

# Burberry Group plc

## Third Quarter 2005/06 Trading Update

11 January 2006. Burberry Group plc reports on trading for the third quarter ended 31 December 2005.

### Financial Highlights

- Retail sales increased 11% on an underlying\* basis driven by new and existing stores
- Wholesale revenues decreased 21% underlying, primarily reflecting shipment timing differences relative to the comparative period
  - Burberry anticipates a mid-to-high single digit underlying decline in wholesale sales for the second half
- Licensing revenues increased 3% underlying
- Total revenues increased 1% on an underlying basis, up 5% reported

£ million	Third Quarter				Nine Months			
	Reported		% change		Reported		% change	
	2005/06	2004/05	Reported	Underlying*	2005/06	2004/05	Reported	Underlying*
<b>Retail</b>	115	95	21	11	242	206	18	9
<b>Wholesale</b>	36	47	(25)	(21)	229	245	(7)	(3)
<b>Licence</b>	18	18	0	3	58	57	1	3
<b>Total</b>	168	161	5	1	529	509	4	3

\* Underlying figures exclude the financial effect of Burberry's Taiwan-related business and the portion of its 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").

Commenting on the trading results, Rose Marie Bravo, Chief Executive, stated, *"In this retail dominated quarter, we were pleased with the results for the all-important holiday period. The business was led by our core outerwear and reinvigorated classics. At the same time, the favourable initial response to early spring deliveries across all categories provides a good start to Burberry's 150<sup>th</sup> year."*

## **Total revenues**

Total revenues in the third quarter ended 31 December 2005 increased 1% on an underlying basis (i.e. excluding (i) the financial effect of the Taiwan Acquisition, (ii) the portion of Burberry's business in Spain affected by the retail conversion and (iii) exchange rate differences). Total reported revenues increased 5%. The Taiwan Acquisition and Spain retail conversion shift sales from Burberry's wholesale channel to its retail channel. In determining underlying performance, the financial effect of these affected businesses are excluded from both reporting periods.

## **Retail**

Retail sales accounted for approximately 68% of total revenues in the period.

Retail sales in the third quarter increased 11% underlying, 21% reported, driven by contributions from new and existing stores. The acquisition of 12 retail locations in Taiwan during August 2005 also contributed approximately five percentage points of the reported gain. During the quarter, Burberry opened stores in San Diego (California) and Palm Beach Gardens (Florida), two concessions and three outlet stores. On a year on year basis, average selling space increased approximately 9% underlying in the quarter.

Retail sales growth varied by region. In the US market, solid gains were driven by contributions from new and existing stores. In Europe, the combination of new stores and increases at existing stores generally produced strong gains in Continental markets. The UK market improved marginally relative to recent trends. In Asia, sales in Korea firmed relative to recent periods, producing a modest increase in this market for the quarter. Hong Kong continued to experience vigorous growth, driving an underlying gain across South Asia markets.

Burberry plans to open one store and an outlet in Florida during the fourth quarter. Originally scheduled to open in the third quarter, these stores were affected by hurricane-related construction delays. The Group expects to add approximately 9% average retail selling area for the second half and 9% for the financial year (excluding the impact of the Taiwan Acquisition and Spain retail conversion).

## **Wholesale**

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

In the quarter, total wholesale sales decreased 21% underlying, 25% reported. The decline in underlying sales primarily reflected variances in the timing of customer shipments relative to the comparative period. Wholesale sales were also affected by soft demand in Spain and fewer reorders in certain other markets. 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.

For the second half of 2005/06, Burberry anticipates a mid-to-high single digit decline in underlying wholesale sales. In addition, as previously stated, the retail conversion in Spain and the Taiwan Acquisition will also reduce reported wholesale sales in the second half relative to the previous year.

In conjunction with local partners, the Group opened three franchise stores in the quarter. In November, Burberry opened its first store in India's emerging luxury market, in Mumbai. During the period, the Group opened a store in Athens and a third store was added in Dubai.

### **Licensing**

Licensing revenues in the quarter increased 3% on an underlying basis, 0% reported. In Japan, a modest increase in licensing revenue largely reflected royalty rate increases as Burberry continues its initiatives to enhance brand positioning in this market. Global product licences generally performed in line with recent trends, including preparation for a major fragrance launch in February, transition to a new eyewear licence and continued strength in the watch category.

Burberry will provide a second half trading update on 12 April.

### **Enquiries:**

#### **Burberry**

Stacey Cartwright  
Matt McEvoy  
John Scaramuzza

CFO  
Strategy and IR  
Strategy and IR

020 7968 0577

#### **Brunswick**

Susan Gilchrist  
Robert Gardener  
Laura Cummings

020 7404 5959

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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