

Burberry Group plc

First Half Trading Update

11 October 2006. Burberry Group plc reports on trading for the six months ended 30 September 2006.

Financial Highlights

- Total revenue increased 10% on an underlying* basis
- Retail sales rose 23% underlying driven by new and existing stores
- Wholesale revenues increased 1% underlying
- Licensing revenue increased 5% underlying
- Outlook for second half
 - Increased pace of retail expansion to include the opening of five stores and five concessions, resulting in an expected 14% average retail selling space gain in the second half and 13% for the financial year
 - Anticipate a mid single digit percentage increase in wholesale sales
 - Continue to expect underlying licensing revenue broadly flat relative to the previous year period

Revenue by geographical origin (statutory accounts format)

£ million	First Half	
	2006	2005
Europe (excluding Spain)	127	115
Spain	87	86
North America	80	74
Asia Pacific	98	80
Total	392	355

Revenue by channel of distribution

£ million	Second Quarter				First Half			
	Reported		% change		Reported		% change	
	2006/07	2005/06	Reported	Underlying*	2006/07	2005/06	Reported	Underlying*
Retail	87	63	39	28	169	124	36	23
Wholesale	144	152	(5)	1	182	191	(5)	1
Licence	25	25	(1)	1	41	40	3	5
Total	257	240	7	8	392	355	11	10

* Underlying figures exclude the financial effect of the 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 2005/06 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.

Commenting on the trading results, Angela Ahrendts, Chief Executive Officer, stated, *“Continued strength in outerwear and womenswear as well as the extraordinary consumer response to the launch of the Burberry Icons Collection of luxury handbags have fuelled excellent retail performance across markets. Our distinctive 150th year anniversary advertising campaign and unprecedented editorial coverage contributed to the sales momentum as drivers of store traffic, customer acquisition and transaction value. As a whole, performance in the first half is consistent with expectations for the full financial year.”*

Total revenue

Total revenue in the first half increased 10% 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. First half combined revenue for the Retail and Wholesale channels by geographical market is presented below:

First Half Retail and Wholesale Revenue by Geographical Market (Destination)

<u>Region</u>	<u>Reported</u>		<u>% change</u>	
	<u>2006/07</u>	<u>2005/06</u>	<u>Reported</u>	<u>Underlying</u>
Europe (excluding Spain)	113	95	19	19
Spain	75	74	0	(3)
North America	82	76	8	10
Asia Pacific	76	65	17	10
Other	6	5	21	21
Total	351	315	11	10

Retail

Retail sales accounted for approximately 43% of total revenue in the period.

Retail sales in the first half increased 23% underlying, 36% reported, driven by contributions from existing and new stores. The Taiwan acquisition and Spain retail conversion contributed approximately 13 percentage points to the reported gain. Comparable store sales increased 11% and average selling space increased approximately 12% year over year. During the half, the Group opened a total of six stores, a replacement store, a net five concessions and two outlets. In the second quarter, Burberry opened stores in Madrid (Spain), Kansas City (Missouri), Northbrook (Illinois), Hackensack (New Jersey) and Sydney (Australia). Concessions were added in the UK, Spain and Japan.

Building on strong first quarter performance, retail sales accelerated in the second quarter. Underlying retail sales increased 28% on a 14% comparable store sales gain and 15% selling space addition in the quarter. In the US,

existing stores, complemented by new store space, drove strong sales growth. Performance at existing stores and concessions led excellent sales increases in Continental European markets. The UK market achieved another double-digit gain on the strength of existing stores and concessions. Asia achieved good underlying growth led by existing stores in Hong Kong and other Southeast Asian markets.

Wholesale

Wholesale sales accounted for approximately 46% of total revenue in the first half.

Underlying wholesale sales increased 1%. In the context of good external demand, production delays in outerwear and a core handbag group constrained growth in the half. Reported wholesale sales were also affected by the Taiwan acquisition and Spain retail conversion, resulting in a 5% reported decline in the period. The US market experienced a moderate decrease primarily as a result of shipping delays. In Spain, the ongoing challenges of the specialty store channel produced a moderate underlying sales decline during the period. Other European markets in aggregate achieved strong gains, with particular strength in Italy and Germany. Asia was broadly flat in the period, with initial shipments to Japan offsetting deferred shipments to duty free and other customers. Emerging markets achieved strong gains on the basis of new stores and excellent performance at existing locations. In conjunction with a local franchise partner, the Group opened a second store in Istanbul (Turkey) during the second quarter.

Licensing

Total licensing revenue in the first half increased 5% on an underlying basis, 3% reported. In Japan, volume gains among ongoing licenses were offset by the effect of licence terminations, resulting in a moderate underlying decline in revenue. Good growth in product licence revenue was led by fragrances, which benefited from the successful launch of Burberry London for women in Spring 2006 and the men's fragrance in Autumn 2006. Watches also continued to maintain good progress in the period.

Second half outlook

- Retail. Burberry has accelerated its retail expansion programme for the year. The Group plans to open nine Burberry stores, a net 10 concessions and four outlets in 2006/07 resulting in an expected 13% increase in average retail selling space for the financial year (excluding the effects of the Taiwan acquisition and Spain retail conversion). For the second half, average retail selling space is planned to increase approximately 14% through the addition of five stores and five concessions. Capital expenditure is expected to total approximately £50 million for the year.

- Wholesale. On the basis of Spring/Summer 2007 merchandise orders received to date, Burberry anticipates a mid single digit underlying increase in wholesale sales for the second half of the year.
- Licensing. The Group continues to expect licensing revenue broadly flat relative to the previous year period. In Japan, Burberry will continue its activities to reinforce brand positioning, which constrain volume growth. With respect to product licenses, Burberry looks forward to the launch of its new eyewear collection during the second half.

Burberry will release interim results on 14 November 2006.

Enquiries:

Burberry		020 7968 0577
Stacey Cartwright	CFO	
Matt McEvoy	Strategy and IR	
John Scaramuzza	Strategy and IR	

Brunswick		020 7404 5959
Susan Gilchrist		
Laura Cummings		
Robert Gardener		

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