 stores in China on 31 August 2010, with the remaining seven stores expected to be transferred over the coming months.
- The integration of China since 1 September 2010 is on track.
- The acquired stores in China performed strongly in the first half, with comparable sales growth of over 25%. These stores were not included in Burberry's 9% comparable growth in H1 2010 and will only be included from 1 September 2011.
- The acquisition of the Chinese operations will impact Burberry's revenue performance by channel of distribution for 12 months from 1 September 2010, as the business transfers from wholesale to retail. The impact on H1 2010 and expected outcome for H2 2010/11 revenue is detailed above.

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 30 September 2010, Burberry had 164 retail stores, 171 concessions (excluding Spain), 45 outlets and 55 franchise stores.
- 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.

APPENDIX - Spain restructuring

As announced in February 2010, Burberry is restructuring its Spanish operations. The global collection is being introduced from Spring/Summer 2011 across all channels. The local collection will cease after Autumn/Winter 2010. The table below gives revenue for the business in Spain affected by this restructuring.

Retail/wholesale revenue by origin – Spain

£ million	2010	2009
Retail		
- Q1	6	8
- Q2	7	9
Six months to 30 September	13	17
Wholesale		
- Q1	3	5
- Q2	16	23
Six months to 30 September	19	28

The group result excluding the business in Spain affected by restructuring is given below.

Restatement of FY 2009/10

£ million	H1 2009		FY 2009/10	
	As reported	Excluding Spain	As reported	Excluding Spain
Retail/wholesale				
Retail	311.6	294.8	748.8	710.1
Wholesale	216.1	188.3	433.6	377.5
Retail/ wholesale revenue	527.7	483.1	1,182.4	1,087.6
Cost of sales	(229.7)	(204.7)	(475.9)	(423.9)
Gross margin	298.0	278.4	706.5	663.7
<i>Gross margin</i>	56.5%	57.6%	59.7%	61.0%
Operating expenses	(250.0)	(226.8)	(568.8)	(526.0)
Adjusted retail/wholesale operating profit	48.0	51.6	137.7	137.7
<i>Operating expenses as % of sales</i>	47.4%	47.0%	48.1%	48.3%
<i>Adjusted operating margin</i>	9.1%	10.7%	11.6%	12.7%
Licensing profit	38.3	38.3	82.2	82.2
Adjusted operating profit	86.3	89.9	219.9	219.9
Spain	-	(3.6)	-	0.0
Restructuring costs	(4.2)	(4.2)	(48.8)	(48.8)
Reported operating profit	82.1	82.1	171.1	171.1

In FY 2010/11, Burberry will disclose the results of this Spanish business separately to aid investors' understanding of the ongoing global business. These Spanish losses will be excluded from adjusted operating profit and profit before tax.