

Burberry Group plc

Third Quarter 2006/07 Trading Update

16 January 2007. Burberry Group plc reports on trading for the third quarter ended 31 December 2006.

Financial Highlights

- Total revenue increased 25% on an underlying* basis, 22% reported
- Retail sales increased 24% underlying driven by existing and new stores
- Wholesale revenue increased 33% underlying, partially driven by shift in timing of shipments
 - Updated second half growth expectations to low-to-mid teen underlying percentage increase
- Licensing revenue increased 12% underlying
 - Currently anticipate mid-to-high single digit underlying percentage increase for second half

Revenue by geographical origin (statutory accounts format)

£ million	Third Quarter	
	2006/07	2005/06
Europe (excluding Spain)	59	46
Spain	23	15
North America	71	60
Asia Pacific	54	48
Total	206	168

Revenue by channel of distribution

£ million	Third Quarter				Nine months			
	Reported		% change		Reported		% change	
	2006/07	2005/06	Reported	Underlying*	2006/07	2005/06	Reported	Underlying*
Retail	143	115	25	24	312	242	29	24
Wholesale	43	36	22	33	225	229	(1)	6
Licence	19	18	7	12	60	58	4	7
Total	206	168	22	25	597	529	13	14

* Third quarter underlying figures exclude the financial effect of the portion of Burberry's business in Spain affected by the retail conversion, in both reporting periods. In addition, nine month underlying figures also include the first half adjustment for the Taiwan acquisition. For both periods, underlying figures are calculated at the same exchange rates used in the 2005/06 reported results. Burberry 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, *“This outstanding quarter has been led by Burberry’s strong retail performance. These results are a credit to the extended efforts of the team in executing our core strategies, specifically in innovating outerwear, intensifying the luxury accessory offering and implementing operational enhancements. This performance is consistent with expectations for the financial year.”*

Total revenue

Total revenue in the third quarter ended 31 December 2006 increased 25% on an underlying basis (i.e. adjusted for (i) the portion of Burberry’s business in Spain affected by the retail conversion and (ii) exchange rate differences). The Spain retail conversion shifts sales from Burberry’s wholesale channel to its retail channel. In determining underlying performance, the financial effect of the affected business is excluded from both reporting periods. Total reported revenue increased 22%. Adverse exchange rate movements reduced the reported gain by approximately seven percentage points.

Third Quarter 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)	47	37	26	26
Spain	22	14	60	8
North America	72	61	18	30
Asia Pacific	42	37	15	21
Other	4	2	113	113
Total	186	150	24	26

Retail

Retail sales accounted for approximately 70% of total revenue in the period.

Retail sales in the third quarter increased 24% underlying, 25% reported. Comparable store sales increased 13% and average selling space increased approximately 14% underlying in the quarter. The Spain retail conversion contributed approximately eight percentage points of the reported gain. Adverse exchange rate movements, primarily US dollar, reduced the reported gain by approximately seven percentage points. During the quarter, Burberry opened stores in Northern Los Angeles (California) and Vienna (Austria), five concessions and one outlet store.

Retail performance was consistently strong across the regions. In the US, existing stores and new store space drove strong sales gains. New space additions and gains at existing stores and concessions resulted in excellent sales increases in Continental European markets. The UK market continued to achieve double-digit gains on the strength of existing space. Asia Pacific achieved strong sales growth led by existing stores in Hong Kong, Korea and other Southeast Asian markets.

Several factors underpinned the retail strength. In the product arena, outstanding outerwear performance, driven by updated styles and balanced assortments, led gains. New luxury handbag styles and Burberry's runway collection also experienced excellent demand. In-stock positions improved as a result of implementation of a basic replenishment programme. Increased frequency of new product flow to stores resulted in fresher merchandise assortments relative to the previous year period.

In the fourth quarter, Burberry plans to open stores in Manchester (UK) and Seville (Spain), a new concept store in Prague (Czech Republic) and an outlet. The Group expects to add approximately 14% average underlying retail selling space for the second half and 13% for the financial year.

Wholesale

Wholesale sales accounted for approximately 21% of total revenue in the period.

In the quarter, total wholesale sales increased 33% underlying, 22% reported. A shift in the timing of selected shipments from the first half to the third quarter boosted gains for the current period. The third quarter of each financial year is a small wholesale quarter with the large majority of spring/summer merchandise shipments concentrated in the fourth quarter.

The Group anticipates a low-to-mid teen underlying percentage increase in wholesale sales for the second half. The improved outlook reflects initial success of the basic replenishment programme and incremental orders associated with the new market calendar.

In conjunction with local franchise partners, the Group opened stores in Kiev (Ukraine) and Mexico City (Mexico) during the quarter.

Licensing

Licensing revenue in the quarter increased 12% on an underlying basis, 7% reported. In Japan, good volume gains among ongoing licences offset the effect of licence terminations, producing a solid gain for the quarter. Excellent growth in product licence revenue was led by fragrances, which continued to benefit from the 2006 Burberry London fragrance launches, and strong progress in watches. Burberry currently anticipates a mid-to-high single digit underlying percentage increase in licensing revenue for the second half. Reported figures will continue to be affected by adverse exchange rate movements.

Operational efficiency

The Group recently progressed two significant activities designed to enhance the Group's long-term operating efficiency. Following a proposal made in September 2006, the Group announced the expected closure of a Welsh manufacturing facility in March 2007. This will result in a cash cost of approximately £3.5 million to cover an enhanced redundancy package and outplacement and training

services for affected employees, and a non-cash expense of £1.7 million associated with asset write-offs, for a total charge of approximately £5.2 million in the current financial year. Expense savings associated with additional manufacturing efficiencies are expected to be approximately £1.5 million annually.

With respect to its central operations, Burberry entered into a lease for a global headquarters. Located in central London (Westminster), the site will allow the Group to consolidate its global operations, including design, merchandising, marketing, supply chain, finance and executive and administrative functions, within a single facility. These functions are currently divided among five buildings in London. The relocation is expected to take place in late 2008.

Burberry will provide a second half trading update on 17 April.

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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.

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