20 January 2009

Burberry Group plc

Third Quarter Trading Update and Interim Management Statement

Burberry Group plc, the global luxury company, today reports on trading for the three months to 31 December 2008.

- Third quarter revenue up 9% underlying (30% reported)

- Adjusted profit before tax for 2008/9 expected to be in line with guidance given at interim results in November 2008

- Total cost efficiencies of about £50m to underpin profitability in 2009/10
  - £15-20m of efficiencies announced in November 2008
  - An additional £30-35m of savings announced today, including restructuring of Spain and UK manufacturing

- Strong balance sheet with net debt of about £90m at the end of December, comfortably within the Group's £260m banking facilities

Angela Ahrendts, Chief Executive Officer, said:

"Revenue at Burberry increased by 9% at constant currency (30% reported), in what remained challenging and volatile markets. There was an improved retail performance in December, albeit with continuing pressure on gross margin.

As we continue to evolve our business model, we have today announced further cost efficiencies. These are enabled in part by the investments we have previously made in supply chain, IT and infrastructure. These savings, coupled with our proven strategies, strong brand perception and conservative balance sheet position us to trade through the current difficult environment and emerge even stronger when the global economy recovers."

Third quarter highlights (on an underlying basis*)

- Retail revenue up 12% (33% reported)
  - Comparable store sales down 3%
  - Improved performance in December, albeit with continuing pressure on gross margin
  - Double-digit growth in Europe and Asia
  - United States and Spain weak

- Wholesale revenue up 8% (28% reported)
  - Supply chain improvements enabled earlier deliveries
  - High single-digit percentage decline in H2 underlying wholesale revenue expected

- Licensing revenue down 8% (up 10% reported)
  - Full year underlying licensing revenue expected to be down high single-digit percentage as demand in Japan softens

* Underlying change is calculated at constant exchange rates.

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There will be a conference call for investors and analysts to discuss this update today at 9am (UK time). The conference call can be accessed live on the Burberry website (www.burberryplc.com), with a replay available later today.

Burberry will release its Second Half Trading Update for the six months to 31 March 2009 on 21 April 2009. It will announce its preliminary results for the year to 31 March 2009 on 20 May 2009.

Certain financial data within this announcement have been rounded.

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.

This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares. Past performance is not a guide to future performance and persons needing advice should consult an independent financial adviser.

Revenue by origin of business

£ million	Three months to 31 December 2008	2007	% change reported
Europe*	109	83	*31*
Spain	23	26	*(11)*
Americas	109	85	*28*
Asia Pacific	88	60	*48*
Total	329	254	*30*

* Excluding Spain; including Burberry Middle East

Retail/wholesale revenue by destination

£ million	Three months to 31 December 2008	2007	% change reported	underlying
Europe*	88	67	*32*	*20*
Spain	21	26	*(17)*	*(29)*
Americas	110	85	*29*	*(2)*
Asia Pacific	74	49	*53*	*33*
Rest of World#	15	8	*76*	*60*
Total	308	235	*31*	*11*

* Excluding Spain
# Including Burberry Middle East

Comments in this announcement refer to revenue by destination which better reflects the regional demand for Burberry products.

Revenue by channel of distribution

£ million	Three months to 31 December 2008	2007	% change reported	underlying
Retail	213	161	*33*	*12*
Wholesale	95	74	*28*	*8*
Licensing	21	19	*10*	*(8)*
Total	329	254	*30*	*9*

As previously announced, the Burberry Middle East joint venture was formed on 30 September 2008. This transaction marginally increased total underlying sales growth in the third quarter (slight positive impact in retail; slight negative impact in wholesale).

Summary

Total revenue in the third quarter increased by 9% on an underlying basis (30% reported, reflecting the year-on-year strength of the US dollar, the euro and the Hong Kong dollar). Highlights included menswear and childrenswear, Europe and Asia retail and Emerging Markets.

Revenue benefited from strong promotional activity, especially in December. As expected, this impacted the gross margin but enabled profitable clearance of excess stock. These trends are expected to continue into the fourth quarter.

Retail

Retail sales, which accounted for about two-thirds of total revenue in the quarter, increased by 12% on an underlying basis (33% reported). Comparable store sales declined by 3%, new space added 12% to the growth, with Burberry Middle East, the joint venture formed in September 2008, contributing the balance of 3%.

Comparable store sales fell by 3% with increased clearance activity in both mainline and outlet stores. Driven by new strategies, menswear and childrenswear outperformed, as did the innovative check handbag ranges.

There was double-digit comparable store sales growth in both Europe and Asia Pacific, with strong performances in the UK, Italy, Korea and Hong Kong. Given the level of discounting in the luxury sector in the United States during the period, this market was more challenging, with comparable store sales down double-digit year-on-year. Spain remained weak (down over 20%).

During the third quarter, Burberry opened eight mainline stores, including its first store in Canada (in Vancouver), its first two standalone childrenswear stores in the United States, and a store in Westfield, London. Average selling space for the second half is planned to increase by 13% year-on-year, excluding the stores now operated by the Burberry Middle East joint venture.

Wholesale

In what is a small quarter for wholesale, revenue increased by 8% on an underlying basis (28% reported), as supply chain improvements enabled more on-time deliveries of Spring/Summer 2009 merchandise, particularly in Europe and China.

For the second half as a whole, Burberry expects wholesale revenue to be down by a high single-digit percentage on an underlying basis. Final demand for in-season reorders has been lower than previously expected, especially in the United States and Spain.

Licensing

Total licensing revenue in the third quarter fell by 8% on an underlying basis (up 10% reported). Further weakness in Japan in both apparel and non-apparel was partly offset by good growth from global product licences, especially watches.

Burberry expects underlying licensing revenue for the full financial year to be down by a high single-digit percentage relative to last year, reflecting softness in demand in Japan, especially in the department store channel.

Cost efficiency programme to deliver about £50m savings
In November 2008, Burberry announced that it is accelerating the benefits it is driving from the investments made in supply chain, IT and infrastructure. These initiatives will deliver savings of some £15-20m in the year to March 2010. In addition, Burberry announced that it was reviewing the potential for further consolidation and rationalisation across the Group in order to realise significant savings and underpin profitability in 2009/10 and beyond.

As a result, Burberry has now identified a further range of potential cost reduction initiatives across all regions and at corporate which would deliver additional annual savings of £30-35m, starting in 2009/10. These savings would be derived from more process efficiencies, further evolving the supply chain, including manufacturing, and streamlining other operations around the world.

The total cost associated with this £50m efficiency programme is estimated to be up to £60m, with the majority in cash and incurred in the current financial year. The programme is expected to reduce annual revenue by up to £50m.

A significant proportion of these £30-35m cost savings arise from Burberry's plans to restructure its Spanish operations and consolidate UK manufacturing.

In Spain, these plans include further modernisation of the supply chain; closure of the underperforming Thomas Burberry business, made primarily for the Spanish market; and streamlining of operations to reflect the lower level of sales in this market. Burberry will shortly be entering a consultation process in Spain, which could lead to around 250 redundancies.

In the UK, of Burberry's two apparel manufacturing facilities, production and investment will be focused in Castleford, Yorkshire, where the iconic trench coats are made. Subject to consultation, the sewing facility in Rotherham will be closed and supporting operations scaled back, which could result in up to 290 redundancies.

Financial condition
Except for the trading activities described above, there has been no significant change to the financial condition of the company.

Notes to Editors

- Burberry is a global luxury brand with a distinctive British heritage.

- Burberry designs and sources apparel and accessories, selling through a diversified network of retail, wholesale and licensing channels worldwide.

- Burberry has five strategic themes to underpin its growth: leverage the franchise; intensify non-apparel development; accelerate retail-led growth; invest in under-penetrated markets; and pursue operational excellence.

- At 31 December 2008, Burberry had 116 retail stores globally, with 253 concessions, 48 outlets and 76 stores operated under franchise.

- Burberry was founded in 1856 and is listed on the London Stock Exchange (BRBY.L).