

Burberry Group plc

First Half Trading Update

12 October 2005. Burberry Group plc reports on trading for the six months ended 30 September 2005.

Financial Highlights

- Total revenues increased 3% on an underlying* basis
- Retail sales rose 9% underlying driven by new and refurbished stores
- Underlying wholesale revenues declined 1%, consistent with previous guidance
- Licensing revenue increased 3% underlying driven by global licenses
- Outlook for second half
 - On schedule to increase average retail selling space by 9% for the financial year
 - Moderate underlying wholesale sales decline expected
 - Anticipate licensing revenue growth consistent with first half

£ million	First Half to 30 September		% change	
	2005	2004	Reported	Underlying*
Retail	124	111	12	9
Wholesale	191	197	(3)	(1)
Licence	40	39	1	3
Total	355	347	2	3

*Underlying figures exclude the financial effect of Burberry's Taiwan-related business in both reporting periods and are calculated at the same exchange rates used in the 2004/05 year's reported results for the period. Burberry completed the acquisition of the operations and assets of its distributors in Taiwan in August 2005 (the "Taiwan Acquisition")

Commenting on the trading results, Rose Marie Bravo, Chief Executive, stated, *"Burberry took several important strategic actions in the first half. We brought our Taiwan business under direct control, continued to rebalance the US channel mix, set the groundwork for direct distribution in Spain and announced an exciting new eyewear licence. In retail, with outerwear just entering high season, our Prorsum collection is the highlight of autumn/winter 2005 to date."*

Total revenues

Total revenues in the first half increased by 3% on an underlying basis (i.e. excluding the financial effect of the Taiwan Acquisition and exchange rate differences), 2% reported, compared to the same period last year. The Taiwan Acquisition results in a sales shift from Burberry's wholesale channel to its retail channel. Therefore, in determining underlying performance, the financial effect of the Group's Taiwan-related business is excluded from both reporting periods. Revenue growth by geographical region is shown below:

<u>Region</u>	<u>% change underlying</u>
North America	5
Europe	(1)
Asia Pacific	5

Retail

Retail sales accounted for approximately 35% of total revenue in the period.

Retail sales in the first half increased 9% underlying, 12% reported, driven by contributions from new and refurbished stores. The acquisition of 12 retail locations in Taiwan during August 2005 also contributed to reported gains. During the half, the Group opened a Burberry store in San Antonio, replacement stores in Zurich and Taipei and an outlet store. Burberry also opened six concessions, in Spain and Asia. Several store refurbishments were completed in the half including those in Frankfurt, Munich, Boston, Denver, Philadelphia, Washington DC and Westchester. On a year over year basis, average selling space increased approximately 8% in the half.

Retail sales performance varied by region in the half. In the US, solid sales growth was driven by contributions from new stores, complemented by gains at existing stores. Against strong comparatives, new stores and concessions drove sales growth in Continental European markets. The UK market, affected by external factors, continued to be soft. In Asia, Korea achieved a small gain in the half notwithstanding the difficult retail environment. Led by existing stores, Hong Kong and Southeast Asian markets generally achieved strong gains in the period.

Wholesale

Wholesale sales accounted for approximately 54% of total revenue in the first half.

Consistent with previous guidance, underlying wholesale sales declined 1% in the half. Affected by the Taiwan Acquisition, reported wholesale sales decreased 3%. The US market experienced a moderate decline as a result of Burberry's ongoing adjustment of the brand's wholesale/retail balance in this market, as well as caution on the part of certain wholesale customers. In Europe, soft demand in Spain produced a moderate sales decline during the period. At the same time, other Continental European markets achieved

strong gains in the half. The UK continued to be soft. Asia achieved good underlying growth in the period. Boosted by new stores, emerging markets achieved strong gains. In conjunction with local partners, the Group opened franchised stores in Istanbul (Turkey), Warsaw (Poland), Sao Paulo (Brazil), Jeddah (Saudi Arabia) and Riyadh (Saudi Arabia) during the first half.

Licensing

Total licensing revenue in the first half increased by 3% on an underlying basis, 1% reported. Flat Japan-related royalties reflected a small volume decline resulting from licence transitions/cancellations, Burberry's programme to restrict selectively distribution of certain products and a soft apparel market. This was largely offset by an increase in certain royalty rates. Excluding the effect of cancelled licenses, total underlying licensing revenue increased 6% in the half.

Licensing revenue growth also reflected solid gains from Burberry's global licenses. Fragrance-related royalty growth slowed in the half reflecting strong comparatives resulting from the *Burberry Brit* for men launch in the previous year and the anniversary of the royalty rate increase.

Burberry recently announced a new ten-year eyewear licence with Luxottica Group. The first collections under the new agreement are expected to be shipped in late 2006.

Second Half Outlook

- **Retail.** Retail expansion continues on track. The Group opened a store in San Diego (California) in early October and also plans to open Burberry stores in Naples (Florida) and Palm Beach Gardens (Florida) and four outlet stores in the period. Retail selling space is planned to increase by approximately 9% for the financial year, excluding the effect of the Taiwan Acquisition.
- **Wholesale.** On the basis of Spring/Summer 2006 merchandise orders received to date, Burberry anticipates a moderate underlying decline in wholesale sales for the second half of the year. As stores are added in the US, the Group continues to rebalance its channel mix in that market. Burberry also anticipates soft demand in Spain and the UK in the second half. In addition, the Group expects to begin the transition of portions of its womenswear business in Spain from a wholesale to a retail concession format in the financial fourth quarter, which will affect reported results. As a result, sales will shift both in terms of timing and channel relative to the previous year. Following a period of transition, Burberry expects the conversion to enhance its positioning and financial performance in this market.
- **Licensing.** Burberry anticipates licensing revenue growth broadly consistent with that of first half. In Japan, Burberry will continue its activities to improve brand positioning, which restrain volume growth. Revenues will also be affected by the initial phase of the transition to a

new eyewear licence, which will commence in the second half. With respect to other licenses, Burberry expects trends to be consistent with those of the first half of the year.

Burberry will release interim results on 15 November.

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