

14 April 2016

Burberry Group plc

Second Half Trading Update

Highlights for the six months to 31 March 2016

- Total revenue £1,410m, down 1% underlying
- Retail revenue £1,064m, unchanged year-on-year underlying
- Comparable sales down 2% (Q3: unchanged; Q4: down 5%)
 - Up 1% excluding Hong Kong and Macau in H2
 - Growth continued in mainland China, Korea and Japan
 - Sales to travelling luxury customers slowed in Continental Europe
 - US domestic demand remained uneven
- Wholesale revenue £330m, down 1% underlying, in line with guidance
- Licensing revenue down to £16m underlying, consistent with full year guidance
 - Reflecting the planned expiry of the Japanese licences
- Operational progress
 - Product innovation drove demand across scarves, ponchos and runway rucksacks
 - Digital grew in all regions
 - o Reflecting investment in mobile and single pool of inventory model
 - Japan retail revenue more than doubled in FY 2016
 - Strong response to advertising campaign supporting launch of Mr Burberry fragrance
- FY 2017 outlook
 - Challenging demand environment
 - H1 wholesale expected to be down by around 10%
 - Japan licensing revenue to reduce further, as planned
 - Underlying cost inflation pressures persist
 - Partly offset by FX benefit at current exchange rates
- Good progress on productivity and efficiency agenda
 - With update on short and medium term benefits as planned in May

Christopher Bailey, Chief Creative and Executive Officer, commented:

“In an external environment that remains challenging for luxury, we continue to focus on reducing discretionary costs and are making good progress with developing enhanced future productivity and efficiency plans. Meanwhile, brand momentum is strong, digital continued to outperform in the half and innovation in new products is resonating well with our customers.”

Revenue by channel

£ million	Six months to 31 March		% change	
	2016	2015	reported FX	underlying
Retail	1,064	1,059	-	-
Wholesale	330	331	-	(1)
Licensing	16	33	(51)	(50)
	1,410	1,423	(1)	(1)

Retail/wholesale revenue by destination

£ million	Six months to 31 March		% change	
	2016	2015	reported FX	underlying
Asia Pacific	556	553	-	-
EMEIA	463	459	1	3
Americas	375	378	(1)	(3)
	1,394	1,390	-	-

Retail/wholesale revenue by product division

£ million	Six months to 31 March		% change	
	2016	2015	reported FX	underlying
Accessories	509	506	1	1
Womens	413	427	(3)	(3)
Mens	301	310	(3)	(3)
Childrens	50	41	22	22
Beauty	121	106	13	10
	1,394	1,390	-	-

Underlying performance removes the effect of changes in exchange rates compared to the prior period. Certain financial data within this announcement have been rounded. The financial information contained herein is unaudited.

In the second half, total sales decreased by 1%. In retail, comparable sales for the period were down 2%, or up 1% excluding Hong Kong and Macau. Adjusted profit before tax for FY 2016 is expected to be broadly in line with analysts' expectations.

As announced in January 2016, we are accelerating our productivity and efficiency agenda, especially looking at our ways of working. We are also addressing how to optimise future organic revenue growth opportunities, the resulting investment plans and our capital structure. We are making good progress and will share our plans at our Preliminary Results in May 2016. Ahead of this update, and excluding the resulting benefits, we currently expect FY 2017 adjusted profit before tax to be around the bottom of the range of analysts' expectations. This includes a benefit of around £60m if exchange rates remain at current levels.

Retail

Underlying retail sales in the second half were unchanged year-on-year at £1,064m. Within this, comparable sales declined by 2% (Q3: unchanged; Q4: down 5%), with the balance from new space.

- Asia Pacific saw a mid single-digit percentage decline in comparable sales in the period, consistent across the third and fourth quarters. Impacted by continuing weak footfall, comparable sales in Hong Kong declined by over 20% for the third successive quarter. Excluding Hong Kong and Macau, comparable sales in the second half increased by a mid single-digit percentage. Mainland China and Korea continued to show positive growth, as did Japan, where our total retail revenue in the year more than doubled.
- In the second half, comparable sales in EMEIA were broadly unchanged year-on-year. Continental Europe slowed in the fourth quarter as sales from the travelling luxury customer, particularly the Chinese, declined year-on-year, offset in part by growth from domestic customers. The UK and Middle East remained difficult throughout the half.
- The Americas saw a marginal decline in comparable sales in the second half, slowing in the fourth quarter. Demand from US domestic customers was uneven throughout the half, while spend by the travelling luxury customer remained down by a double-digit percentage.

Digital grew in all regions during the half, with mobile delivering the majority of the growth. The expansion of the single pool of inventory model also contributed positively to sales and is now live regionally with a total of 75 stores across the United States, EMEIA and China and serving all 44 online countries.

In mainline, accessories continued to outperform apparel, with strength in scarves and ponchos. Within large leather goods, the new season runway rucksack and Banner bag also performed well. In apparel, customers responded well to an expanded assortment in the emerging category of dresses and while outerwear was affected by the unseasonably warm weather, lightweight cashmere trench coats again outperformed.

During the second half, we opened five mainline stores and closed eight as we continued to evolve our retail portfolio globally.

Wholesale

Total wholesale revenue of £330m in the second half was down 1% year-on-year on an underlying basis.

Excluding Beauty, wholesale revenue decreased by 6% underlying, in line with guidance. EMEA delivered a mid single-digit percentage increase, reflecting growth from existing accounts and the benefit from the transition of childrenswear in Europe to direct operation, following the expiry of the licence at the end of December 2015. Americas and Asia Pacific saw double-digit percentage declines, reflecting cautious ordering by wholesale customers, as well as the re-phasing of orders in the Americas into the first half from the second half of this year.

Beauty wholesale revenue in the second half was up 11% underlying, driven by the sell-in of Mr Burberry, our new male fragrance, which launched in April, coupled with further product extensions around My Burberry.

Licensing

In the second half, licensing revenue of £16m declined 50% underlying, principally reflecting the planned expiry of the Japanese Burberry licences during the financial year. This was consistent with full year guidance.

Outlook

Retail: In FY 2017, net new space is expected to contribute low single-digit percentage growth to total retail revenue. Around 15 mainline store openings are planned, with a similar number of closures.

Wholesale: Burberry expects total wholesale revenue at constant exchange rates in the six months to 30 September 2016 to be down by around 10% on the same period last year (H1 2015: £305m). This reflects significantly tighter inventory control by US wholesale customers, continued cautious ordering in other regions and the elevation of Beauty distribution in key markets.

FX impact on retail/wholesale adjusted profit: In FY 2017, if exchange rates* remain at current levels, we expect FY 2017 reported adjusted retail/wholesale profit to benefit by about £60m compared to FY 2016 rates.

Licensing: Total licensing revenue for FY 2017 is planned to be down by about £20m at constant exchange rates (FY 2016: £42m), primarily reflecting the expiry of the Japanese Burberry licences. As part of our focus on core categories, and as already announced in January, our watch licence will not be renewed in December 2017.

FY 2017 adjusted PBT: We currently expect FY 2017 adjusted profit before tax to be around the bottom of the range of analysts' expectations. This reflects the above guidance, coupled with our continued expectation that the demand environment remains challenging and that underlying cost inflation pressures persist. This excludes the benefits resulting from our productivity and efficiency agenda, on which we will share our plans at our Preliminary Results in May 2016.

* See page 6

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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 2016 on 18 May 2016.

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. Nothing in this announcement should be construed as a profit forecast. 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, built around its core iconic outerwear.
- Burberry designs and sources apparel, accessories and beauty, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- At 31 March 2016, Burberry globally had 215 retail stores, 214 concessions, 58 outlets and 62 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.

Exchange rates

Full year effective rates

£1=	31 March 2016 spot rates	FY 2016 estimated	FY 2015 actual
Euro	1.26	1.36	1.28
US Dollar	1.44	1.50	1.60
Chinese Yuan Renminbi	9.29	9.57	9.94
Hong Kong Dollar	11.16	11.67	12.42
Korean Won	1,640	1,740	1,709
Yen [~]	174 [#]	177	164

[~] For licensing revenue, taking into account the current hedged positions

[#] Effective rates for FY 2017