

14 January 2016

Burberry Group plc

Third Quarter Trading Update

Burberry announces retail sales growth of 1% underlying in a challenging environment for luxury

Highlights for the three months to 31 December 2015

- Retail revenue £603m, up 1% underlying
 - Further cost reductions support FY 2016 adjusted profit before tax
- Comparable sales unchanged year-on-year, an improvement from down 4% in Q2
 - Up 3% excluding Hong Kong and Macau
 - Asia Pacific
 - Improvement on Q2 as mainland China returned to growth
 - Overall, down mid single-digit %
 - EMEIA
 - Up mid single-digit %
 - With strong performance in Italy, Germany and Spain
 - Americas
 - Improved from Q2
 - Marginally positive growth
- Digital outperformed in all regions
- Operational progress
 - Continued digital innovation, working with Apple, DreamWorks, Google and WeChat
 - Domestic customers returned to growth in all three regions
 - Good response to festive initiatives in marketing, customer service and product, particularly small leather goods and scarves
 - Focus on retail productivity drove conversion in store and online
 - Digital benefited from investment in mobile platform and expansion of single pool of inventory model
 - Mobile now drives majority of traffic to burberry.com

Christopher Bailey, Chief Creative and Chief Executive Officer, commented:

“In a tougher environment than expected, our sustained focus on growth and cost control drove a number of positive results over the quarter, including the outperformance of digital and a return to growth in mainland China. While Burberry was impacted by the ongoing challenges facing the luxury sector, headwinds in Hong Kong and Macau masked an otherwise stronger performance in many markets.

The outlook for our sector remains uncertain as the consumer and environment evolve. However, we are anticipating and responding to these changes through an intense focus on new growth opportunities and the acceleration of our productivity and efficiency agenda.”

Summary

In the third quarter, Burberry delivered underlying retail sales growth of 1%. Comparable sales were unchanged year-on-year, an improvement from negative 4% in the second quarter, but below internal assumptions.

In what remains a challenging external environment, and ahead of Lunar New Year, we currently expect adjusted profit before tax for FY 2016 to be broadly in line with market forecasts, supported by a further reduction in the performance-related pay charge, additional discretionary cost savings and an FX benefit.

Looking forward to FY 2017, the outlook for demand in luxury is uncertain and underlying cost pressures persist for the sector. Against this background, we are accelerating our productivity and efficiency agenda, especially looking at our ways of working. We are also addressing how to optimise future organic revenue growth opportunities, the resulting investment plans and our capital structure. Further updates will be provided at our Preliminary Results in May 2016.

Retail

Retail sales in the third quarter increased by 1% underlying and were unchanged at reported FX. Of the 1% underlying growth, comparable sales were unchanged year-on-year, with the balance from new space.

By region

- Asia Pacific saw a mid single-digit percentage decline in comparable sales. However, excluding Hong Kong and Macau, comparable sales grew by a mid single-digit percentage. Growth resumed in both mainland China and Korea. Japan remained strong with around 50% comparable sales growth, as we build our retail operation in this market. We opened one concession in Japan in the quarter, bringing the total to six free-standing stores, 20 concessions and 10 small childrenswear concessions.

Comparable sales in Hong Kong declined again by over 20%, driven by a further significant decline in footfall. All stores in this important market remain profitable, with ongoing initiatives to drive conversion (marketing, product and customer service), evolve the store portfolio and tightly control costs.

- EMEIA achieved mid single-digit comparable sales growth. Driven by the travelling luxury customer, Italy and Spain continued to deliver growth in excess of 20%, while France slowed. The UK, which accounts for over one-third of EMEIA's retail revenue, became more challenging, with a slowdown from travelling customers, primarily Chinese and Middle Eastern consumers.
- The Americas delivered marginally positive comparable sales growth. Consistent with the first half of the year, Canada, Brazil and Mexico, which account for over 15% of Americas' retail revenue, together delivered double-digit percentage comparable sales growth. The United States experienced some recovery from domestic customers in the third quarter, but a further deterioration from all tourist groups.

Digital outperformed in all regions during the quarter. Benefiting from our investment in mobile, conversion improved year-on-year in this, our fastest growing digital channel, which now represents the majority of traffic to burberry.com. Growth was also supported by the expansion of the single pool of inventory model into our largest digital markets, the United States and the United Kingdom.

In mainline, accessories again outperformed apparel, with strength in small leather goods and scarves reflecting the positive response to our festive assortment. Emerging categories of ponchos and dresses continued to outperform, while outerwear was affected by unseasonably warm weather.

During the third quarter, we opened two mainline stores and closed one, while opening and closing three concessions.

Outlook

Retail: In FY 2016, net new space is still expected to contribute low single-digit percentage growth to total retail revenue.

Wholesale: Burberry continues to expect total wholesale revenue at constant exchange rates in the six months to 31 March 2016 to be broadly unchanged on the same period last year (H2 2014/15: £331m).

- In apparel and accessories, an underlying mid single-digit percentage decline reflects cautious ordering by wholesale customers globally, as well as the re-phasing of orders in the Americas into the first half from the second half of this year.
- Double-digit percentage underlying growth is expected in Beauty in the second half, driven by sales to distributors of our new male fragrance, Mr Burberry, offset by some destocking.

Retail/wholesale profit: In FY 2016, if exchange rates* remain at current levels, our latest expectation is that the benefit to FY 2016 reported retail/wholesale profit would be about £10m higher than at FY 2015 rates. This compares to no material benefit at the time of the Interim Results based on 31 October 2015 effective rates.

Licensing: Total licensing revenue for FY 2016 is still planned to be down by about 40% at constant exchange rates (FY 2015: £68m), due to the expiry of the Japanese Burberry licences. For FY 2016, we continue to expect double-digit percentage growth from the global product licences and about £25m from Japan. At current exchange rates*, the impact of the movement in the sterling/yen rate on reported licensing revenue in FY 2016 is not expected to be material.

As part of our focus on core luxury categories, our watch licence will not be renewed in December 2017.

*See page 5

Enquiries

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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 corporate website (www.burberryplc.com), with a replay available later. Burberry will release its Second Half Trading Update for the six months to 31 March 2016 on 14 April 2016. It will announce its Preliminary Results for the twelve months to 31 March 2016 on 18 May 2016.

Underlying performance is calculated before adjusting items and removes the effect of changes in exchange rates, compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain. Certain financial data within this announcement have been rounded.

Certain statements made in this announcement 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. Burberry Group plc undertakes no obligation to update these forward-looking statements and will not publicly release any revisions it may make to these forward-looking statements that may result from events or circumstances arising after the date of this document. Nothing in this announcement should be construed as a profit forecast. All persons, wherever located, should consult any additional disclosures that Burberry Group plc may make in any regulatory announcements or documents which it publishes. All persons, wherever located, should take note of these disclosures. This announcement does not constitute an invitation to underwrite, subscribe for or otherwise acquire or dispose of any Burberry Group plc shares, in the UK, or in the US, or under the US Securities Act 1933 or in any other jurisdiction.

Notes to editors

- Burberry is a global luxury brand with a distinctive British heritage, built around its core iconic outerwear.
- Burberry designs and sources apparel, accessories and beauty, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- At 31 December 2015, Burberry globally had 219 retail stores, 218 concessions, 57 outlets and 59 franchise stores.
- Burberry, which is headquartered in London, was founded in 1856. It is listed on the London Stock Exchange (BRBY.L) and is a constituent of the FTSE 100 index. ADR symbol OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.

Exchange rates

Full year effective rates for FY 2016

£1=	31 December 2015	31 October 2015	30 September 2015	8 July 2015
Euro	1.38	1.39	1.37	1.39
US Dollar	1.52	1.54	1.52	1.53
Chinese Yuan Renminbi	9.64	9.71	9.62	9.52
Hong Kong Dollar	11.75	11.96	11.82	11.90
Korean Won	1,745	1,755	1,772	1,727
Yen [~]	177	177	176	177

[~] For licensing revenue, taking into account the current hedged positions