

16 April 2014

Burberry Group plc

Second Half Trading Update

Highlights for the six months to 31 March 2014

- Total revenue £1,298m, up 19% underlying
 - Underpinned by continued investment
- Retail revenue £928m, up 13% underlying
 - 12% comparable sales growth, in line with our expectations
 - Digital outperformed in all regions
 - Eleven mainline stores opened, including flagship in Kerry Centre, Shanghai
 - Product highlights include mens accessories, mens tailoring and womens Prorsum
- Wholesale revenue excluding Beauty £240m, up 11% underlying
 - Ahead of guidance due to rephasing of deliveries and re-orders
- Beauty wholesale revenue £93m, consistent with guidance
 - Driven by the two Brit Rhythm fragrance launches
- Licensing revenue £37m, up 2% underlying excluding fragrance and beauty last year
 - Consistent with guidance
- Outlook for FY 2015
 - Continued real estate investment
 - Further elevation and evolution of wholesale and licensing distribution
 - Strong growth in Beauty following year of transition
 - At current exchange rates, a material adverse impact on reported profit

Angela Ahrendts, Chief Executive Officer, commented:

“We are pleased with our second half performance, with total revenue up 19% and retail sales up 13%, underpinned by the planned increase in investment in offline and online retail, innovative customer service and marketing.

With the management transition well underway, Burberry begins a new year with Beauty firmly established as the fifth product division and investment in flagship markets, such as Shanghai, further increasing the brand’s appeal to the core luxury customer at home and when travelling. While current exchange rates are a material headwind in what remains an uncertain macro environment, our continued global brand momentum provides an excellent foundation for the future.”

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

£ million	Six months to 31 March		% change	
	2014	2013	reported FX	underlying
Retail	928	840	11	13
Wholesale*	333	220	52	53
Licensing [#]	37	56	(35)	(28)
	1,298	1,116	16	19

* H2 2013/14 wholesale revenue includes £93m of Beauty sales. Excluding Beauty, wholesale revenue in H2 2013/14 increased 11% underlying (up 9% at reported FX)

[#] H2 2012/13 licensing revenue includes £16m from the terminated fragrance licence relationship. Excluding this, licensing revenue in H2 2013/14 increased 2% underlying (down 9% at reported FX)

Retail/wholesale revenue by destination

£ million	Six months to 31 March		% change	
	2014*	2013	reported FX	underlying
Asia Pacific	516	447	16	19
EMEIA [#]	425	352	21	21
Americas	320	261	23	27
	1,261	1,060	19	22

* Includes first time contribution of Beauty wholesale revenue, predominantly in Americas and EMEIA

[#] From 1 April 2013, Europe and Rest of World integrated to form Europe, Middle East, India and Africa (EMEIA)

Retail/wholesale revenue by product division

£ million	Six months to 31 March		% change	
	2014	2013	reported FX	underlying
Accessories*	455	407	12	15
Womens	384	353	9	11
Mens	285	258	11	13
Childrens	40	39	3	6
Beauty [#]	97	3	-	-
	1,261	1,060	19	22

* H2 2012/13 accessories revenue restated to exclude Beauty retail sales (£3m)

[#] H2 2013/14 Beauty revenue is £93m of wholesale revenue and £4m of retail

Retail

At £928m, retail sales, which accounted for over 70% of group revenue in the second half, increased by 13% at constant FX (up 11% at reported FX), with comparable sales growth of 12%.

All five product divisions and both fashion and replenishment delivered double-digit percentage growth in mainline retail. Building on core outerwear and large leather goods, which together accounted for nearly half of the growth, mens accessories, mens tailoring, womens Spring/Summer Prorsum and Beauty performed strongly. Reflecting changing consumer behaviour, footfall offline remained soft, while online traffic grew. Conversion increased both offline and online, further driving retail productivity.

By region, Asia Pacific again saw double-digit percentage comparable sales growth led by Greater China and continuing momentum in Korea. Americas and EMEIA both delivered mid to high single-digit percentage comparable sales growth.

During the second half, Burberry opened eleven mainline stores and closed nine. Openings included the Kerry Centre, Shanghai, Burberry's largest store in Asia Pacific, the first Burberry Beauty Box in Covent Garden, London and one store in each of Mexico and India. Nine Holt Renfrew locations in Canada were converted from wholesale to retail concessions. In addition, one store and two concessions previously operated by a franchisee were acquired in Thailand.

Wholesale

Excluding Beauty, wholesale revenue at £240m increased by 11% at constant FX (up 9% at reported FX). This was ahead of guidance, reflecting rephasing of shipments into the fourth quarter from the first quarter of the current year and slightly higher than expected in-season re-orders. Americas and Travel Retail saw double-digit percentage underlying growth, with EMEIA up mid single-digit. Accessories and fashion apparel performed well.

Beauty wholesale revenue in the second half was £93m, giving £144m in the first year of direct operation, in line with guidance. The Brit Rhythm for Men and Women fragrance launches were successfully executed, with innovative digital marketing activities driving a halo effect across the brand.

A net four franchise stores were opened in the second half, including a first store with a new partner in Barbados and one additional store in each of Colombia, Indonesia and Vietnam.

Licensing

At £37m, licensing revenue grew 2% underlying from the £40m achieved in the second half last year after excluding £16m royalty income from fragrance and beauty. Revenue was down 9% at reported FX, primarily reflecting the adverse movement in the sterling/yen exchange rate.

Royalty income from Japan was largely unchanged at constant FX, with global product licences (watches and eyewear) delivering mid to high single-digit percentage growth, both consistent with full year guidance.

Outlook

Retail: In FY 2015, net new space is expected to contribute low to mid single-digit percentage growth to total retail revenue. Burberry plans to open about 20-25 mainline stores and close between 15-20, with openings biased to flagship markets and travel retail, while further evolving the store portfolio in China and the Middle East in particular.

Wholesale: Excluding Beauty, Burberry expects wholesale revenue at constant exchange rates to be broadly unchanged in the six months to 30 September 2014 (2013: £244m). Excluding rephased deliveries and ongoing strategic initiatives, such as conversion from wholesale to direct control and account rationalisation, revenue growth of around 5% is planned. For Beauty, the fifth product division, wholesale revenue is expected to grow by about 25% at constant exchange rates in FY 2015.

Retail/wholesale FX: If exchange rates* remain at current levels, the full impact on reported retail/wholesale profit in FY 2015 will be material. As an indication, rebasing FY 2014 retail/wholesale profit for current exchange rates would reduce reported profit by about £30m.

Licensing: For FY 2015, Burberry expects broadly unchanged revenue at constant exchange rates in both Japan and global product licences, the latter reflecting the rationalisation and elevation of watch distribution.

At current exchange rates*, reported licensing revenue in FY 2015 will be reduced by about £10m given the movement in the sterling/yen rate.

* Rates as at 9 April 2014, taking into account the current hedged positions

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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 corporate website (www.burberryplc.com), with a replay available later.

Burberry will announce its Preliminary Results for the twelve months to 31 March 2014 on 21 May 2014.

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 2014, Burberry had 215 retail stores, 227 concessions, 55 outlets and 70 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. ADR symbol OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.