

19 January 2010

## **Burberry Group plc**

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

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

#### **Third quarter highlights**

- Total sales of £380m up 12% underlying (15% reported)
- Retail sales up 16% underlying (17% reported)
  - 10% comparable store sales growth
  - Growth in all regions led again by Europe and Asia Pacific
  - Strong full price sell-through of Autumn/Winter collections
  - Significantly lower inventory going into Q4 compared to last year
- Wholesale revenue up 5% underlying (11% reported)
  - Q3 driven by earlier and more frequent deliveries
  - H2 wholesale revenue guidance improved
    - Now expected to be down by between 10 and 12% at constant currency (previous guidance was down by around 15%)
- Further strategic and operational progress
  - Non-apparel and outerwear performed strongly
  - Five mainline stores opened, including flagship in Toronto and standalone Burberry London and Burberry Brit stores in New York
  - Six franchise stores opened in Emerging Markets
  - Preparing for April roll-out of SAP to Korea and European distribution hub conversion

Angela Ahrendts, Chief Executive Officer, commented:

“With sales up 12% underlying in the third quarter, Burberry has delivered a strong performance in both retail and wholesale, as customers around the world responded positively to our collections, marketing and service initiatives. As a result, we currently expect adjusted profit before tax for this financial year to be towards the top end of market expectations.

While continuing to plan cautiously for 2010/11, we are confident that our strategies by product, region and channel - underpinned by operational efficiencies - will drive profitable growth.”

Underlying change is calculated at constant exchange rates

## Revenue by channel of distribution

£ million	Three months to 31 December		% change	
	2009	2008	reported	underlying
Retail	249	213	17	16
Wholesale	105	95	11	5
Licensing	26	21	22	(3)
Total	380	329	15	12

## Retail/wholesale revenue by destination

£ million	Three months to 31 December		% change	
	2009	2008	reported	underlying
Europe*	112	88	28	18
Spain	22	21	5	(3)
Americas <sup>#</sup>	115	111	4	9
Asia Pacific	89	74	20	18
Rest of world <sup>#</sup>	16	14	15	13
Total retail/wholesale	354	308	15	13

\* Excluding Spain

<sup>#</sup> Central and South America revenue has been reclassified from Rest of world to Americas (2009: £2m; 2008: £1m)

### Retail

Retail sales, which accounted for around two-thirds of total revenue in the quarter, increased by 16% on an underlying basis (17% reported), of which new space contributed 6%.

Comparable store sales increased by 10%. There were good performances from outerwear (more innovation and diversification in this core category) and from non-apparel (continued product development in soft accessories, successful capsule collections in large leather goods and a broader offer in shoes). Digital media initiatives helped to drive traffic, while the Burberry Experience sales and service programme helped to drive conversion. With strong full price sell-through of the Autumn/Winter collections and reduced procurement, inventory levels at 31 December 2009 were significantly lower year-on-year. As planned, this will reduce clearance activity in the current fourth quarter compared to last year, impacting revenue but benefiting gross margin.

Comparable store sales in the third quarter grew in all regions. Double-digit growth continued in Europe and Asia Pacific, led by the UK and Hong Kong. Comparable store sales in the Americas improved to low single-digit growth, albeit against weak comparatives last year. Spain grew marginally in what remains a challenging market.

During the third quarter, Burberry opened a net five mainline stores, of which three were in the Americas (a flagship in Toronto and standalone Burberry London and Burberry Brit stores at Madison Avenue, New York). Average selling space for the second half is planned to increase by about 6% year-on-year, giving a full year increase of 8-10% in line with previous guidance.

### **Wholesale**

In the third quarter, wholesale revenue increased by 5% on an underlying basis (11% reported). This resulted from earlier shipments than in the same period last year, reflecting Burberry's strategy of delivering new ranges more frequently to wholesale customers.

For the second half as a whole, Burberry now expects wholesale revenue to be down by between 10 and 12% at constant currency (compared to previous guidance of down by around 15%). The overall decline in wholesale revenue is due to the continuing impact of Burberry's own actions, such as closing certain specialty accounts in Europe, and further significant weakness in Spain (which sells a domestic range unique to that market). Excluding these factors, demand for the global collection is now expected to be marginally positive year-on-year, driven by improved shipping and higher re-orders than anticipated.

A net six franchise stores were opened in the third quarter in China, Saudi Arabia and Lebanon. China continued to perform strongly as did regions such as Turkey, while others, such as Russia, remained volatile.

### **Licensing**

Total licensing revenue in the third quarter fell by 3% on an underlying basis, impacted by timing differences of royalty receipts. Revenue was up 22% reported, reflecting primarily the strength of the yen, which is largely hedged 12 months forward.

Burberry continues to expect underlying licensing revenue for the full financial year to decline by between 5 and 10%. This reflects weak demand in Japan (partly offset by the positive impact of the recent amendment to the Japanese apparel licence agreement) and the planned termination of menswear licences. Reported revenue will grow year-on-year due to currency benefits.

### **Financial condition**

Except for the trading activities described above, there has been no significant change to the financial condition of the company.

## **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 Second Half Trading Update for the six months to 31 March 2010 on 20 April 2010. It will announce its preliminary results for the year to 31 March 2010 on 26 May 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 has one of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale, licensing and e-commerce channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify non-apparel development; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 31 December 2009, Burberry had 127 retail stores, 255 concessions, 47 outlets and 96 franchise stores, with e-commerce in over 25 countries.
- 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.