

13 July 2010

## **Burberry Group plc**

### **First Quarter Trading Update and Interim Management Statement**

Burberry Group plc, the global luxury company, today reports on trading for the three months to 30 June 2010.

#### **Highlights\***

- Total revenue up 24% underlying (up 30% reported)
- Retail sales up 16% underlying (up 21% reported)
  - Comparable store sales growth of 10%
  - Driven by outerwear and non-apparel
  - Continued double-digit growth in Europe and Asia Pacific
- Wholesale revenue up 46% underlying (up 51% reported) in smallest quarter
  - Q1 benefit from improved monthly flow of goods and supply chain efficiencies
  - Unchanged guidance for H1 revenue of up high teens excluding Spain
  - Significant growth in all regions except Europe where rationalisation ongoing
- Further strategic and operational progress
  - Eight new mainline stores with emphasis on Emerging Markets
  - Digital initiatives continued to drive awareness and sales in all channels
  - Burberry Beauty launched in July to leverage further the Burberry franchise

Angela Ahrendts, Chief Executive Officer, commented:

“With double-digit sales growth in both retail and wholesale, Burberry has delivered a strong start to the year. The clear momentum in the business and our robust financial position together reinforce our confidence to increase investment for the future, while continuing to enhance the brand.

We plan to open between 20 and 30 stores in the current financial year, predominantly in the Americas and Asia Pacific. Our continued investment in industry-leading digital, service and product initiatives will further increase awareness, traffic and sales, to drive long-term profitable growth for all our stakeholders.”

\* Highlights above exclude the business in Spain affected by restructuring. See appendix for more details

Underlying change is calculated at constant exchange rates

## Revenue by channel of distribution

£ million	Three months to 30 June		% change	
	2010	2009	reported	underlying
Retail*	171	140	21	16
Wholesale*	87	58	51	46
Licensing	24	18	36	14
<b>Total excluding Spain</b>	<b>282</b>	<b>216</b>	<b>30</b>	<b>24</b>
Spain	9	13	(27)	(25)
Reported total	291	229	27	21

\* Q1 2009 restated to exclude business in Spain affected by restructuring (retail £8m; wholesale £5m), which is planned to be discontinued from H2 2010/11. See appendix for more details  
Q1 2010 Spain sales are retail £6m; wholesale £3m

## Retail/wholesale revenue by region, excluding Spain\*

£ million	Three months to 30 June		% change	
	2010	2009	reported	underlying
Europe <sup>#</sup>	87	73	18	20
Americas <sup>~</sup>	76	57	33	26
Asia Pacific	75	52	43	30
Rest of World <sup>~</sup>	20	16	29	27
<b>Total excluding Spain</b>	<b>258</b>	<b>198</b>	<b>30</b>	<b>25</b>

\* Excludes business in Spain affected by restructuring, which is planned to be discontinued from H2 2010/11

<sup>#</sup> 2009 restated to include continuing parts of Spain business

<sup>~</sup> Central and South America revenue has been reclassified from Rest of World to the Americas (2009: £0m)

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

### Retail

Retail sales in the first quarter increased by 16% on an underlying basis (up 21% reported). New space generated 6% of this growth.

Comparable store sales in the first quarter grew by 10%, with increased full price sell-through. This performance benefited from the consistent execution of group strategies:

- non-apparel was the strongest performing product division, with strength across all categories
- outerwear further increased its penetration
- average selling price increased again, partly reflecting implementation of the iconic pricing policy as well as significantly reduced sale activity
- April Showers, which was a small capsule designed in late January and in store by late April, drove sales as part of the strategy to introduce new products more frequently to customers
- digital initiatives increased awareness and traffic to both the stores and e-commerce. These included live streaming the Spring/Summer 2011 menswear show offering “click to buy”, as well as the launch of Burberry Acoustic, which showcases emerging British music talent.

By region, double-digit comparable store sales growth continued in Europe and Asia Pacific, especially in the UK, Italy, Germany, Hong Kong and Taiwan. The Americas grew low single-digit as expected, as sale activity was significantly reduced for a large part of the quarter.

Within the 8% increase in average retail selling space in the first quarter, Burberry opened eight mainline stores, including two in India, its first store in Brazil and a second standalone store in Ginza, Tokyo for its non-apparel joint venture. For the year as a whole and excluding the Spanish business affected by the restructuring, Burberry plans an increase of around 10% in average retail selling space, weighted towards the second half.

### **Wholesale**

In what is the smallest quarter of the year for wholesale, revenue in the period increased by 46% on an underlying basis (up 51% reported). Improved monthly flow of goods and supply chain efficiencies enabled a re-phasing of deliveries into the first quarter compared to last year. China, which is run under franchise, continued to perform strongly in the quarter.

In the six months to 30 September 2010, Burberry continues to project wholesale revenue at constant exchange rates to increase by a high teens percentage excluding Spain. Significant growth is expected in all regions except Europe, where continued rationalisation of small specialty accounts is in progress.

### **Licensing**

Total licensing revenue in the first quarter increased by 14% on an underlying basis, benefiting from timing differences relating to the Japanese apparel licence and a strong performance from fragrance, led by Burberry Sport. Reported licensing revenue increased by 36%, largely reflecting a favourable yen hedge rate which will benefit the first half.

Despite the strong first quarter, Burberry continues to expect licensing revenue at constant exchange rates to decline by between 5-10% in the year to March 2011. Growth from the global product licences will be offset by a broadly flat performance from the Japanese apparel licence and the non-renewal of the Japanese leather goods and the final menswear licences. The yen hedge rate for the full year 2010/11 will give only a marginal benefit to reported numbers compared to 2009/10.

### **Financial condition**

Except for the trading activities described above, there has been no significant change to the financial condition of the company. 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](http://www.burberryplc.com)), with a replay available later today.

Burberry will release its First Half Trading Update for the six months to 30 September 2010 on 13 October 2010. It will announce its interim results for the six months to 30 September 2010 on 16 November 2010.

Certain financial data within this announcement have been rounded.

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

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

## 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 June 2010, Burberry globally had 139 retail stores, 140 concessions (excluding Spain), 44 outlets and 97 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 will be introduced from Spring/Summer 2011 across all channels. The local collection will cease after Autumn/Winter 2010.

The H1 2009/10 group result, excluding the business in Spain affected by restructuring, is given below.

### Restatement of H1 2009/10

Six months to 30 September 2009 £ million	As reported	Spain	Excluding Spain
<b>Retail/wholesale</b>			
Revenue	527.7	44.6*	483.1
Cost of sales	(229.7)	(25.0)	(204.7)
Gross margin	298.0	19.6	278.4
<i>Gross margin</i>	56.5%	44.0%	57.6%
Operating expenses	(250.0)	(23.2)	(226.8)
<b>Adjusted retail/wholesale operating profit</b>	<b>48.0</b>	<b>(3.6)</b>	<b>51.6</b>
<i>Operating expenses as % of sales</i>	47.4%	52.0%	47.0%
<i>Adjusted operating margin</i>	9.1%	-	10.7%
<b>Licensing profit</b>	<b>38.3</b>	-	<b>38.3</b>
<b>Adjusted operating profit</b>	<b>86.3</b>	<b>(3.6)</b>	<b>89.9</b>
Spain	-	-	(3.6)
Restructuring costs	(4.2)	-	(4.2)
<b>Reported operating profit</b>	<b>82.1</b>	-	<b>82.1</b>

\* £17m retail; £28m wholesale

The restatement of FY 2009/10 to exclude the business in Spain affected by restructuring was included in Burberry's preliminary results announced in May 2010.

In FY 2010/11, Burberry expects to 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.