

17 January 2018

Burberry Group plc

Third Quarter Trading Update for the three months ended 31 December 2017

Burberry on track for next phase of its transformation

In November, we set out our multi-year plan to establish our position firmly in luxury by re-energising our product, our communication and the customer experience. This plan is underpinned by our operational excellence and people strategies.

Operational highlights

- Creative collaborations across events, social and other media with Adwoa Aboah, Blondey McCoy, Cara Delevingne, Danny Sangra, Ibrahim Kamara and Kris Wu
- Commenced initial engagement with wholesale partners in the US and EMEIA
- Piloting new enhanced digital sales associate tool
- Embedding new operating model and launched global engagement campaign to equip employees with knowledge and tools to deliver strategy

Retail performance

£ million	% change			
Three months to 31 December	2017	2016	reported	underlying
Retail Revenue	719	735	-2	1
<i>Comparable store sales</i>	<i>2%</i>	<i>3%</i>		

- Comparable store sales +2%
 - Asia Pacific grew by a mid-single digit percentage, as did Mainland China
 - EMEIA declined by a low single digit percentage, impacted by strong UK comparatives
 - Americas grew by a low single digit percentage, with US revenue broadly flat
- Fashion outperformed as customers responded positively to new products across categories
- Returning top spending customers led growth aided by deeper, more personalised service
- Further good growth in direct-to-consumer digital, led by Asia Pacific

Full Year

- Guidance for FY 2018 operating profit remains unchanged and continue to expect to remain strongly cash generative
- On track to deliver cumulative cost savings of £60m in FY 2018

“We are making good progress embedding our strategic vision into the organisation and remain on track to meet our full year profit target. We are building on strong foundations and are fully focussed on the successful delivery of our multi-year plan to position Burberry firmly in luxury and deliver long-term sustainable value.”

Marco Gobbetti, Chief Executive Officer

The financial information contained herein is unaudited.

Retail revenue

- Retail sales +1% underlying; -2% reported
- Comparable store sales +2%
- Impact of net new space -1%

Comparable store sales by region:

- Asia Pacific: Mid-single digit percentage growth consistent with the first half
 - Mainland China delivered mid-single digit percentage growth
 - Hong Kong was broadly unchanged year-on-year with improved domestic trends
 - Korea saw a better performance from both domestics and tourists, although sales still declined slightly
- EMEA: Low single digit percentage decline, impacted by the UK as expected
 - The UK declined by a high single digit percentage, as it annualised exceptional performance of 40% growth in the prior year boosted by tourist inflows
 - Continental Europe grew and the Middle East improved
- Americas: Low single digit percentage growth consistent with the second quarter
 - The US was broadly unchanged year-on-year with improved conversion offsetting footfall declines
 - Tourist spending, whilst still negative, showed a slight improvement compared to the second quarter

By product, fashion outperformed as customers continued to respond positively to new products across categories

- Improved outfit offer and full look merchandising showed positive early results with tops, skirts and trousers outperforming
- Preparing for new bag launches starting from Spring 2018

Direct-to-consumer digital continued to deliver good growth

- Growth was led by Asia Pacific and mobile transactions represented c.40% of revenue

At 31 December 2017, £242m of share buyback completed; total of £350m to be completed by end FY 2018.

Outlook

Guidance for FY 2018 operating profit at both constant and reported exchange rates* remains unchanged to that given at the Interim Results in November 2017. Continue to expect margin improvement at constant exchange rates and to remain strongly cash generative.

* See Appendix

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 announce its Preliminary Results for the twelve months to 31 March 2018 on 16 May 2018.

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. Comparable sales is the year-on-year change in sales from stores trading over equivalent time periods and measured at constant foreign exchange rates. It also includes online sales. 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 distinctly British attitude, renowned for extraordinary creativity and tireless innovation. Burberry designs and sources apparel and accessories, selling through a diversified network of retail (including digital), wholesale and licensing channels worldwide.
- At 31 December 2017, Burberry globally had 205 retail stores, 199 concessions, 57 outlets and 47 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. Its ADR symbol is OTC:BURBY.
- BURBERRY, the Equestrian Knight Device and the Burberry Check are trademarks belonging to Burberry which are registered and enforced worldwide.

Appendix

Exchange rates

At 31 December 2017 effective rates, the expected impact of year-on-year exchange rate movements on FY 2018 reported adjusted operating profit is around £20m adverse, unchanged from our previous guidance at 31 October 2017 effective rates. This reflects a small (c.£15m) benefit to revenue more than offset by a negative impact on costs.

Exchange rates	Forecast effective rates for FY 2018		Actual Average exchange rates		
	31 December 2017	31 October 2017	H1 2018	H1 2017	FY 2017
£1=					
Euro	1.13	1.14	1.14	1.22	1.19
US Dollar	1.31	1.31	1.29	1.37	1.30
Chinese Yuan Renminbi	8.77	8.77	8.75	9.08	8.73
Hong Kong Dollar	10.26	10.23	10.09	10.65	10.11
Korean Won	1,460	1,477	1,464	1,565	1,487

Impact of US tax legislation

Burberry notes the recently enacted Tax Cuts and Jobs Act ("the Act"), which came into effect on 1 January 2018. While work is ongoing and we will provide more detailed information with the publication of our FY 2018 Annual Results, our preliminary impact assessment is noted here.

The measures included in the Act, subject to any further specific guidance on interpretation being released, are likely to give rise to an initial one-off and non-cash tax charge in the range £10m–15m in FY 2018 resulting from the revaluation of the Group's aggregate US Deferred Tax Assets and Deferred Tax Liabilities, following the reduction in the US federal rate of corporate income tax. This will not impact adjusted EPS.

From 2018 the impact of the headline federal rate reduction is likely to be very marginally positive. Based on this preliminary assessment, our guidance for this year's effective tax rate on adjusted profit at 25% and for a 200-300bp reduction in the group effective tax rate by FY 2020 remains unchanged.