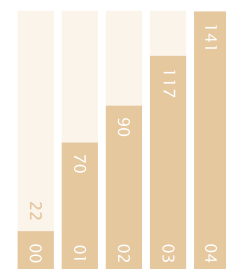


Operational review continued



Burberry operating profit
£ million

Burberry

In the year to March 2004, Burberry delivered strong results and continued its strategic progress. Management successfully strengthened the product line, refined and expanded distribution and continued to develop targeted regions.

Burberry's product design, development and merchandising teams produced exciting achievements during the year. For example, candy check, a pink adaptation of Burberry's iconic pattern, was successfully offered across a range of handbags and other accessories.

Burberry saw growth across all distribution channels. Retail selling space increased by 12% during the year, with nine new stores, including one in Milan. In wholesale, Burberry continued to concentrate on key accounts, add doors selectively in developed markets and utilise the channel as a primary means to address emerging markets, such as China. In licensing, Burberry Brit for women was the year's highlight, bringing important perception and awareness benefits to the Burberry brand.

By region, Burberry extended its global reach. At constant exchange rates, Burberry achieved solid growth across the US (up 26%), Europe (up 10%) and Asia (up 17%). Sales growth resumed in Spain, reflecting the successful repositioning efforts in that market. In Japan, Burberry continued its long-term brand enhancement activities by assuming the role of managing and monitoring the non-apparel licensees in this market.

In line with the ongoing execution of its core growth strategies, Burberry's plans for 2005 include an approximate 8% increase in net retail selling space; high single-digit percentage wholesale sales growth, as indicated by orders received to date for the Autumn/Winter 2004 season; and more moderate licensing revenue growth relative to 2004.

Burberry delivered strong financial results. Reported sales grew by 14%, with growth of 13% in retail, 14% in wholesale and 15% in licensing. The operating margin expanded from 19.7% to 20.9%, driven by strong gross margin gains.

Burberry

	2004 £m	2003 £m	Growth at constant FX
12 months to 31 March			
Sales	676	594	16%
Operating profit	141.2	116.7	24%
Operating margin	20.9%	19.7%	
Operating cash flow	155	108	
At 31 March			
Number of retail locations	145	132	–
Total selling space (000s sq ft)	410	360	12%