

# BURBERRY

**INTERIM RESULTS  
FOR THE SIX MONTHS ENDED  
30 SEPTEMBER 2011**

## FINANCIAL REVIEW

—  
**CREATIVE CULTURE AND INNOVATION  
SUSTAINING COMPETITIVE ADVANTAGE**

—  
**QUESTIONS**

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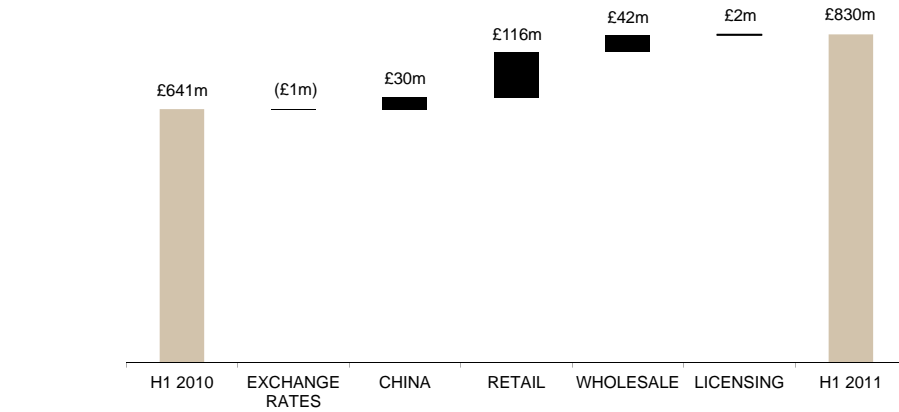
## FIRST HALF ACHIEVEMENTS

- **RECORD FIRST HALF**
  - Revenue up 30% to £830m
  - Adjusted PBT up 25% to £162m
  - Retail/wholesale operating margin 14.9%
  - £174m cash
  - Dividend up 40% to 7.0p
- **CONSISTENT MOMENTUM BY CHANNEL, REGION AND PRODUCT**
  - Early benefits from strategic investments
- **SECOND HALF OUTLOOK**
  - Tougher comps in retail and wholesale
  - Challenging macro environment
  - Respond appropriately if slowdown
  - Invest for growth



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## REVENUE UP 30%\*



REVENUE

\* UNDERLYING

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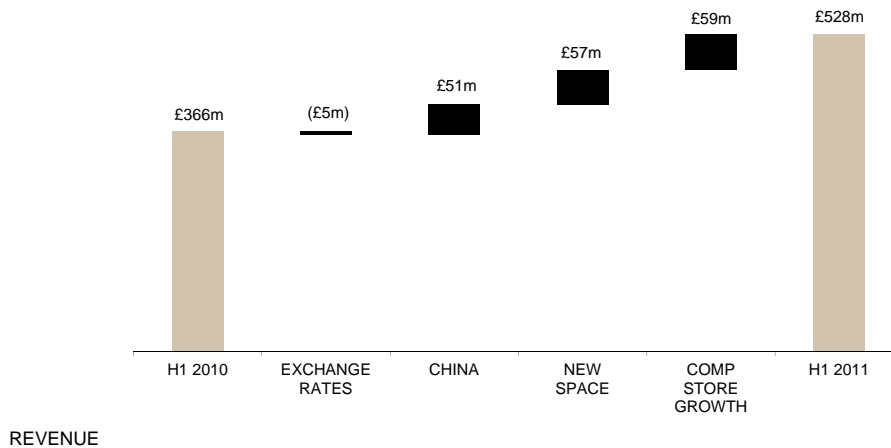
## REVENUE UP 30%\*

- **REVENUE UP 30% UNDERLYING**
  - 25% excluding China
  - Double-digit growth in retail and wholesale, all regions and all product categories
- **RETAIL**
  - 64% of revenue
  - 45% underlying growth including China
  - 31% underlying growth excluding China
- **WHOLESALE**
  - 30% of revenue
  - 9% underlying growth including China
  - 20% underlying growth excluding China
- **LICENSING**
  - 6% of revenue
  - 4% underlying growth

\* UNDERLYING

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## RETAIL REVENUE UP 45%\*



\* UNDERLYING

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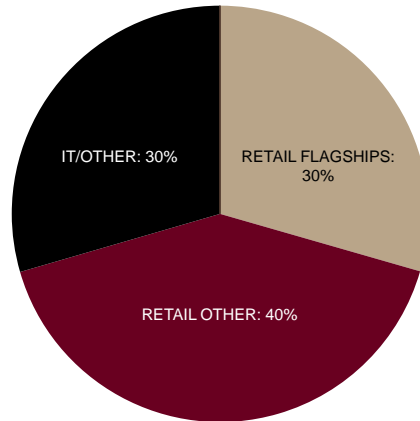
## RETAIL REVENUE UP 45%\*

- **COMPARABLE STORE SALES UP 16%**
  - Double-digit mainline comparable store sales growth in all four regions in Q2
  - Acquired China stores comparable growth continued at around 30%
    - Not included in group comparable until anniversary of acquisition
- **MAINLINE AND FLAGSHIP MARKETS OUTPERFORMED**
- **KEY STRATEGIES DROVE RETAIL GROWTH**
  - Digital marketing
  - Sales and service programmes
  - Innovation in core outerwear and large leather goods
  - Replenishment
  - Burberry Prorsum and London

\* UNDERLYING

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## CAPITAL EXPENDITURE INCREASED FOCUS ON FLAGSHIP MARKETS



FY 2012 CAPITAL EXPENDITURE

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## CAPITAL EXPENDITURE INCREASED FOCUS ON FLAGSHIP MARKETS

- **CAPITAL EXPENDITURE REMAINS AT £180-200M IN FY 2012**

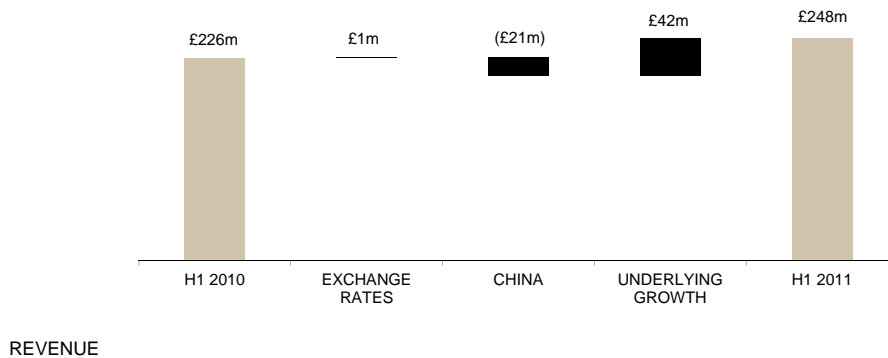
- Focus on retail flagships
  - High demographic local populations
  - Travelling luxury customer
- Major projects include
  - Canton Road, Hong Kong
  - Chicago rebuild
  - Regent Street relocation and expansion

- **FY 2012 OPENINGS**

- H1 openings
  - Net 8 mainline stores
  - Net 11 concessions (including 7 menswear in Spain)
- About 15% increase in average selling space for H2
  - Net 8-10 mainline store openings planned in H2

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## WHOLESALE REVENUE UP 9%\*



\* UNDERLYING

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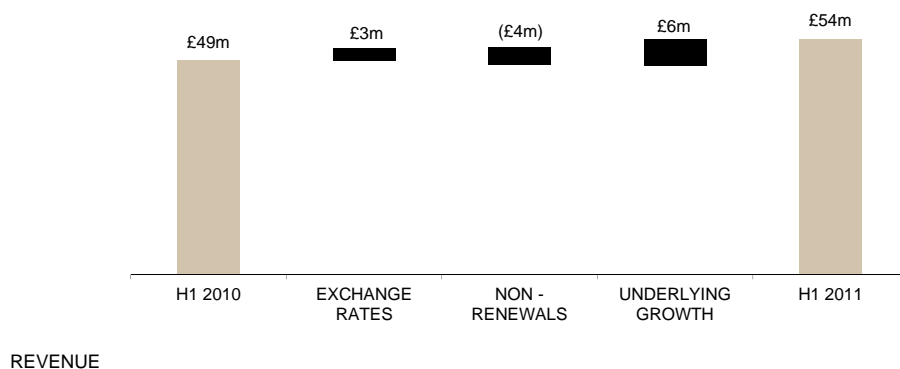
## WHOLESALE REVENUE UP 9%\*

- **UP 20% EXCLUDING CHINA**
- **GROWTH DRIVERS**
  - Americas, Emerging Markets and Travel Retail
  - Shoes, childrenswear, men's accessories and tailoring
- **OUTLOOK FOR H2**
  - Up mid single-digit % underlying
  - Up mid teens % excluding
    - Saudi Arabia conversion to retail
    - Spain menswear conversion to concessions
    - Accelerated rationalisation of distribution in Europe and US
- **INVESTING IN UNDER-PENETRATED US WHOLESALE MARKET**
  - North American wholesale doubled; now 8% of group revenue
  - Significant growth planned in number of dedicated shop-in-shops

\* UNDERLYING

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## LICENSING REVENUE UP 4%\*



\* UNDERLYING

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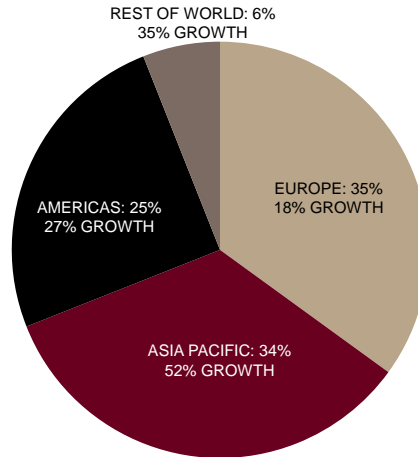
## LICENSING REVENUE UP 4%\*

- **UP 11% AT REPORTED FX**
- **CLEANING UP LEGACY ISSUES COST £4M**
  - Additional Japanese non-apparel terminations
  - Impact from terminated menswear licences
- **JAPAN APPAREL**
  - Step-up in royalty income following 2009 renegotiation
  - Licence shortened by five years; now terminates June 2015
- **GLOBAL PRODUCT LICENCES**
  - Good growth across categories
  - Launch of Burberry Body and Nude Collection
- **OUTLOOK FOR FY 2012**
  - Up mid single-digit % underlying
  - Up around 10% at reported FX

\* UNDERLYING

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## REVENUE GREW DOUBLE-DIGIT IN ALL REGIONS



H1 2011 RETAIL/WHOLESALE REVENUE  
% growth on underlying basis

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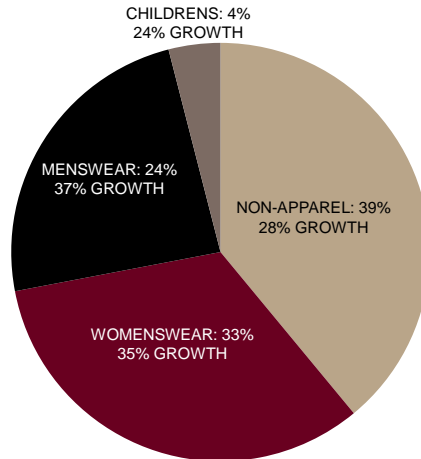
## REVENUE GREW DOUBLE-DIGIT IN ALL REGIONS

- **ASIA PACIFIC UP 52%**
  - Up 39% excluding China acquisition
  - Strong performance in Hong Kong
  - China 10% of group revenue
- **EUROPE UP 18%**
  - Rationalisation of small specialty wholesale accounts
  - Flagship/cluster strategy in retail
  - Elevation of brand presence in department stores
- **AMERICAS UP 27%**
  - Balanced performance between retail and wholesale
  - First Canadian concession opened
  - Three stores in Brazil and Mexico
- **REST OF WORLD UP 35%**
  - 21 stores in Middle East
  - 7 stores in India
  - 7 franchise stores in Turkey

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## REVENUE GREW DOUBLE-DIGIT IN ALL PRODUCT DIVISIONS



H1 2011 RETAIL/WHOLESALE REVENUE  
% growth on underlying basis

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## REVENUE GREW DOUBLE-DIGIT IN ALL PRODUCT DIVISIONS

- **CORE OUTERWEAR AND REPLENISHMENT DROVE GROWTH**
- **NEW INITIATIVES GAINED TRACTION**
- **NON-APPAREL 39% OF REVENUE**
  - Men's accessories grew strongly
  - Large leather goods about 50% of category
- **MENSWEAR APPAREL GROWTH ACCELERATED TO 37%**
  - Fastest growing product category

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**STACEY CARTWRIGHT**  
—  
**EVP, CHIEF FINANCIAL OFFICER**

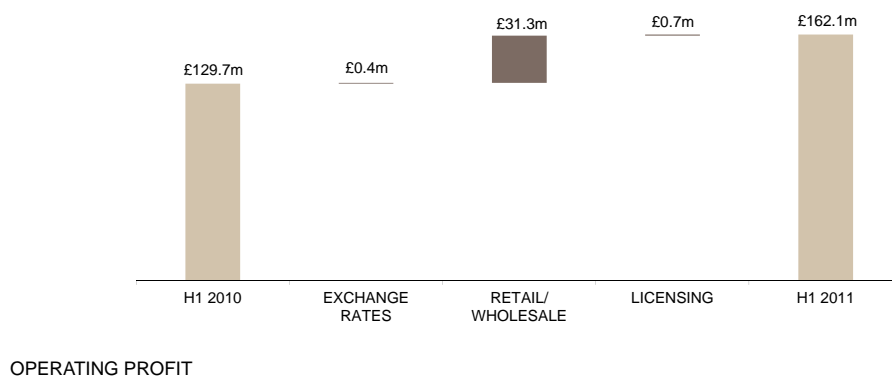
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**FINANCIAL HIGHLIGHTS**

<b>SIX MONTHS TO 30 SEPTEMBER</b>	<b>2011</b>	<b>2010</b>	<b>CHANGE</b>
	<b>£M</b>	<b>£M</b>	
REVENUE	829.6	641.1	29%
ADJUSTED PBT	161.6	128.5	26%
ADJUSTED DILUTED EPS	26.9p	21.1p	27%
DIVIDEND PER SHARE	7.0p	5.0p	40%
NET CASH	174.2	180.9	(4%)

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## OPERATING PROFIT UP 25%



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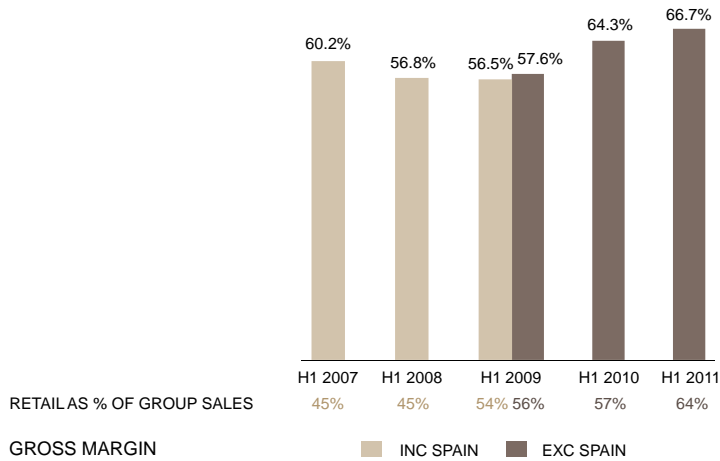
## RETAIL/WHOLESALE PROFIT UP 32%

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M	CHANGE
RETAIL/WHOLESALE REVENUE	775.3	592.3	31%
GROSS MARGIN	517.6	380.8	
AS % OF REVENUE	66.7%	64.3%	240bp
OPERATING EXPENSES	(401.9)	(293.4)	
AS % OF REVENUE	(51.8%)	(49.5%)	(230bp)
OPERATING PROFIT	115.7	87.4	32%
AS % OF REVENUE	14.9%	14.8%	10bp

**GOAL REMAINS TO MANAGE GROSS MARGIN AND OPERATING EXPENSES DYNAMICALLY  
TO DELIVER MODEST OPERATING MARGIN IMPROVEMENT IN FY 2012**

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## RETAIL/WHOLESALE GROSS MARGIN UP 240BP



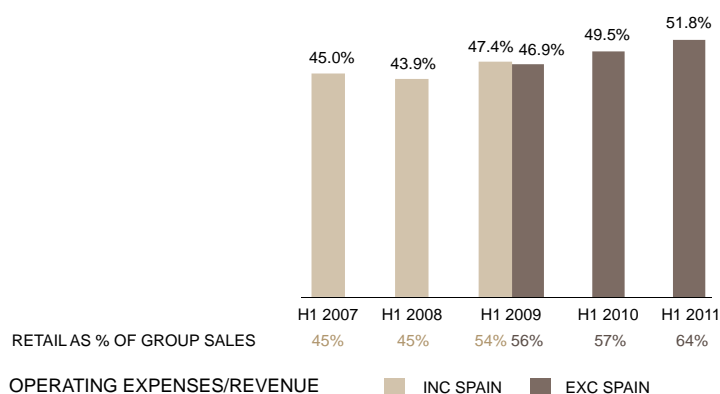
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## RETAIL/WHOLESALE GROSS MARGIN UP 240BP

- **GROSS MARGIN AT 66.7%**
  - Up 240 basis points
- **DRIVEN BY**
  - Wholesale to retail shift
  - Mainline outperformance
  - Increased replenishment
  - Burberry Prorsum and London outperformed

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## RETAIL/WHOLESALE OPERATING EXPENSES/REVENUE AT 51.8%



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## RETAIL/WHOLESALE OPERATING EXPENSES/REVENUE AT 51.8%

- **INCREASE REFLECTS SHIFT TO RETAIL**
  - Retail 64% of revenue in H1 2011 (2010: 57%)
- **ABOUT HALF OF INCREASE FROM**
  - Planned strategic investments
    - Five months of China
    - New markets
    - Flagship transitional costs
    - Expanded central functions
  - Increased share scheme costs

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## LICENSING PROFIT

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M
REVENUE	54.3	48.8
GROSS MARGIN AT 100%	54.3	48.8
OPERATING EXPENSES	(7.9)	(6.5)
OPERATING PROFIT	46.4	42.3
<i>OPERATING MARGIN</i>	<i>85.5%</i>	<i>86.7%</i>
YEN RATE	135	145

H1 2011 INCLUDES FX BENEFIT OF £3.4M IN REVENUE AND NIL IN OPEX

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## INCOME STATEMENT

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M
OPERATING PROFIT	162.1	129.7
NET FINANCE CHARGE	(0.5)	(1.2)
ADJUSTED PROFIT BEFORE TAX	161.6	128.5
EXCEPTIONAL ITEMS	(2.9)	(0.5)
PROFIT BEFORE TAX	158.7	128.0
TAX	(42.8)	(36.0)
DISCONTINUED OPERATIONS	0.6	(10.3)
NON-CONTROLLING INTEREST	0.7	1.4
ATTRIBUTABLE PROFIT	117.2	83.1

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## CASH INFLOW FROM OPERATIONS

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M
OPERATING PROFIT	162.1	129.7
SPAIN OPERATING PROFIT/(LOSS)	0.6	(2.7)
RESTRUCTURING SPEND	(6.2)	(9.5)
DEPRECIATION AND AMORTISATION	39.5	28.6
EMPLOYEE SHARE SCHEME COSTS	16.0	10.0
INCREASE IN INVENTORIES	(90.3)	(69.8)
INCREASE IN RECEIVABLES	(43.9)	(39.6)
INCREASE IN PAYABLES	26.0	47.6
CASH INFLOW FROM OPERATIONS	103.8	94.3

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## FREE CASH FLOW

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M
CASH INFLOW FROM OPERATIONS	103.8	94.3
CAPITAL EXPENDITURE	(63.0)	(47.3)
ACQUISITIONS	(11.0)	(39.4)
NET INTEREST	(0.5)	(1.3)
TAX PAID	(48.7)	(34.7)
OTHER NON CASH ITEMS	1.5	(3.2)
FREE CASH FLOW	(17.9)	(31.6)

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## TOTAL CASH FLOW

SIX MONTHS TO 30 SEPTEMBER	2011 £M	2010 £M
FREE CASH FLOW	(17.9)	(31.6)
DIVIDENDS	(68.4)	(45.7)
ESOP TRUST PURCHASES	(42.2)	(6.4)
CAPITAL CONTRIBUTIONS	4.9	4.2
OTHER CASH ITEMS	0.4	0.1
EXCHANGE DIFFERENCE	(0.5)	(1.7)
<b>TOTAL CASH FLOW</b>	<b>(123.7)</b>	<b>(81.1)</b>
NET CASH AT 31 MARCH	297.9	262.0
NET CASH AT 30 SEPTEMBER	174.2	180.9

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## OUTLOOK

<b>RETAIL</b>	15% increase in average selling space in H2
<b>WHOLESALE</b>	Mid single-digit % underlying growth in H2
<b>LICENSING</b>	Mid single-digit % underlying growth in FY - Up around 10% at reported FX
<b>UNDERLYING TAX RATE</b>	c.26.5% for FY
<b>DIVIDEND POLICY</b>	40% full year payout based on adjusted diluted EPS
<b>CAPITAL EXPENDITURE</b>	£180-200m in FY

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**ANGELA AHRENDTS**  
—  
**CHIEF EXECUTIVE OFFICER**

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**LEVERAGING THE FRANCHISE**  
—  
**INTENSIFYING NON-APPAREL  
DEVELOPMENT**  
—  
**ACCELERATING RETAIL-LED GROWTH**  
—  
**INVESTING IN  
UNDER-PENETRATED MARKETS**  
—  
**PURSUING OPERATIONAL EXCELLENCE**

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## INNOVATION SUSTAINING COMPETITIVE ADVANTAGE



- **DIGITAL CHANGING THE WORLD**
- **HARDWIRING CREATIVE THINKING INTO OUR ORGANISATION**
- **INNOVATION IN**
  - Product design
  - Marketing
  - Retail
  - Technology

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## INNOVATION IN TECHNOLOGY



- **WORKING WITH KEY PARTNERS**
- **LAUNCH MAJOR INITIATIVES BASED ON TRENCH COAT**
  - Art of the Trench social media site
  - New burberry.com platform
  - Burberry Bespoke
- **STARTING TO BUILD A SOCIAL ENTERPRISE PLATFORM**

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## INNOVATION AROUND BURBERRY BODY



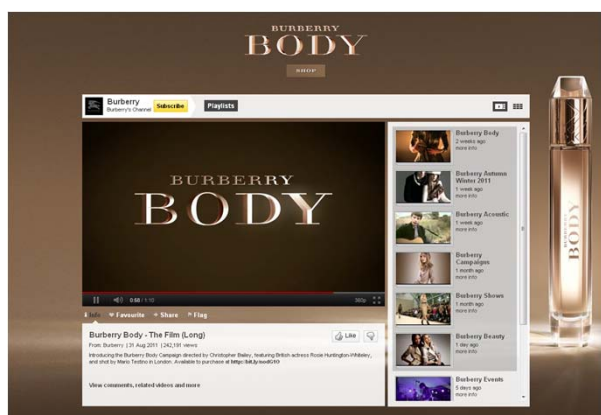
- **MORE THAN JUST A FRAGRANCE LAUNCH**
  - Global audience
  - Coherent brand story across multiple channels
- **MULTI-MILLION POUND INNOVATIVE MARKETING CAMPAIGN**
  - Created in-house
  - Funded by our licensee

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## SOCIAL MEDIA



SAMPLES OFFERED THROUGH FACEBOOK



TV CAMPAIGN PREVIEWED ON YOUTUBE

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## SYNCHRONISATION IN ALL CHANNELS



- HOLOGRAM AT RUNWAY SHOW
- IN RETAIL STORES
- IN DEPARTMENT STORE WINDOWS
- ON BURBERRY.COM
- ON BURBERRY ACOUSTIC
- PR EVENTS
- HIGH PROFILE OUTDOOR ADVERTISING
- SUCCESSFUL NUDE MONTHLY CAPSULE

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**MOMENTUM AND CONSISTENCY IN HI**

—

**EXECUTE KEY STRATEGIES**

—

**INVEST FOR GROWTH**

—

**CREATIVE CULTURE AND INNOVATION  
SUSTAINING COMPETITIVE ADVANTAGE**

—

**GREAT BRAND, GREAT COMPANY**

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## **APPENDIX**

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## **DISCLAIMER**

**Certain statements made in this presentation 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.**

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## ADJUSTED MEASURES

H1 2010 has been re-presented to exclude the results of the discontinued business in Spain. Discontinued operations in H1 2011 delivered an operating profit of £0.6m (H1 2010: operating loss £10.3m, including a £7.6m restructuring charge)

Adjusted measures exclude the put option liability finance charge relating to the third party 15% economic interest in the Chinese business of £2.9m in H1 2011 (H1 2010: £0.5m)

Underlying change is calculated at constant exchange rates

Certain financial data within this announcement have been rounded

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