

Burberry Group plc

Second Half Trading Update

12 April 2006. Burberry Group plc reports on trading for the six months ended 31 March 2006.

Highlights

- Retail sales increased 13% on an underlying⁽¹⁾ basis driven by new and existing stores
 - In the fourth quarter, underlying retail sales increased 16%
- Wholesale sales decreased 7% underlying, in line with expectations
- Licensing revenue increased 8% underlying
- Total revenue increased 3% underlying

Revenue by geographical origin (statutory accounts format)

£ million	Second Half				Full Year			
	Reported ⁽²⁾		% change		Reported ⁽²⁾		% change	
	2005/06	2004/05	Reported	Underlying ⁽¹⁾	2005/06	2004/05	Reported	Underlying ⁽¹⁾
Europe	117	120	(3)	(3)	232	239	(3)	(3)
Spain	68	80	(14)	(7)	156	170	(8)	(5)
North America	100	90	11	5	177	158	12	6
Asia Pacific	105	78	35	21	189	149	27	20
Total	390	368	6	3	753	716	5	3

Revenue by channel of distribution

£ million	Second Half				Full Year			
	Reported ⁽²⁾		% change		Reported ⁽²⁾		% change	
	2005/06	2004/05	Reported	Underlying ⁽¹⁾	2005/06	2004/05	Reported	Underlying ⁽¹⁾
Retail	196	155	27	13	325	265	22	11
Wholesale	152	174	(12)	(7)	347	372	(7)	(4)
Licence	41	39	6	8	81	78	3	6
Total	390	368	6	3	753	716	5	3

Commenting on the trading results, Rose Marie Bravo, Chief Executive, stated, *“Retail operations were the highlight of Burberry’s fourth quarter. Consumers’ favourable response to spring merchandise, particularly womenswear, and an exciting advertising campaign contributed to the strong retail performance. At the same time, the strategically important shift to concession format for a significant portion of our business in Spain was completed. During the period, we also successfully launched a major new fragrance, Burberry London.”*

⁽¹⁾ Underlying figures exclude the financial effect of Taiwan Acquisition and the portion of Burberry’s business in Spain affected by the retail conversion, in both reporting periods. In addition, underlying figures 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”) and initiated actions related to the retail conversion in Spain during the third quarter of 2005/06.

⁽²⁾ Calculated at average annual exchange rates.

Total revenue

Total revenue in the six months to March 2006 increased 3% on an underlying basis (i.e. adjusted for (i) the Taiwan Acquisition, (ii) the portion of Burberry's business in Spain affected by the retail conversion and (iii) exchange rate differences). The Taiwan Acquisition and Spain retail conversion shift sales from Burberry's wholesale channel to its retail channel. In determining underlying performance, the financial effects of the relevant businesses are excluded from both reporting periods. Total reported revenue increased 6% in the half.

Retail

Retail sales in the second half increased 13% underlying, 27% reported, driven by contributions from newly opened and existing stores. The acquisition of 12 retail locations in Taiwan during August 2005 and the retail conversion of womenswear shop-in-shops in the stores of a major customer in Spain during February 2006 contributed approximately seven percentage points of the reported gain. In addition to the two stores, two outlets and two concessions opened in the third quarter, the Group opened a store in Naples, Florida, three outlets and a net one concession during the fourth quarter. On a year on year basis (excluding Taiwan and Spain), average net retail selling space increased approximately 9% in the half, and 8% for the full financial year.

In the fourth quarter, retail sales growth accelerated relative to that of the third quarter, producing a 16% underlying increase. In the US, new and refurbished stores largely drove sales growth. The majority of Continental European markets achieved strong gains driven by new stores and momentum at existing stores. In the UK, existing stores produced a double digit gain in the period. Asia demonstrated continued underlying strength. Sales in Korea continued to firm, resulting in a modest gain for the quarter. Hong Kong and Southeast Asia achieved robust gains primarily on the performance of existing stores.

Wholesale

In line with expectations, total wholesale sales decreased by 7% on an underlying basis, 12% reported, during the second half. Primarily as a result of the ongoing adjustment of the brand's wholesale/retail balance in the US, sales in this market declined in the half. In Spain, soft demand resulted in a significant underlying sales decline during the period. Fuelled by existing accounts, other Continental European markets achieved strong gains in the half. The UK continued to be challenging. In Asia, timing differences negatively affected shipments to some markets. Boosted by new stores, emerging markets achieved strong gains. In conjunction with local partners, the Group opened five franchise stores in the half, including stores in Abu Dhabi (UAE) and Cancun (Mexico) in the fourth quarter.

Licensing

Total licensing revenue in the second half increased 8% on an underlying basis, 6% reported. In Japan, the high single digit increase in underlying revenues largely reflected royalty rate increases as Burberry continues its initiatives to enhance brand positioning in that market. Global product licences achieved a solid underlying increase in the half. In February, Burberry launched a new major fragrance, Burberry London, which enters most large consumer markets during spring 2006.

2006/07 outlook

In line with the ongoing execution of its core growth strategies, Burberry's plans for the 2006/07 financial year include:

- **Retail.** A minimum 10% underlying increase in average net retail selling space (excluding the impact of the Taiwan Acquisition and Spain retail conversion). The majority of space expansion will be concentrated in the US and Asian markets.
- **Wholesale.** First half wholesale sales up a low single digit percentage underlying and reported relative to the comparative period based upon orders received to date for the Autumn/Winter 2006 season.
- **Licensing.** Broadly flat underlying licensing revenue relative to 2005/06
 - Revenues from Japan are expected to experience a moderate underlying decline for the year as a result of licence transitions and Burberry's other ongoing efforts to enhance brand positioning in this market.
 - Global product licenses are expected to produce strong gains.
 - On a reported basis, the Group will also experience a significant negative exchange rate comparison.
- **Project Atlas.** With the initial year of Burberry's five-year infrastructure redesign programme drawing to a close, the Group has made good progress in implementation while having the opportunity to evaluate the initial project scope and assumptions. This first phase of work has identified additional opportunities in terms of project scope and implementation phasing. The overall financial outline of the programme remains unchanged with an approximate £50 million investment during the first three years generating in excess of £20 million annually in expense savings by the project's third year. Expected expense benefits for the 2006/07 financial year are currently anticipated to be a minimum of £5 million. A further update will be provided with the Group's preliminary results announcement.

Burberry will release its preliminary results for the year ended 31 March 2006 on 25 May 2006.

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The financial information contained in this Trading Update has not been audited.

Certain statements made in this Trading Update 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.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

Appendix

Revenue by geographical destination

£ million	Second Half				Full Year			
	Reported ⁽²⁾		% change		Reported ⁽²⁾		% change	
	2005/06	2004/05	Reported	Underlying ⁽¹⁾	2005/06	2004/05	Reported	Underlying ⁽¹⁾
Europe	111	104	7	7	217	206	5	5
Spain	61	71	(15)	(6)	135	150	(10)	(6)
North America	103	93	10	4	183	166	11	5
Asia Pacific	110	95	15	3	206	187	11	4
Other	6	4	49	49	11	7	63	63
Total	390	368	6	3	753	716	5	3