

17 April 2013

Burberry Group plc

Second Half Trading Update

Highlights for the six months to 31 March 2013

- Total revenue £1,116m, up 9% underlying
- Retail revenue £840m, up 13% underlying
 - Retail now 75% of group revenue
 - Comparable store sales up 7%
 - Led by Asia Pacific, especially Greater China
 - Double-digit growth in all four product divisions
 - Outerwear, mens and digital outperformed
 - FY 2014: low to mid single-digit % increase in retail revenue planned from net new openings
- Wholesale revenue £220m, down 3% underlying, as guided
 - Wholesale now only 20% of group revenue
 - North America, Asia Travel Retail and Emerging Markets all up
 - European specialty store rationalisation continued
 - H1 2013/4: excluding Beauty, underlying wholesale revenue planned down about 10%
- Licensing revenue £56m, up 3% underlying, consistent with guidance
 - Helped by launch of The Britain watch and Body Tender fragrance
 - FY 2014: excluding fragrance royalties, underlying licensing revenue expected to be slightly up
- Further strategic and operational progress
 - Ten stores opened including Chicago flagship and Knightsbridge mens store
 - Strong brand momentum; Prorsum, London and leather bags outperformed
 - Personalised product and marketing initiatives for Prorsum AW13 show
 - 1 April 2013: integration of Beauty

Angela Ahrendts, Chief Executive Officer, commented:

“With three-quarters of our revenue now generated in retail, we are pleased with the 13% growth in this channel in the second half, driven by continued innovation in product, marketing and customer service, especially over Christmas and Chinese New Year.

Looking forward, while we expect the external global environment to remain challenging, the team is intensely focused on optimising the significant opportunities that exist for the brand across geographies and product divisions, with particular emphasis on unlocking the potential of our digital platform and our newly-integrated fragrance and beauty business.”

Underlying change is calculated at constant exchange rates. Certain financial data within this announcement have been rounded. The financial information contained herein is unaudited.

Revenue by channel of distribution

£ million	2013	2012	% change	
			reported	underlying
			FX	
Retail				
- Q3	464	417	11	13
- Q4	376	326	15	14
Six months to 31 March	840	743	13	13
Wholesale				
- Q3	120	130	(7)	(5)
- Q4	100	100	(1)	(1)
Six months to 31 March	220	230	(5)	(3)
Licensing				
- Q3	29	27	5	4
- Q4	27	27	4	2
Six months to 31 March	56	54	5	3
Total				
- Q3	613	574	7	9
- Q4	503	453	11	10
Six months to 31 March	1,116	1,027	9	9

Retail/wholesale revenue by region

£ million	Six months to 31 March		% change	
	2013	2012	reported	underlying
			FX	
Asia Pacific	447	387	15	15
Europe	288	282	2	4
Americas	261	244	7	7
Rest of World	64	60	8	10
Total	1,060	973	9	10

Retail

Retail sales, which accounted for 75% of total revenue in the second half, grew by 13% on an underlying and reported basis, benefiting from the consistent execution of key retail strategies. All four product divisions delivered double-digit growth, as did fashion and replenishment.

While trading continued to be uneven in the period, comparable store sales grew by 7% (Q3: 6%; Q4 8%), with the balance from new space. Product, marketing and customer service initiatives drove strong performance in the festive periods in both the third and fourth quarters.

In mainline, footfall remained soft and was mitigated by improved conversion rates and higher average transaction values. Consumer preference was again weighted towards fashion and outerwear in Prorsum and London, where the penetration increased by four percentage points. Within the handbag category, leather and key shapes outperformed. Mens accessories and tailoring continued to perform strongly and the Spring/Summer womens Brit collection was well-received. Digital outperformed, enabled by investment in infrastructure, content and marketing.

By region, double-digit comparable store sales growth was delivered in Asia Pacific and Rest of World; Americas saw low single-digit growth and Europe was broadly unchanged. China and Hong Kong grew double-digit, while Korea and Italy remained weak.

During the second half, Burberry opened 10 mainline stores and closed two, bringing the total to 206 at the year end (a net increase of 14 in the year). Openings included the rebuilt Chicago flagship, the menswear standalone store in Knightsbridge, a further trial store in Japan and three additional stores in Brazil. Average retail selling space in the second half increased by 14%.

Wholesale

Wholesale revenue in the second half decreased by 3% underlying and 5% at reported FX, in line with guidance. Sales to North American department stores, Asia Travel Retail and Emerging Markets partners continued to grow. Europe, Burberry's largest wholesale region, saw further planned account rationalisation and weakness in local demand, leading to a double-digit percentage decline in revenue. Globally, outerwear and mens performed strongly.

A net three franchise stores were opened in the second half, including a further two with Burberry's new partner in the Baltic region.

Licensing

Total licensing revenue in the second half increased by 3% on an underlying basis (up 5% at reported FX). This performance is consistent with full year guidance of broadly unchanged revenue at constant and reported exchange rates, to give FY 2013 revenue of £109m.

Royalty income from Japan was down mid single-digit percentage as planned, reflecting continued rationalisation of Japanese accessories licences. Global product licences delivered strong double-digit growth, with product launches in the half including Body Tender fragrance, The Britain watch and the Splash sunglasses collection.

Burberry began directly operating fragrance and beauty from 1 April 2013 and has successfully assumed control of product development, sourcing, logistics and relationships with distributors worldwide. This business will form Burberry's fifth product division, Beauty.

Outlook

Retail: In the year to 31 March 2014, Burberry plans to open about 25 mainline stores and close about 15, while opening about 10 concessions and closing about the same number. Openings are biased towards the evolution of the portfolio in China and further expansion in Latin America. Following two years of above average space growth, net new openings are planned to contribute low to mid single-digit percentage growth to retail revenue in FY 2014.

Wholesale: Excluding Beauty, Burberry expects underlying wholesale revenue to decrease by about 10% in the six months to 30 September 2013 (2012: £253m). Wholesale customers globally planned more conservatively for Autumn/Winter 2013 and there is a continuing impact from Burberry's strategic rationalisation of wholesale accounts (particularly in Europe) and entry price products (particularly in North America).

In addition, and as previously guided, with Burberry directly operating Beauty from 1 April 2013, wholesale revenue of about £140m and incremental retail/wholesale operating profit of around £25m is still expected in FY 2014. This will be weighted towards the second half, reflecting the impact in the first half of the move from licence to direct operation.

Licensing: In the year to 31 March 2013, licensing revenue, excluding £27m royalty income from fragrance and beauty, was £82m. In the year to 31 March 2014, Burberry expects growth from this level to be slightly positive at constant exchange rates and broadly unchanged at reported exchange rates, with the difference in growth rates largely reflecting the impact of the Japanese yen hedge rate.

In FY 2014, royalty income from Japan is expected to be broadly unchanged at constant exchange rates year-on-year, with higher minimum payments from the apparel licence offset by ongoing rationalisation of the three remaining accessories licences. The two global product licences (watches and eyewear) are expected to deliver double-digit percentage growth.

Disclosure

With retail now 75% of revenue and in order to improve the understanding of key business trends, Burberry is modifying its disclosure with effect from FY 2014:

- In its First and Third Quarter Trading Updates, Burberry will report retail revenue only
- In its First and Second Half Trading Updates, Burberry will report
 - Revenue by channel by half
 - Retail/wholesale revenue by region and by product
- Beauty will be reported as the fifth product division alongside accessories, womens, mens and childrens
- Burberry will continue to update retail, wholesale and licensing guidance in all Trading Updates as previously

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 announce its Preliminary Results for the year to 31 March 2013 on 21 May 2013.

Certain statements made in this announcement 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. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Notes to editors

- Burberry is a global luxury brand with a distinctive British heritage, core outerwear and large leather goods base and some of the most recognised icons in the world.
- Burberry designs and sources apparel and accessories, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify accessories; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.
- At 31 March 2013, Burberry had 206 retail stores, 214 concessions, 49 outlets and 65 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.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.