

16 October 2007

Burberry Group plc

First Half Trading Update

Burberry Group plc, the global luxury company, reports on trading for the six months to 30 September 2007.

First half highlights (on an underlying basis*)

- Total revenue increased by 19%
- Retail revenue up 25%, with comparable store sales growth of 11%
- Wholesale revenue increased by 16% as expected, with a further mid-teens percentage increase forecast for the second half
- Licensing revenue up 5%
- Increased investment in infrastructure, including Atlas, to support growth

Commenting on this performance, Angela Ahrendts, Chief Executive Officer, said:

“We are delighted with Burberry’s 19% underlying increase in revenue in the first half of the year. Our new luxury outerwear, apparel and non-apparel collections, combined with our compelling marketing campaigns, have again driven demand in both our retail and wholesale channels. This performance is consistent with our profit expectations for the full year as we continue to increase our investment in the infrastructure of the business to support this strong growth.”

There will be conference calls to discuss this update today at 9am and 3pm (UK time). The conference calls can be accessed live on the Burberry website (www.burberryplc.com), with replays of both calls available later today.

Burberry will release its interim results for the six months to 30 September 2007 on 14 November 2007.

* Underlying change is calculated at constant exchange rates.
Certain financial data within this announcement has been rounded.

Revenue by origin of business

£ million	Six months to 30 September		% change	
	2007	2006	<i>reported</i>	
Europe (excluding Spain)	169	127	33	
Spain	82	87	(5)	
North America	96	80	20	
Asia Pacific	102	98	4	
Total	449	392	15	

Revenue by channel of distribution

£ million	Six months to 30 September		% change	
	2007	2006	<i>reported</i>	<i>underlying</i>
Retail				
- Q1	97	82	18	25
- Q2	105	87	21	26
Six months to 30 September	202	169	20	25
Wholesale				
- Q1	56	38	47	51
- Q2	151	144	5	7
Six months to 30 September	207	182	14	16
Licensing				
- Q1	15	15	(3)	6
- Q2	25	26	(3)	5
Six months to 30 September	40	41	(3)	5
Total				
- Q1	168	135	24	30
- Q2	281	257	10	13
Six months to 30 September	449	392	15	19

Q1 is the three month period to 30 June; Q2 is the three month period to 30 September

Retail and wholesale revenue by destination

£ million	Six months to 30 September		% change	
	2007	2006	<i>reported</i>	<i>underlying</i>
Europe (excluding Spain)	138	110	26	26
Spain	75	75	1	1
North America	98	81	20	29
Asia Pacific	83	76	9	16
Other	15	9	71	71
Total	409	351	17	21

Total revenue

Total revenue in the first half increased by 19% on an underlying basis (15% reported), further reinforcing the strength of the Burberry brand and strategies. By channel, retail sales increased by 25% on an underlying basis. By region, both Europe (excluding Spain) and North America grew in excess of 20% underlying; and by product, non-apparel increased by 35% underlying.

Retail

Retail sales, which accounted for 45% of total revenue in the first half, increased by 25% on an underlying basis (20% reported).

Comparable store sales grew by 11%, driven by strong autumn/winter product designs, by cohesive advertising and marketing campaigns and by the more frequent flow of new products to our stores. Luxury handbags, women's runway apparel and outerwear continued to perform well, further increasing the average unit retail price in our mainline stores. Comparable store sales growth was particularly pleasing in the US, Italy and other parts of Continental Europe, including our Spanish womenswear concessions.

In the first half, there was a 12% increase in average selling space year-on-year. The net addition of 11 stores, 13 concessions and two outlets in the period included six in the US, four in Italy and 10 throughout Asia.

Wholesale

Wholesale revenue, which accounted for 46% of total sales in the first half, increased by 16% on an underlying basis (14% reported), consistent with our expectations.

This performance reflects the strength of the autumn/winter collection which was shipped to wholesale customers predominantly during the second quarter. As in retail, revenue growth was driven by the appeal of the product, by the more frequent flow of product to customers with the new market calendar and by basic replenishment. While Spain remained down year-on-year, the US showed particular strength with growth in key accounts of over 40%. Europe (excluding Spain) and emerging markets also performed well.

Licensing

Total licensing revenue in the first half increased by 5% on an underlying basis (down 3% reported). The weakness of the yen reduced reported revenue and profit by around £3m in the first half. There was growth from non-apparel licences in Japan and from the global eyewear licence, where the new product range was launched in late 2006.

Investment in infrastructure

The implementation of Project Atlas continued successfully in the first half, with further progress in both improving business processes and in installing new IT systems. To accommodate the strong growth in our business, we have increased our investment in both areas.

To mitigate the risks of implementation at a time when Burberry is growing so strongly, we have delayed certain elements of the IT roll-out into the third quarter. This re-phasing has led to some additional spend, both in operating costs within the business and in IT resources. As a result of the latter, overall costs relating to Atlas in the current financial year are now expected to be approximately £19m (previously £15m). This still brings the total project cost to just over £50m in the three year period. The programme remains on track to deliver the targeted £20m tangible benefits to profit in 2007/8.

We have also increased our investment in improving business processes around the group, including strengthening our global supply chain team, adding warehouse capacity to handle the strong growth in volume and upgrading our corporate functions.

Outlook

Retail: Average selling space is expected to increase by 12% year-on-year in the second half.

Wholesale: Based upon orders received to date, Burberry expects wholesale revenue in the second half to show a further mid-teens percentage increase on an underlying basis. This builds on the strong performance of wholesale in the second half of last year (H1 2006/7: wholesale revenue +1%; H2 2006/7: +17% on an underlying basis). Spain is expected to show further weakness with the continuing erosion of multi-brand accounts, countered by good growth elsewhere across the rest of Europe and the US.

Licensing: For the full financial year, Burberry continues to expect broadly flat underlying licensing revenue relative to last year. For the second half of the year, revenue is expected to be moderately down, largely reflecting different phasing of royalty payments between halves and the non-renewal of certain menswear licences. The weakness of the yen is expected to reduce reported revenue and profit by about a further £3m in the second half (about £6m in the full year).

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