

# Burberry Group plc

## Second Half Trading Update

Burberry Group plc reports on trading for the six months ended 31 March 2005.

### Highlights

- Total revenue increased by 6% on an underlying<sup>(1)</sup> basis
- Retail sales rose by 6% underlying driven by new stores
- Wholesale sales increased by 5% underlying driven by Spring/Summer 2005 season sales
- Licensing revenue increased by 8% underlying
- Minimum EBITA of £162 million for 2004/05
- 2005/06 plans
  - increase average net retail selling space by approximately 8%
  - first half wholesale revenues broadly flat relative to the previous year based on orders to date for the Autumn/Winter 2005 season
  - more moderate growth in licensing revenue relative to the second half of 2004/05

| £ million        | Second Half             |                           |                         |          |            | Full Year               |                           |                         |          |            |
|------------------|-------------------------|---------------------------|-------------------------|----------|------------|-------------------------|---------------------------|-------------------------|----------|------------|
|                  | 2004/05                 |                           | 2003/04                 |          | % change   | 2004/05                 |                           | 2003/04                 |          | % change   |
|                  | Reported <sup>(2)</sup> | Underlying <sup>(1)</sup> | Reported <sup>(2)</sup> | Reported | Underlying | Reported <sup>(2)</sup> | Underlying <sup>(1)</sup> | Reported <sup>(2)</sup> | Reported | Underlying |
| <b>Retail</b>    | 155                     | 163                       | 153                     | 1        | 6          | 265                     | 279                       | 257                     | 3        | 8          |
| <b>Wholesale</b> | 174                     | 179                       | 171                     | 2        | 5          | 372                     | 382                       | 351                     | 6        | 9          |
| <b>Licence</b>   | 39                      | 39                        | 36                      | 8        | 8          | 78                      | 80                        | 67                      | 17       | 19         |
| <b>Total</b>     | 368                     | 380                       | 360                     | 2        | 6          | 716                     | 740                       | 676                     | 6        | 10         |

<sup>(1)</sup> Underlying figures are calculated at constant exchange rates

<sup>(2)</sup> Calculated at average annual exchange rates

Commenting on the trading results, Rose Marie Bravo, Chief Executive, stated, *“Burberry continued to manage for the bottom line, delivering a solid result for the half. This will allow the Group to achieve EBITA ahead of expectations for the 2004/05 financial year. Looking forward, we continue to be encouraged by the vitality of the Burberry brand and the opportunities it presents.”*

### **Total revenue**

Total revenue in the six months to March 2005 increased by 6% on an underlying<sup>(1)</sup> basis (i.e. at constant exchange rates), 2% reported, compared to the same period last year.

### **Retail**

Underlying retail sales in the second half increased 6% (1% reported), driven by contributions from newly opened and refurbished stores. In addition to the four stores and concessions opened in the third quarter, the Group opened a net four concessions during the fourth quarter. On a year on year basis, average net retail selling space increased approximately 8% in the half.

In aggregate, fourth quarter retail performance was consistent with that of the third quarter. In the US, as the result of a muted consumer response to early spring women's fashion styles and significant store renovation activity, sales growth was driven by space additions. Similarly, new stores and concessions drove sales growth in Continental European markets, which had achieved strong gains in the previous year period. The UK market continued to be soft. In Asia, sales in Korea continued to be volatile as a result of the challenging retail environment resulting in a small gain for the quarter. Hong Kong and Southeast Asia achieved robust gains in the period.

### **Wholesale**

Total wholesale sales increased by 5% on an underlying basis, 2% reported, during the second half driven by solid sales growth for the Spring/Summer 2005 season. By region, growth was led by strong gains across Asian markets. Continental European markets achieved good growth. Following strong gains in the previous year, US wholesale sales increased marginally in the half. Strong gains in new and emerging markets also contributed to the increase. In conjunction with local partners, the Group opened seven franchised stores in the half, including a new store in Beijing.

### **Licensing**

Total licensing revenue in the second half increased 8% on an underlying basis, 8% reported. In Japan, aggregate volumes declined as a result of licensee cancellations/transitions, Burberry's programme to reduce selectively the distribution of certain products in that market and a soft apparel environment. This decline was partially offset by increases in certain royalty rates. Global product licences drove gains in the half led by the continued strong performance of fragrance products. At the Annual Fragrance Foundation awards held last week in New York City, Burberry Fragrances won three awards, including best men's fragrance for *Burberry Brit for Men*.

## **2005/06 plans**

In line with the ongoing execution of its core growth strategies, Burberry's plans for the 2005/06 financial year include:

- An approximate 8% increase in average net retail selling space through the addition of stores and concessions. In the US, the Group has signed leases for new stores in Naples, Florida; San Antonio, Texas; San Diego, California and Atlantic City, New Jersey. Burberry has also signed a lease for a new store in Madrid, Spain, which is expected to open in spring 2006.
- First half wholesale sales broadly flat relative to the previous year based upon orders received to date for the Autumn/Winter 2005 season.
- More moderate licensing revenue growth relative to the second half of 2004/05
  - revenues from Japan are expected to decline moderately for the year as a result of Burberry's programme to reduce selectively the distribution of certain products in this market, a soft apparel environment and licensee cancellations/transitions
  - global licensees are expected to continue to produce strong gains

Burberry will announce its preliminary results for the year ended 31 March 2005 on 24 May 2005.

## **Enquiries:**

### **Burberry**

Stacey Cartwright

Matt McEvoy

John Scaramuzza

CFO

Strategy and IR

Strategy and IR

020 7968 0577

### **Brunswick**

Susan Gilchrist

Laura Cummings

Robert Gardener

020 7404 5959

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