

17 November 2022

# BURBERRY GROUP PLC

## THE NEXT PHASE: MODERN BRITISH LUXURY

*“Burberry has an extraordinary legacy, a unique British heritage and a very strong platform to build on, as shown in our half-year results. Our focus in this next phase is on growth and acceleration. We have a clear plan to achieve this across brand, product and distribution and a very talented designer in Daniel Lee, supported by a passionate team. I am confident in our ability to deliver our medium-term targets and realise our potential as the modern British luxury brand. I am excited about what we can achieve in pursuit of our long-term ambition to reach £5bn in revenue.” Jonathan Akeroyd, Chief Executive Officer*

### Strategy for the next phase

The key elements of our plan to drive revenue growth and acceleration are:

- **Harness the power of our brand, informed by a new creative vision set by Daniel Lee**
  - Refocus on Britishness and strengthen our connection with British design, craft and culture
  - Amplify our brand through strong marketing and communication activations with high levels of impact
- **Bring all product categories to full potential**
  - Broadly double sales of leather goods, shoes and women's ready to wear and grow outerwear by around 50% in the medium term
  - Ambition to grow accessories to more than 50% of Group sales in the long term
- **Grow customer lifetime value**
  - Accelerate customer acquisition, strengthen our relationship with customers and drive loyalty and retention
- **Strengthen distribution across all channels and regions**
  - Convert all stores to new concept by end-FY26 and boost sales densities by more than 50% to £25k per sq m
  - Double e-commerce revenue to reach around 15% of retail sales in the medium term
  - Accelerate momentum in core markets
- **Seamless execution**
  - Continue to simplify and streamline key processes, deliver our bold sustainability commitments, ensure our people are supported and inspired to deliver, and positively impact our communities

### OUTLOOK

We maintain our near-term guidance to FY24 while mindful of the challenging macro environment and its potential impact on trading, particularly Covid-19 related disruption in Mainland China and recessionary risks in Europe and the Americas. We have established a new medium-term target to grow sales to £4bn at CER\*, sustaining high-single digit growth with operating leverage ensuring good margin progression.

\* Base year FY22 exchange rates

## INTERIM RESULTS FOR 26 WEEKS ENDED 1 OCTOBER 2022

### GROUP FINANCIAL HIGHLIGHTS

Period ended	26 weeks ended 1 October	26 weeks ended 25 September	YoY % change Reported FX	YoY % change CER
£ million	2022	2021		
<b>Revenue</b>	<b>1,345</b>	<b>1,213</b>	<b>11</b>	<b>5</b>
<i>Retail comparable store sales*</i>	+5%	+37%		
<b>Adjusted operating profit*</b>	<b>238</b>	<b>196</b>	<b>21</b>	<b>6</b>
<i>Adjusted operating profit margin *</i>	17.7%	16.2%	+150bps	+10bps
Adjusted Diluted EPS (pence)*	44.3	33.5	32	15
<b>Reported operating profit</b>	<b>263</b>	<b>207</b>	<b>27</b>	
<i>Reported operating profit margin</i>	19.5%	17.1%	+240bps	
Reported diluted EPS (pence)	48.9	35.7	37	
Free cash flow*	88	104		
Dividend (pence)	16.5	11.6	42	

\*See page 12/13 for definitions of alternative performance measures,

#### Revenue

- Revenue £1,345m +5% CER, +11% reported
- Retail comparable store sales +5% (Q1: +1%; Q2: +11%); Wholesale +1% CER, +6% reported

#### Adjusted profit

- Adjusted operating profit £238m, +6% CER, +21% reported
- Adjusted gross margin of 70.1%, flat at CER and +80bps at reported rates
- Adjusted operating profit margin of 16.3% at CER<sub>7</sub> (+10bps), 17.7% reported rates (+150bps)
- Operating expenses before adjusting items rose 4% at CER (+9% reported)
- Adjusted diluted EPS 44.3p, +15% at CER, +32% reported

#### Reported profit measures

- Operating profit £263m, +27% after adjusting items of £25m net credit (H1 FY22: £11m net credit)
- Diluted EPS 48.9p, +37% reported

#### Cash measures

- Interim dividend per share declared of 16.5p (H1 FY22: 11.6p)
- Free cash flow of £88m (H1 FY22: £104m)
- Cash net of overdrafts and borrowings of £643m at 1 October 2022 (2 April 2022: £879m). Cash net of overdrafts amounted to £941m with borrowings of £298m and IFRS 16 liabilities of £1,139m.

#### Business review

During the period, we continued to invest in our brand. We ran a highly successful campaign to support the expansion of our Lola handbag range, which drove above average comparable store sales growth in leather goods. We had a strong reception to our AW22 collection and we also debuted our SS23 collection, celebrating the British seaside. The show, which was Riccardo Tisci's last for Burberry, was streamed across local and global platforms where it was watched 1.5m times. We have started the second half with the launch of our outerwear campaign. This was accompanied by a film, 'Night Creatures', that reflects a celebration of the joy and opportunity found in fearlessly embracing the unknown.

New product launches and seasonal collections performed strongly. Leather goods sales saw good momentum with comparable sales increasing +15% in Q2; and +11% in H1. This was driven by handbags

with the Lola now our best seller and helped by the introduction of the Frances shape for AW22. Outerwear comparable sales grew +3% in H1. Growth was impacted by lockdowns in Mainland China. The performance outside of Mainland China robust at +18% growth, with a strong performance across both Men's and Women's.

In H1 we opened or renovated 22 stores including Bal Harbour in Miami and Taipei 101. We remain on track to open or refurbish 65 stores in the new concept this year, in addition to the 47 stores from FY22.

In August, Burberry became the first luxury fashion brand and one of the first companies globally to receive approval from the Science Based Targets initiative (SBTi) for our net-zero emissions target. As we continue to explore alternative materials, we are proud to have become an Innovation Partner of Fashion For Good, a global initiative designed to inspire change across the industry.

To support our colleagues with the rising cost of living this winter, we brought forward the new UK real Living Wage pay rates as defined by the Living Wage Foundation by more than six months. As we expand our support for young people around the world through The Burberry Foundation, we recently announced two new partners, International Youth Foundation and UK-based OnSide.

All metrics and commentary in the Group Financial Highlights and Business and Financial Review exclude adjusting items unless stated otherwise.

The following alternative performance measures are presented in this announcement: CER, adjusted profit measures, comparable sales, free cash flow, cash conversion, adjusted EBITDA and net debt. The definition of these alternative performance measures are in the Appendix on page 12/13.

Certain financial data within this announcement have been rounded. Growth rates and ratios are calculated on unrounded numbers.

## ENQUIRIES

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Andrew Roberts	SVP, Corporate Relations and Engagement	andrew.roberts@burberry.com

- There will be a presentation today at 9.30am (UK time) to investors and analysts at our Regent Street store - 121 Regent St., London W1B 4TB
- The presentation can be viewed live on the Burberry website [www.burberryplc.com](http://www.burberryplc.com) and can also be accessed live via a listen only dial-in facility on +44 (0)20 3936 2999 (access code 056896)
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will issue its Third Quarter Trading Update on 18 January 2023

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.

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## SUMMARY INCOME STATEMENT

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	YoY % change Reported FX	YoY % change CER
<b>Revenue</b>	<b>1,345</b>	<b>1,213</b>	<b>11</b>	<b>5</b>
Cost of sales*	(403)	(372)	8	5
<b>Gross profit*</b>	<b>942</b>	<b>841</b>	<b>12</b>	<b>5</b>
<b>Gross margin*</b>	<b>70.1%</b>	<b>69.3%</b>	<b>+80bps</b>	<b>flat</b>
Net operating expenses*	(704)	(645)	9	4
Operating expenses as a % of sales*	52.4%	53.2%	-80bps	-20bps
<b>Adjusted operating profit*</b>	<b>238</b>	<b>196</b>	<b>21</b>	<b>6</b>
<b>Adjusted operating margin *</b>	<b>17.7%</b>	<b>16.2%</b>	<b>+150bps</b>	<b>+10bps</b>
Adjusting operating items	25	11		
<b>Operating profit</b>	<b>263</b>	<b>207</b>		
<b>Operating margin</b>	<b>19.5%</b>	<b>17.1%</b>	<b>240bps</b>	
Net finance charge	(12)	(16)		
<b>Profit before taxation</b>	<b>251</b>	<b>191</b>		
Taxation	(57)	(46)		
Non-controlling interest	(1)	-		
<b>Attributable profit</b>	<b>193</b>	<b>145</b>		
<b>Adjusted profit before taxation*</b>	<b>226</b>	<b>180</b>	<b>26</b>	
<b>Adjusted diluted EPS (pence)*</b>	<b>44.3</b>	<b>33.5</b>	<b>32</b>	
<b>Diluted EPS (pence)</b>	<b>48.9</b>	<b>35.7</b>	<b>37</b>	
Weighted average number of diluted ordinary shares (millions)	394.4	406.3		
Adjusted EBITDA*	401	341	18	

\* Excludes adjusting items. All items below adjusting operating items on a reported basis unless otherwise stated  
For detail, see Appendix.

## FINANCIAL PERFORMANCE

### Revenue by channel

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	YoY % change Reported FX	YoY % change CER
Retail	1,061	944	12	6
Retail comparable store sales growth	5%	37%		
Wholesale	263	249	6	1
Licensing	21	20	6	8
<b>Revenue</b>	<b>1,345</b>	<b>1,213</b>	<b>11</b>	<b>5</b>

- H1 FY23 Retail sales +6% at CER; +12% reported
- Impact of space +1%
- Total comparable store sales grew 5% with Q1 +1% impacted by COVID lockdowns in Mainland China and Q2 +11%. Comparable store sales outside of Mainland China +15% in Q2 FY23 broadly in line with +16% in Q1 FY23

## Comparable store sales growth by region

	FY23 vs LY		
	Q1	Q2	H1
<b>Group</b>	+1%	+11%	+5%
<b>Asia Pacific</b>	-16%	+11%	-4%
<b>EMEIA</b>	+47%	+25%	+34%
<b>Americas</b>	-4%	-3%	-3%

Asia Pacific H1 FY23 comparable store sales declined 4% with COVID related lockdowns in Mainland China in Q1 FY23 impacting the overall result:

- Mainland China comparable store sales fell 19% in the half with Q2 FY23 broadly stable despite localised COVID related lockdowns in September following a 35% decline in Q1 FY23
- South Korea grew 5% in H1 FY23 with Q2 FY23 up 11% benefiting from having around 40% of the stores in the new concept
- South Asia Pacific (SAP) rose over 40% in H1 FY23 with a strong performance across South East Asia and Australia
- Japan also saw strong comparable store sales growth up 25%

EMEIA comparable store sales grew 34% in H1 FY23 with Q1 FY23 up 47% recovering strongly from the COVID related lockdowns last year and Q2 FY23 +25%, a strong performance against a period with most stores open last year:

- The region benefited from strong tourist growth that more than doubled in the half, doubling its share of the mix to more than 40% of total sales with a very strong performance from US, Middle East and other Asia outside of Mainland China
- Continental Europe outperformed in the region with a strong performance from France and Spain
- The UK performed in line with the region average
- Americas H1 FY23 fell 3% with a similar performance over the period. We continue to see higher AUR categories, especially bags, performing well with some pressure in the entry level items. Compared with pre-pandemic levels, the Americas saw H1 FY23 comparable store sales growth in excess of 30% and significantly higher for full price sales. Globally, the US customer remained broadly stable in Q2 FY23 as Americans transitioned to buying Burberry in EMEIA.

### By product

- We maintained our focus on the core leather and outerwear categories with both showing a good performance in the half excluding the impact of the Mainland China lockdowns
- Outerwear comparable store sales grew +18% in H1 FY23 excluding Mainland China (+3% including Mainland China with the category disproportionately impacted by the Q1 FY23 lockdowns), with a strong performance in Men's
- Leather Goods comparable store sales grew +11% in H1 FY23 including Mainland China. This was driven by bags especially from the continued success of our Lola campaign as well as the Frances shape
- Within Ready-to-wear, both Men's and Women's performance was broadly in line with the average

### Store footprint

The transformation of our distribution network continued as we rolled out the new concept stores:

- In H1 FY23 we opened 10 mainline stores, closed 13 stores with one outlet opened and one closed
- Including refurbishments, we increased the number of new concept stores by 22
- Key openings/refurbishments in the new concept included Bal Harbour in Miami and Taipei 101
- We now have 69 stores in the new design; 56 in Asia including 19 in South Korea and 18 in Mainland China, 9 in EMEIA and 4 in Americas.
- We remain on track to increase the footprint of new concept stores by 65 in FY23 to 112 cumulatively and complete the roll out by FY26
- We remain pleased with the performance of new stores that have generated a higher revenue and AUR following their openings

## WHOLESALE

- Wholesale revenue increased 1% at CER (+6% at reported rates) with a good performance in the Americas and EMEIA broadly offset by the halting of shipments to Russia as well as weakness in Asia travel retail following COVID related lockdowns

## LICENSING

Licensing revenue grew 8% at CER and 6% at reported exchange rates.

## OPERATING PROFIT ANALYSIS

### Adjusted operating profit

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	YoY % change Reported FX	YoY % change CER
Revenue	1,345	1,213	11	5
Cost of sales*	(403)	(372)	8	5
<b>Gross profit*</b>	<b>942</b>	<b>841</b>	<b>12</b>	<b>5</b>
<b>Gross margin %*</b>	<b>70.1%</b>	<b>69.3%</b>	<b>+80bps</b>	<b>flat</b>
Net operating expenses*	(704)	(645)	9	4
Operating expenses as a % of sales*	52.4%	53.2%	-80bps	-20bps
<b>Adjusted operating profit*</b>	<b>238</b>	<b>196</b>	<b>21</b>	<b>6</b>
<b>Adjusted operating margin %*</b>	<b>17.7%</b>	<b>16.2%</b>	<b>+150bps</b>	<b>+10bps</b>

\*Excludes adjusting items

Adjusted operating profit increased 6% at CER and 21% reported with the margin up 10bps and 150bps respectively:

- Gross margin was flat at CER with benefits from price increases offset by cost inflation and regional sales mix headwinds. It increased 80bps at reported rates
- Adjusted operating expenses rose by 4% at CER
- Adjusted operating profit came in at £238m including a £31m FX tailwind in H1 FY23

## ADJUSTING ITEMS\*

Adjusting items were a net credit of £25m (H1 FY22: £11m net credit).

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021
<b>The impact of COVID-19</b>		
Inventory provisions**	1	6
Rent concessions	7	9
Government grants	1	1
<b>COVID-19 adjusting items</b>	<b>9</b>	<b>16</b>
Profit on sale of property	19	-
Revaluation of deferred consideration liability	(2)	-
Restructuring costs	(1)	(5)
<b>Adjusting items</b>	<b>25</b>	<b>11</b>

\*For more details see note 4 of the Financial Statements

\*\*Includes a £1m credit (H1 FY22: £6m credit) that has been recognised through COGS

The key adjusting items are as follows:

- Impact of the COVID-19 pandemic: we saw a total credit of £9m from COVID-19 related adjustments with £1m representing an inventory provision reversal, £7m of rent concessions and £1m of Government grants
- £1m of restructuring costs
- Net £19m profit on the sale of a Boston property

## ADJUSTED PROFIT BEFORE TAX\*

After an adjusted net finance charge of £12m (H1 FY22: £16m), adjusted profit before tax was £226m (H1 FY22: £180m).

\*For detail on adjusting items see note 4 of the Financial Statements

## TAXATION\*

The effective tax rate on adjusted profit decreased to 22.4% (H1 FY22: 24.1%). This was lower than the prior year due to increased adjusted profits rebalancing the geographical mix. The reported tax rate on H1 FY23 profit before taxation was 22.7% (H1 FY22: 24.1%).

\* For detail see note 6 of the Financial Statements

## CASH FLOW

### Represented statement of cash flows

The following table is a representation of the cash flows.

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021
Adjusted operating profit	238	196
Depreciation and amortisation	163	145
Working capital	(125)	(27)
Other including adjusting items	13	9
<b>Cash inflow from operations</b>	<b>289</b>	<b>323</b>
Payment of lease principal and related cash flows	(93)	(89)
Capital expenditure	(53)	(39)
Proceeds from disposal of non-current assets	22	8
Interest	(12)	(15)
Tax	(65)	(84)
<b>Free cash flow</b>	<b>88</b>	<b>104</b>

Free cash inflow\* was £88m in the half (H1 FY22: £104m).

The major components were:

- Cash generated from operating activities decreased to £289m from £323m
  - A working capital outflow of £125m (H1 FY22: £27m outflow) due to the accelerated inventory build ahead of the festive season, increased trade year-on-year, FX and timing of wholesale shipments
- Capital expenditure of £53m (H1 FY22: £39m)

Cash net of overdrafts at 1 October 2022 was £941m, compared to £1,177m at 2 April 2022. At 1 October 2022 borrowings were £298m from the bond issue leaving cash net of overdrafts and borrowings of £643m (2 April 2022: £879m). With lease liabilities of £1,139m, net debt in the period was £496m (2 April 2022: £179m). Net Debt / Adjusted EBITDA was 0.6x on a rolling 12 months period, at the lower end of our target range of 0.5x to 1.0x. The increase in gearing from 0.2x at the year end has primarily been driven by the share buy back programme.

\*For a definition of free cash flow and net debt see pages 12-13.

Period ended £ million	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021
Adjusted EBITDA – rolling 12 months	896	834
Cash net of overdrafts	(941)	(1,143)
<b>Bond</b>	<b>298</b>	<b>297</b>
<b>Lease debt</b>	<b>1,139</b>	<b>1,070</b>
<b>Net Debt</b>	<b>496</b>	<b>224</b>
<b>Net Debt/Adjusted EBITDA</b>	<b>0.6x</b>	<b>0.3x</b>



## APPENDIX

### Detailed guidance for FY23

Item	Financial impact
Markdowns	Markdowns were fully exited in FY22 and are no longer a headwind going forward.
Wholesale revenue	Wholesale is expected to be broadly stable in FY23.
Impact of retail space on revenues	Space is expected to be broadly stable in FY23.
Tax	We expect the adjusted tax rate to be around 22%.
Capex	Capex is expected to be c.£170m including around 65 stores opened/refurbished in the new concept.
Dividend	Interim dividend recommended at 16.5p, 42% ahead of H1 FY22.
Cash interest	Rising interest rates are now expected to lead to a £17m year-on-year benefit in net cash interest income relative to last year
Share buy back	£400m share buyback commenced, £180m completed at end September with the balance to be completed during FY23
Calendar	FY23 is a 52 week calendar year with FY22 a 53 week year. The extra week in FY22 contributed £35m revenue and £9m adjusted operating profit.
FX	Based on 27 October effective FX rates, the impact of year-on-year exchange rate movements is expected to be a c.£170m tailwind on revenue and c.£70m tailwind on adjusted operating profit

Note: guidance based on CER at FY22 rates

<b>Retail/wholesale revenue by destination*</b>					
Period ended	26 weeks ended 1 October	26 weeks ended 25 September	YoY % change		
£ million	2022	2021	<i>Reported FX</i>		<i>CER</i>
Asia Pacific (93% retail)*	525	522	0		(5)
EMEIA (66% retail)*	445	361	23		23
Americas (79% retail)*	354	310	14		0
<b>Total</b>	<b>1,324</b>	<b>1,193</b>	<b>11</b>		<b>5</b>

\* Mix based on H1 FY23

<b>Retail/wholesale revenue by product division</b>					
Period ended	26 weeks ended 1 October	26 weeks ended 25 September	YoY % change		
£ million	2022	2021	<i>Reported FX</i>		<i>CER</i>
Accessories	495	435	14		7
Women's	357	330	8		3
Men's	383	347	10		4
Children's & other	89	81	10		3
<b>Total</b>	<b>1,324</b>	<b>1,193</b>	<b>11</b>		<b>5</b>

<b>Store portfolio</b>					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 2 April 2022	218	143	57	418	38
Additions	9	1	1	11	1
Closures	(6)	(7)	(1)	(14)	(1)
<b>At 1 October 2022</b>	<b>221</b>	<b>137</b>	<b>57</b>	<b>415</b>	<b>38</b>

<b>Store portfolio by region*</b>					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 1 October 2022					
Asia Pacific	107	91	24	222	8
EMEIA	53	37	18	108	30
Americas	61	9	15	85	-
<b>Total</b>	<b>221</b>	<b>137</b>	<b>57</b>	<b>415</b>	<b>38</b>

\*Excludes the impact of pop up stores

	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	YoY % change <i>Reported FX</i>	YoY % change <i>CER</i>
<b>Adjusted operating profit*</b>				
Period ended				
£ millions				
Retail/wholesale	219	178	23	5
Licensing	19	18	4	11
<b>Adjusted operating profit</b>	<b>238</b>	<b>196</b>	<b>21</b>	<b>6</b>
<b>Adjusted operating margin</b>	<b>17.7%</b>	<b>16.2%</b>	<b>+150bps</b>	<b>+10bps</b>

\*For additional detail on adjusting items see note 4 of the Financial Statements

Exchange rates	Forecast effective rates for FY23		Actual average exchange rates		
	27 October 2022	11 July 2022	H1 FY23	H1 FY22	FY22
£1=					
Euro	1.17	1.18	1.17	1.16	1.18
US Dollar	1.18	1.20	1.21	1.39	1.36
Chinese Renminbi	8.29	8.03	8.16	8.98	8.73
Hong Kong Dollar	9.26	9.45	9.50	10.79	10.63
Korean Won	1,595	1,557	1,579	1,583	1,596

Profit before tax reconciliation				
Period ended	26 weeks ended	26 weeks ended	YoY % change	YoY % change
£ million	1 October	25 September	Reported FX	CER
	2022	2021		
<b>Adjusted profit before tax</b>	<b>226</b>	<b>180</b>	<b>26</b>	<b>10</b>
<b>Adjusting items*</b>				
COVID-19 related items	9	16		
Profit on sale of property	19	-		
Restructuring costs	(1)	(5)		
Revaluation of deferred consideration liability	(2)	-		
<b>Profit before tax</b>	<b>251</b>	<b>191</b>	<b>32</b>	

\*For additional detail on adjusting items see note 4 of the Financial Statements

## ALTERNATIVE PERFORMANCE MEASURES

Alternative performance measures (APMs) are non-GAAP measures. The Board uses the following APMs to describe the Group's financial performance and for internal budgeting, performance monitoring, management remuneration target setting and for external reporting purposes.

APM	Description and purpose	GAAP measure reconciled to																		
Constant Exchange Rates (CER)	This measure removes the effect of changes in exchange rates and the 53 <sup>rd</sup> week in the prior period. The constant exchange rate incorporates 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.	<i>Results at reported rates</i>																		
Comparable sales	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. This measure is used to strip out the impact of permanent store openings and closings, or those closures relating to refurbishments, allowing a comparison of equivalent store performance against the prior period. The measurement of comparable sales has <b>not</b> excluded stores temporarily closed as a result of the COVID-19 outbreak.	<p><i>Retail Revenue:</i></p> <table border="1"> <thead> <tr> <th>Period ended YoY%</th> <th>26 weeks ended 1 October 2022</th> <th>26 weeks ended 25 September 2021</th> </tr> </thead> <tbody> <tr> <td>Comparable sales</td> <td>5%</td> <td>37%</td> </tr> <tr> <td>Change in space</td> <td>1%</td> <td>4%</td> </tr> <tr> <td>CER retail</td> <td>6%</td> <td>41%</td> </tr> <tr> <td>FX</td> <td>6%</td> <td>(7%)</td> </tr> <tr> <td>Retail revenue</td> <td>12%</td> <td>34%</td> </tr> </tbody> </table>	Period ended YoY%	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	Comparable sales	5%	37%	Change in space	1%	4%	CER retail	6%	41%	FX	6%	(7%)	Retail revenue	12%	34%
Period ended YoY%	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021																		
Comparable sales	5%	37%																		
Change in space	1%	4%																		
CER retail	6%	41%																		
FX	6%	(7%)																		
Retail revenue	12%	34%																		
Comparable sales vs pre-pandemic levels (FY20)	The change in sales over three years measured at constant foreign exchange rates. It also includes online sales. The measurement of comparable sales has <b>not</b> excluded stores temporarily closed as a result of the COVID-19 outbreak. This measure reflects the three year aggregation of the growth rates.																			
Adjusted Profit	Adjusted profit measures are presented to provide additional consideration of the underlying performance of the Group's ongoing business. These measures remove the impact of those items which should be excluded to provide a consistent and comparable view of performance.	<p><i>Reported Profit:</i></p> <p>A reconciliation of reported profit before tax to adjusted profit before tax and the Group's accounting policy for adjusted profit before tax are set out in the financial statements.</p>																		
Free Cash Flow	Free cash flow is defined as net cash generated from operating activities less capital expenditure plus cash inflows from disposal of fixed assets and including cash outflows for lease principal payments and other lease related items.	<p><i>Net cash generated from operating activities:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>26 weeks ended 1 October 2022</th> <th>26 weeks ended 25 September 2021</th> </tr> </thead> <tbody> <tr> <td>Net cash generated from operating activities</td> <td>212</td> <td>224</td> </tr> <tr> <td>Capex</td> <td>(53)</td> <td>(39)</td> </tr> <tr> <td>Lease principal and related cash flows</td> <td>(93)</td> <td>(89)</td> </tr> <tr> <td>Proceeds from disposal of non-current assets</td> <td>22</td> <td>8</td> </tr> <tr> <td>Free cash flow</td> <td>88</td> <td>104</td> </tr> </tbody> </table>	Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	Net cash generated from operating activities	212	224	Capex	(53)	(39)	Lease principal and related cash flows	(93)	(89)	Proceeds from disposal of non-current assets	22	8	Free cash flow	88	104
Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021																		
Net cash generated from operating activities	212	224																		
Capex	(53)	(39)																		
Lease principal and related cash flows	(93)	(89)																		
Proceeds from disposal of non-current assets	22	8																		
Free cash flow	88	104																		

Cash Conversion	Cash conversion is defined as free cash flow pre-tax/adjusted profit before tax. It provides a measure of the Group's effectiveness in converting its profit into cash.	<p><i>Net cash generated from operating activities:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>26 weeks ended 1 October 2022</th> <th>26 weeks ended 25 September 2021</th> </tr> </thead> <tbody> <tr> <td>Free cash flow</td> <td>88</td> <td>104</td> </tr> <tr> <td>Tax paid</td> <td>65</td> <td>84</td> </tr> <tr> <td>Free cash flow before tax</td> <td>153</td> <td>188</td> </tr> <tr> <td>Adjusted profit before tax</td> <td>226</td> <td>180</td> </tr> <tr> <td>Cash conversion</td> <td>68%</td> <td>104%</td> </tr> </tbody> </table>	Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	Free cash flow	88	104	Tax paid	65	84	Free cash flow before tax	153	188	Adjusted profit before tax	226	180	Cash conversion	68%	104%			
Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021																					
Free cash flow	88	104																					
Tax paid	65	84																					
Free cash flow before tax	153	188																					
Adjusted profit before tax	226	180																					
Cash conversion	68%	104%																					
Net Debt	Net debt is defined as the lease liability recognised on the balance sheet plus borrowings less cash net of overdrafts.	<p><i>Cash net of overdrafts:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>26 weeks ended 1 October 2022</th> <th>26 weeks ended 25 September 2021</th> </tr> </thead> <tbody> <tr> <td>Cash net of overdrafts</td> <td>941</td> <td>1,143</td> </tr> <tr> <td>Lease liability</td> <td>(1,139)</td> <td>(1,070)</td> </tr> <tr> <td>Borrowings</td> <td>(298)</td> <td>(297)</td> </tr> <tr> <td>Net debt</td> <td>(496)</td> <td>(224)</td> </tr> </tbody> </table>	Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	Cash net of overdrafts	941	1,143	Lease liability	(1,139)	(1,070)	Borrowings	(298)	(297)	Net debt	(496)	(224)						
Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021																					
Cash net of overdrafts	941	1,143																					
Lease liability	(1,139)	(1,070)																					
Borrowings	(298)	(297)																					
Net debt	(496)	(224)																					
Adjusted EBITDA	Adjusted EBITDA is defined as operating profit, excluding adjusting operating items, depreciation of property, plant and equipment, depreciation of right of use assets and amortisation of intangible assets. Any depreciation or amortisation included in adjusting operating items are not double-counted. Adjusted EBITDA is shown for the calculation of Net Debt/EBITDA for our gearing ratios.	<p><i>Reconciliation from operating profit to adjusted EBITDA:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>26 weeks ended 1 October 2022</th> <th>26 weeks ended 25 September 2021</th> </tr> </thead> <tbody> <tr> <td>Operating profit</td> <td>263</td> <td>207</td> </tr> <tr> <td>Adjusted operating items</td> <td>(25)</td> <td>(11)</td> </tr> <tr> <td>Amortisation of intangible assets</td> <td>18</td> <td>18</td> </tr> <tr> <td>Depreciation of property, plant and equipment</td> <td>45</td> <td>38</td> </tr> <tr> <td>Depreciation of right-of-use assets</td> <td>100</td> <td>89</td> </tr> <tr> <td>Adjusted EBITDA</td> <td>401</td> <td>341</td> </tr> </tbody> </table>	Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021	Operating profit	263	207	Adjusted operating items	(25)	(11)	Amortisation of intangible assets	18	18	Depreciation of property, plant and equipment	45	38	Depreciation of right-of-use assets	100	89	Adjusted EBITDA	401	341
Period ended £m	26 weeks ended 1 October 2022	26 weeks ended 25 September 2021																					
Operating profit	263	207																					
Adjusted operating items	(25)	(11)																					
Amortisation of intangible assets	18	18																					
Depreciation of property, plant and equipment	45	38																					
Depreciation of right-of-use assets	100	89																					
Adjusted EBITDA	401	341																					

## PRINCIPAL RISKS

At H1 FY23, the principal risks the Group faces for the remaining 26 weeks of the financial year have been reviewed relative to the prior year-end. In most cases, the principal risks are consistent with the year-end position, however there is increased uncertainty in the external risk environment, specifically the geopolitical and macro-economic environment. The uncertainty is considered to have elevated two principal risks: i) macro-economic and political instability; and ii) volatility in foreign exchange rates. In response to the geopolitical and macro-economic environment, the Group has implemented and planned mitigations, and has introduced additional monitoring across business areas. The Group's hedging policy remains in place to mitigate FX volatility. All other principal risks remain broadly in line with the prior year-end position. Details of the principal risks including definitions are set out in the FY21/22 Annual Report (p107 – 129).

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 <sup>1</sup> £m
Revenue	3	1,345	1,213	2,826
Cost of sales		(402)	(366)	(815)
<b>Gross profit</b>		<b>943</b>	<b>847</b>	<b>2,011</b>
Operating expenses		(712)	(658)	(1,498)
Other operating income		32	18	30
<b>Net operating expenses</b>		<b>(680)</b>	<b>(640)</b>	<b>(1,468)</b>
<b>Operating profit</b>		<b>263</b>	<b>207</b>	<b>543</b>
<b>Financing</b>				
Finance income		6	1	3
Finance expense		(18)	(17)	(34)
Other financing charge		–	–	(1)
<b>Net finance expense</b>	5	<b>(12)</b>	<b>(16)</b>	<b>(32)</b>
<b>Profit before taxation</b>		<b>251</b>	<b>191</b>	<b>511</b>
Taxation	6	(57)	(46)	(114)
<b>Profit for the period</b>		<b>194</b>	<b>145</b>	<b>397</b>
<b>Attributable to:</b>				
Owners of the Company		193	145	396
Non-controlling interest		1	–	1
<b>Profit for the period</b>		<b>194</b>	<b>145</b>	<b>397</b>
<b>Earnings per share</b>				
Basic	7	49.1p	35.8p	98.2p
Diluted	7	48.9p	35.7p	97.7p
<b>Reconciliation of adjusted profit before taxation:</b>				
		£m	£m	£m
Profit before taxation		251	191	511
Adjusting operating items:				
Cost of sales (income)	4	(1)	(6)	(16)
Net operating income	4	(24)	(5)	(4)
Adjusting financing items	4	–	–	1
<b>Adjusted profit before taxation – non-GAAP measure</b>		<b>226</b>	<b>180</b>	<b>492</b>
<b>Adjusted earnings per share – non-GAAP measure</b>				
Basic	7	44.5p	33.7p	94.5p
Diluted	7	44.3p	33.5p	94.0p
<b>Dividends per share</b>				
Proposed interim (not recognised as a liability at period end)	8	16.5p	11.6p	11.6p
Final (not recognised as a liability at 2 April 2022)	8	N/A	N/A	35.4p

<sup>1</sup> Balances for the 53 weeks to 2 April 2022 have been audited.

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April <sup>1</sup> 2022 £m
Profit for the period	194	145	397
Other comprehensive income <sup>2</sup> :			
Cash flow hedges	1	–	(1)
Foreign currency translation differences	53	4	22
Tax on other comprehensive income:			
Foreign currency translation differences	(1)	–	–
Other comprehensive income for the period, net of tax	53	4	21
<b>Total comprehensive income for the period</b>	<b>247</b>	<b>149</b>	<b>418</b>
Total comprehensive income attributable to:			
Owners of the Company	245	149	417
Non-controlling interest	2	–	1
	<b>247</b>	<b>149</b>	<b>418</b>

<sup>1</sup> Balances for the 53 weeks to 2 April 2022 have been audited.

<sup>2</sup> All items included in other comprehensive income may subsequently be reclassified to profit and loss in a future period.

CONDENSED GROUP BALANCE SHEET – UNAUDITED

	Note	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 <sup>1</sup> £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	9	245	234	240
Property, plant and equipment	10	345	277	322
Right-of-use assets	11	947	875	880
Deferred tax assets	6	204	158	175
Trade and other receivables	12	53	47	45
		<b>1,794</b>	<b>1,591</b>	<b>1,662</b>
<b>Current assets</b>				
Inventories	13	484	434	426
Trade and other receivables	12	338	300	283
Derivative financial assets		3	1	5
Income tax receivables		87	56	86
Cash and cash equivalents	14	1,017	1,197	1,222
Assets held for sale	10	11	–	13
		<b>1,940</b>	<b>1,988</b>	<b>2,035</b>
<b>Total assets</b>		<b>3,734</b>	<b>3,579</b>	<b>3,697</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables	15	(84)	(94)	(91)
Lease liabilities		(922)	(853)	(849)
Borrowings	18	(298)	(297)	(298)
Deferred tax liabilities	6	(1)	(1)	(1)
Retirement benefit obligations		(1)	(1)	(1)
Provisions for other liabilities and charges	16	(40)	(33)	(36)
		<b>(1,346)</b>	<b>(1,279)</b>	<b>(1,276)</b>
<b>Current liabilities</b>				
Trade and other payables	15	(498)	(443)	(481)
Bank overdrafts	17	(76)	(54)	(45)
Lease liabilities		(217)	(217)	(209)
Derivative financial liabilities		(5)	(3)	(2)
Income tax liabilities		(34)	(26)	(39)
Provisions for other liabilities and charges	16	(27)	(21)	(28)
		<b>(857)</b>	<b>(764)</b>	<b>(804)</b>
<b>Total liabilities</b>		<b>(2,203)</b>	<b>(2,043)</b>	<b>(2,080)</b>
<b>Net assets</b>		<b>1,531</b>	<b>1,536</b>	<b>1,617</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to owners of the Company</b>				
Ordinary share capital	19	–	–	–
Share premium account		228	224	227
Capital reserve		41	41	41
Hedging reserve		5	5	4
Foreign currency translation reserve		269	200	218
Retained earnings		982	1,063	1,123
<b>Equity attributable to owners of the Company</b>		<b>1,525</b>	<b>1,533</b>	<b>1,613</b>
<b>Non-controlling interest in equity</b>		<b>6</b>	<b>3</b>	<b>4</b>
<b>Total equity</b>		<b>1,531</b>	<b>1,536</b>	<b>1,617</b>

<sup>1</sup> Balances as at 2 April 2022 have been audited.



CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to owners of the Company				Total £m	Non- controlling interest £m	Total equity £m
	Ordinary share capital £m	Share premium account £m	Other reserves £m	Retained earnings £m			
<b>Balance as at 27 March 2021</b>	–	<b>223</b>	<b>242</b>	<b>1,092</b>	<b>1,557</b>	<b>3</b>	<b>1,560</b>
Profit for the period	–	–	–	145	145	–	145
Other comprehensive income:							
Foreign currency translation differences	–	–	4	–	4	–	4
<b>Total comprehensive income for the period</b>	–	–	<b>4</b>	<b>145</b>	<b>149</b>	–	<b>149</b>
Transactions with owners:							
Employee share incentive schemes							
Equity share awards	–	–	–	7	7	–	7
Equity share awards transferred to liabilities	–	–	–	(1)	(1)	–	(1)
Exercise of share options	–	1	–	–	1	–	1
Purchase of own shares							
Held by ESOP trusts	–	–	–	(8)	(8)	–	(8)
Dividends paid in the period	–	–	–	(172)	(172)	–	(172)
<b>Balance as at 25 September 2021</b>	–	<b>224</b>	<b>246</b>	<b>1,063</b>	<b>1,533</b>	<b>3</b>	<b>1,536</b>
<b>Balance as at 2 April 2022</b>	–	<b>227</b>	<b>263</b>	<b>1,123</b>	<b>1,613</b>	<b>4</b>	<b>1,617</b>
Profit for the period	–	–	–	193	193	1	194
Other comprehensive income:							
Cash flow hedges – losses deferred in equity	–	–	1	–	1	–	1
Foreign currency translation differences	–	–	52	–	52	1	53
Tax on other comprehensive income	–	–	(1)	–	(1)	–	(1)
<b>Total comprehensive income for the period</b>	–	–	<b>52</b>	<b>193</b>	<b>245</b>	<b>2</b>	<b>247</b>
Transactions with owners:							
Employee share incentive schemes							
Equity share awards	–	–	–	10	10	–	10
Equity share awards transferred to liabilities	–	–	–	(2)	(2)	–	(2)
Exercise of share options	–	1	–	–	1	–	1
Purchase of own shares							
Share buy-back	19	–	–	(201)	(201)	–	(201)
Held by ESOP trusts	–	–	–	(1)	(1)	–	(1)
Dividends paid in the period	8	–	–	(140)	(140)	–	(140)
<b>Balance as at 1 October 2022</b>	–	<b>228</b>	<b>315</b>	<b>982</b>	<b>1,525</b>	<b>6</b>	<b>1,531</b>

CONDENSED GROUP STATEMENT OF CASH FLOWS - UNAUDITED

	Note	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 <sup>1</sup> £m
<b>Cash flows from operating activities</b>				
Operating profit		263	207	543
Amortisation of intangible assets		18	18	39
Depreciation of property, plant and equipment		45	38	86
Depreciation of right-of-use assets		100	89	188
COVID-19 related rent concessions		(7)	(9)	(18)
Net impairment charge of property, plant and equipment	10	–	1	1
Net impairment (reversal)/charge of right-of-use assets	11	(1)	2	7
Gain on disposal of property, plant and equipment and intangible assets		(19)	(5)	(3)
Loss/(gain) on derivative instruments		5	2	(4)
Charge in respect of employee share incentive schemes		10	7	16
Increase in inventories		(46)	(31)	(22)
Increase in receivables		(53)	(26)	(5)
(Decrease)/increase in payables and provisions		(26)	30	81
Cash generated from operating activities		289	323	909
Interest received		5	1	2
Interest paid		(17)	(16)	(32)
Taxation paid		(65)	(84)	(180)
<b>Net cash generated from operating activities</b>		<b>212</b>	<b>224</b>	<b>699</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(35)	(26)	(124)
Purchase of intangible assets		(18)	(13)	(37)
Proceeds from sale of property, plant and equipment		22	8	8
Initial direct costs of right-of-use assets		–	(4)	(4)
Payment in respect of acquisition of subsidiary		–	–	(7)
<b>Net cash outflow from investing activities</b>		<b>(31)</b>	<b>(35)</b>	<b>(164)</b>
<b>Cash flows from financing activities</b>				
Dividends paid in the period		(140)	(172)	(219)
Payment of deferred consideration for acquisition of non-controlling interest	15	(6)	–	(3)
Payment of lease principal		(93)	(85)	(202)
Issue of ordinary share capital		1	1	4
Purchase of own shares through share buy-back		(180)	–	(150)
Purchase of own shares through share buy-back – stamp duty and fees		(1)	–	(3)
Purchase of own shares by ESOP trusts		(1)	(8)	(8)
<b>Net cash outflow from financing activities</b>		<b>(420)</b>	<b>(264)</b>	<b>(581)</b>
<b>Net decrease in cash net of overdrafts</b>		<b>(239)</b>	<b>(75)</b>	<b>(46)</b>
Effect of exchange rate changes		3	2	7
Cash net of overdrafts at beginning of period		1,177	1,216	1,216
<b>Cash net of overdrafts</b>		<b>941</b>	<b>1,143</b>	<b>1,177</b>
<hr/>				
Cash and cash equivalents	14	1,017	1,197	1,222
Bank overdrafts	17	(76)	(54)	(45)
Cash net of overdrafts		941	1,143	1,177

<sup>1</sup> Balances for the 53 weeks to 2 April 2022 have been audited.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 1. CORPORATE INFORMATION

Burberry Group plc and its subsidiaries (the Group) is a global luxury goods manufacturer, retailer and wholesaler. The Group also licenses third parties to manufacture and distribute products using the 'Burberry' trademarks. All of the companies which comprise the Group are controlled by Burberry Group plc (the Company) directly or indirectly.

### 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION

#### Basis of preparation

These condensed consolidated interim financial statements are unaudited but have been reviewed by the auditors and their report to the Company is set out on page 36. They were approved by the Board of Directors on 16 November 2022. These condensed consolidated interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Statutory accounts for the 53 weeks to 2 April 2022 were approved by the Board of Directors on 17 May 2022 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the 53 weeks to 2 April 2022 was unqualified and did not contain a statement under Section 498 of the Companies Act 2006.

These condensed consolidated interim financial statements for the 26 weeks to 1 October 2022 have been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the UK. This report should be read in conjunction with the Group's financial statements for the 53 weeks to 2 April 2022, which have been prepared in accordance with UK adopted International Accounting Standards.

These condensed consolidated interim financial statements are presented in £m in order to align external reporting with the information presented to the Chief Operating Decision Maker. Financial ratios are calculated using unrounded numbers. Prior year comparatives have been rounded accordingly. The face of the income statement for the current and prior period has been updated to provide separate disclosure on amounts of other operating income and expense that make up total net operating expenses.

#### Going concern

In considering the appropriateness of adopting the going concern basis in preparing the financial statements, the Directors have assessed the potential cash generation of the Group. This assessment covers the period of a minimum of 12 months from the date of signing the condensed consolidated interim financial statements. The Directors have also considered the forecast for the period up to the subsequent financial year end, March 2024, for any indicators that the going concern basis of preparation is not appropriate.

The scenarios considered by the Directors include a severe but plausible downside reflecting the Group's principal risks, consistent with those at 2 April 2022, and included an increased uncertainty in the external risk environment, specifically the geopolitical and macro-economic environment. The uncertainty is considered to have elevated two principal risks, being macro-economic and political instability and volatility in foreign exchange rates.

Further mitigating actions within management control would be taken under each scenario, including working capital reduction measures and limiting capital expenditure but these were not incorporated into the downside modelling.

The Directors have also considered the Group's current liquidity and available facilities. As at 1 October 2022, the Group balance sheet reflects cash net of overdrafts is £941 million. In addition the Group has access to a £300 million Revolving Credit Facility (RCF), which is currently undrawn and not relied upon for the purpose of this going concern assessment. The Group is in compliance with the covenants for the RCF and the borrowings raised via the sustainability bond are not subject to covenants. Details of cash, overdrafts, borrowings and facilities are set out in notes 14, 17 and 18 of these financial statements.

In all the scenarios assessed, taking into account liquidity and available resources and before the inclusion of any mitigating actions within management control, the Group was able to maintain sufficient liquidity to continue trading. On the basis of the assessment performed, the Directors consider it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the period ended 1 October 2022.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Accounting policies

The accounting policies adopted in the preparation of the condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the 53 weeks ended 2 April 2022, with the exception of the following:

#### IFRS 16 Leases

The COVID-19-Related Rent Concessions amendment to IFRS 16 Leases was adopted by the IASB on 28 May 2020. The amendment was intended to apply until 30 June 2021, and subsequently extended to 30 June 2022. The amendment allows for a simplified approach to accounting for rent concessions occurring as a direct result of COVID-19 and for which the following criteria are met:

- The revised consideration is substantially the same, or less than, the consideration prior to the change
- The concessions affect only payments originally due on or before 30 June 2022 and
- There is no substantive change to other terms and conditions of the lease

From 1 July 2022, the Group has applied the principles of IFRS 9 Financial Instruments and continues to account for eligible rent forgiveness as negative variable lease payments where:

- The rent concessions are occurring as a direct result of COVID-19
- The revised consideration is substantially the same, or less than, the consideration prior to the change and
- There is no substantive change to other terms and conditions of the lease

Lessees are not required to assess whether eligible rent concessions are lease modifications, allowing the lessee to account for eligible rent concessions as if they were not lease modifications.

The Group has chosen to account for eligible rent forgiveness as negative variable lease payments. Rent concessions are recognised once a legally binding agreement is made between both parties, by derecognising the portion of the lease liability that has been forgiven and recognising the benefit in the Income Statement.

Rent deferrals do not change the total consideration due over the life of the lease. Deferred rent payments are recognised as a payable until the period the original rent payment is due.

The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective. Several amendments apply for the first time for the period ended 1 October 2022, but do not have an impact on the condensed consolidated interim financial statements of the Group.

#### **Key sources of estimation uncertainty**

Preparation of the condensed consolidated interim financial statements in conformity with IFRS requires that management make certain estimates and assumptions that affect the measurement of reported revenues, expenses, assets and liabilities and the disclosure of contingent liabilities.

If in the future such estimates and assumptions, which are based on management's best estimates at the date of the financial statements, deviate from actual circumstances, the original estimates and assumptions will be updated as appropriate in the period in which the circumstances change.

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The key areas where the estimates and assumptions applied have a significant risk of causing a material adjustment to the carrying value of assets and liabilities are consistent with those applied in the Group's financial statements for the 53 weeks to 2 April 2022, as set out on pages 243 to 245 of those financial statements.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Key sources of estimation uncertainty (continued)

For details of changes to significant estimates for impairment of property, plant and equipment and right-of-use assets in the current period, refer to note 10. There have been no changes to the significant estimates relating to inventory provisioning or uncertain tax positions in the period.

#### Key judgements in applying the Group's accounting policies

Judgements are those decisions made when applying accounting policies which have a significant impact on the amounts recognised in the Group's financial statements. Key judgements that have a significant impact on the amounts recognised in the condensed consolidated interim financial statements for the 26 weeks to 1 October 2022 and the 26 weeks to 25 September 2021 are as follows:

Where the Group is a lessee, judgement is required in determining the lease term at initial recognition where extension or termination options exist. In such instances, all facts and circumstances that may create an economic incentive to exercise an extension option, or not exercise a termination option, have been considered to determine the lease term. Considerations include, but are not limited to, the period assessed by management when approving initial investment, together with costs associated with any termination options or extension options. Extension periods (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). Where the lease term has been extended by assuming an extension option will be recognised, this will result in the initial right-of-use assets and lease liabilities at inception of the lease being greater than if the option was not assumed to be exercised. Likewise, assuming a break option will be exercised will reduce the initial right-of-use assets and lease liabilities.

#### Translation of the results of overseas businesses

The results of overseas subsidiaries are translated into the Group's presentation currency of Sterling each month at the weighted average exchange rate according to the phasing of the Group's trading results. The weighted average exchange rate is used, as it is considered to approximate the actual exchange rates on the dates of the transactions. The assets and liabilities of such undertakings are translated at period end exchange rates. Differences arising on the retranslation of the opening net investment in subsidiary companies, and on the translation of their results, are taken directly to the foreign currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

The principal exchange rates used were as follows:

	Average rate			Closing rate		
	26 weeks to 1 October 2022	26 weeks to 25 September 2021	53 weeks to 2 April 2022	As at 1 October 2022	As at 25 September 2021	As at 2 April 2022
Euro	1.17	1.16	1.18	1.14	1.17	1.19
US Dollar	1.21	1.39	1.36	1.12	1.37	1.31
Chinese Yuan Renminbi	8.16	8.98	8.73	7.95	8.84	8.34
Hong Kong Dollar	9.50	10.79	10.63	8.76	10.66	10.26
Korean Won	1,579	1,583	1,596	1,598	1,611	1,592

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 2. ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)

#### Adjusted profit before taxation

In order to provide additional consideration of the underlying performance of the Group's ongoing business, the Group's results include a presentation of Adjusted operating profit and Adjusted profit before taxation (adjusted PBT). Adjusted PBT is defined as profit before taxation and before adjusting items. Adjusting items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the performance of the Group's ongoing business. Generally, this will include those items that are largely one-off and material in nature as well as income or expenses relating to acquisitions or disposals of businesses or other transactions of a similar nature, including the impact of changes in fair value of expected future payments or receipts relating to these transactions. Adjusting items are identified and presented on a consistent basis each year and a reconciliation of adjusted PBT to profit before tax is included in the financial statements. Adjusting items and their related tax impacts, as well as adjusting taxation items, are added back to/deducted from profit attributable to owners of the Company to arrive at adjusted earnings per share. Refer to note 4 for further details of adjusting items.

### 3. SEGMENTAL ANALYSIS

The Chief Operating Decision Maker has been identified as the Board of Directors. The Board reviews the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on the reports used by the Board. The Board considers the Group's business through its two channels to market, being retail/wholesale and licensing.

Retail/wholesale revenues are generated by the sale of luxury goods through Burberry mainline stores, concessions, outlets and digital commerce as well as Burberry franchisees, prestige department stores globally and multi-brand specialty accounts. The flow of global product between retail and wholesale channels and across our regions is monitored and optimised at a corporate level and implemented via the Group's inventory hubs situated in Europe and the US.

Licensing revenues are generated through the receipt of royalties from global licensees of beauty products, eyewear and from licences relating to the use of non-Burberry trademarks in Japan.

The Board assesses channel performance based on a measure of adjusted operating profit. This measurement basis excludes the effects of adjusting items. The measure of earnings for each operating segment that is reviewed by the Board includes an allocation of corporate and central costs. Interest income and charges are not included in the result for each operating segment that is reviewed by the Board.

	Retail/Wholesale		Licensing		Total	
	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	26 weeks to 1 October 2022 £m	26 weeks to 26 September 2021 £m	26 weeks to 1 October 2022 £m	26 weeks to 26 September 2021 £m
Retail	1,061	944	–	–	1,061	944
Wholesale	263	249	–	–	263	249
Licensing	–	–	22	20	22	20
Total segment revenue	1,324	1,193	22	20	1,346	1,213
Inter-segment revenue <sup>1</sup>	–	–	(1)	–	(1)	–
<b>Revenue from external customers</b>	<b>1,324</b>	<b>1,193</b>	<b>21</b>	<b>20</b>	<b>1,345</b>	<b>1,213</b>
Adjusted operating profit	219	178	19	18	238	196
Adjusting items <sup>2</sup>					25	11
Finance income					6	1
Finance expense					(18)	(17)
<b>Profit before taxation</b>					<b>251</b>	<b>191</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 3. SEGMENTAL ANALYSIS (CONTINUED)

	Retail/Wholesale	Licensing	Total
53 weeks to 2 April 2022	£m	£m	£m
Retail	2,273	–	2,273
Wholesale	512	–	512
Licensing	–	42	42
Total segment revenue	2,785	42	2,827
Inter-segment revenue <sup>1</sup>	–	(1)	(1)
Revenue from external customers	2,785	41	2,826
Adjusted operating profit	486	37	523
Adjusting items <sup>2</sup>			19
Finance income			3
Finance expense			(34)
Profit before taxation			511

1. Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.

2. Refer to note 4 for details of adjusting items.

#### Additional revenue analysis

All revenue is derived from contracts with customers. The Group derives Retail and Wholesale revenue from contracts with customers from the transfer of goods and related services at a point in time. Licensing revenue is derived over the period the licence agreement gives the customer access to the Group's trademarks.

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
<b>Revenue by product division</b>			
Accessories	495	435	1,017
Women's	357	330	784
Men's	383	347	807
Children's/Other	89	81	177
<b>Retail/Wholesale</b>	<b>1,324</b>	<b>1,193</b>	<b>2,785</b>
Licensing	21	20	41
<b>Total</b>	<b>1,345</b>	<b>1,213</b>	<b>2,826</b>

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
<b>Revenue by destination</b>			
Asia Pacific	525	522	1,276
EMEIA <sup>1</sup>	445	361	813
Americas	354	310	696
<b>Retail/Wholesale</b>	<b>1,324</b>	<b>1,193</b>	<b>2,785</b>
Licensing	21	20	41
<b>Total</b>	<b>1,345</b>	<b>1,213</b>	<b>2,826</b>

1. EMEIA comprises Europe, Middle East, India and Africa.

Due to the seasonal nature of the business, Group revenue is usually expected to be higher in the second half of the year than in the first half. While some of the Group's operating costs are also higher in the second half of the year, such as contingent rentals and sales related employee costs, most of the operating costs, in particular salaries and fixed rentals, are phased more evenly across the year. As a result, adjusted operating profit is expected to be higher in the second half of the financial year.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. ADJUSTING ITEMS

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Adjusting operating items			
Impact of COVID-19:			
Impairment charge relating to retail cash generating units	–	–	5
Impairment reversal relating to inventory	(1)	(6)	(16)
Impairment reversal relating to receivables	–	–	(1)
COVID-19 related rent concessions	(7)	(9)	(18)
COVID-19 related government grant income	(1)	(1)	(2)
Other adjusting items:			
Gain on disposal of property	(19)	–	–
Restructuring costs	1	5	11
Revaluation of deferred consideration liability	2	–	1
<b>Total adjusting operating items</b>	<b>(25)</b>	<b>(11)</b>	<b>(20)</b>
Adjusting financing items			
Finance charge on deferred consideration liability	–	–	1
<b>Total adjusting financing items</b>	<b>–</b>	<b>–</b>	<b>1</b>

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Analysis of adjusting operating items:			
Included in Cost of sales (Impairment reversal relating to inventory)	(1)	(6)	(16)
Included in operating expenses	3	5	17
Included in other operating income	(27)	(10)	(21)
<b>Total adjusting operating items</b>	<b>(25)</b>	<b>(11)</b>	<b>(20)</b>

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Total adjusting operating items (pre-tax)	(25)	(11)	(20)
Total adjusting financing items (pre-tax)	–	–	1
Tax on adjusting items	6	2	5
<b>Total adjusting items (post-tax)</b>	<b>(19)</b>	<b>(9)</b>	<b>(14)</b>

#### Impact of COVID-19

At 1 October 2022, impairments and provisions recorded as adjusting items in prior periods as a result of the impact of COVID-19 have been reviewed and the assumptions updated where appropriate, to reflect management's latest expectations. The impact of changes in assumptions has been presented as an update to the adjusting item charge. Further details regarding the approach applied to measure these updates are set out below for each of the specific adjusting items.

#### Impairment of retail cash generating units

During the 26 weeks to 1 October 2022, the impairment provisions remaining have been reassessed, using management's latest expectations, with no charge or reversal recorded (last half year: £nil; last full year: charge of £5 million). There was no related tax charge (last half year: £nil; last full year: credit of £1 million) recognised in the period. Any charges or reversals which did not arise from the reassessment of the original impairment adjusting item, had they arisen, would not have been included in this adjusting item. Refer to notes 10 and 11 for details of impairment testing of retail cash generating units.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. ADJUSTING ITEMS (CONTINUED)

#### Impairment of inventory

During the 26 weeks to 1 October 2022, reversals of inventory provisions, relating to inventory which had been provided for as an adjusting item at the previous year end and has either been sold, or is now expected to be sold, at a higher net realisable value than had been assumed when the provision had been initially estimated, of £1 million (last half year: £6 million; last full year £16 million) have been recorded and presented as an adjusting item. A related tax charge of £nil (last half year: £1 million; last full year £4 million) has also been recognised in the period. All other charges and reversals relating to inventory provisions have been recorded in adjusted operating profit. Refer to note 13 for details of inventory provisions.

#### Impairment of receivables

During the 26 weeks to 1 October 2022, the expected credit loss rates have been reassessed, taking into account the experience of losses incurred during the period and changes in market conditions at 1 October 2022 compared to the previous year end. As a result of this reassessment, management has made no changes (last half year: no changes) to the expected credit loss rates and there has been no adjustment recorded. Last full year a reversal of £1 million, resulting from the reduction in credit loss rate assumption, was recorded as an adjusting item. There was no related tax charge (last half year: £nil; last full year £nil) recognised in the period. All other charges and reversals relating to impairment of receivables, arising from changes in the value and aging of the receivables portfolio, have been included in adjusted operating profit. Refer to note 12 for details of impairment of receivables.

#### COVID-19-related rent concessions

Eligible rent forgiveness amounts have been treated as negative variable lease payments, resulting in a credit of £7 million (last half year: £9 million; last full year: £18 million) for the 26 weeks to 1 October 2022 being recorded in other operating income. This income has been presented as an adjusting item given that the amendment to IFRS 16 is only applicable for a limited period of time and it is explicitly related to COVID-19. The amendment expired on 30 June 2022 however the Group continues to apply the same accounting treatment applying the principles of IFRS 9 (refer to note 2). A related tax charge of £1 million (last half year: £2 million; last full year £4 million) has also been recognised in the current period.

#### COVID-19-related government grant income

The Group has recorded grant income of £1 million (last half year: £1 million; last full year: £2 million) within other operating income for the 26 weeks to 1 October 2022, relating to government support to alleviate the impact of COVID-19. This income has been presented as an adjusting item as it is explicitly related to COVID-19, and the arrangements are expected to last for a limited period of time. A related tax charge of £nil (last half year: £nil; last full year £1 million) has also been recognised in the current period.

#### **Gain on disposal of property**

During the 26 weeks to 1 October 2022, the Group completed the sale of an owned property in the US for cash proceeds of £22 million resulting in a net gain on disposal of £19 million, recorded within other operating income. The net gain on disposal was recognised as an adjusting item, in accordance with the Group's accounting policy, as it is considered to be material and one-off in nature. A related tax charge of £5 million was also recognised in the year.

#### **Restructuring costs**

Restructuring costs of £1 million (last half year: £5 million; last full year: £11 million) were incurred in the current period, arising primarily as a result of the organisational efficiency programme announced in July 2020 that included the creation of three new business units to enhance product focus, increase agility and elevate quality and to further streamline of office-based functions and facilities. The costs for the 26 weeks to 1 October 2022 principally relate to redundancies and consulting costs, partially offset by an impairment reversal of £1 million related to office premises. These costs are recorded in operating expenses. They are presented as an adjusting item, in accordance with the Group's accounting policy, as the cost of the restructuring programme is considered material and discrete in nature. A related tax credit of £nil (last half year: £1 million; last full year: £3 million) has also been recognised in the current period.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 4. ADJUSTING ITEMS (CONTINUED)

#### Items relating to the deferred consideration liability

On 22 April 2016, the Group entered into an agreement to transfer the economic right of the non-controlling interest in Burberry Middle East LLC to the Group in exchange for consideration of contingent payments to be made to the minority shareholder over the period to 2023.

A charge of £2 million in relation to the revaluation of this balance has been recognised in operating expenses for the 26 weeks to 1 October 2022 (last half year: nil; last full year: charge of £1 million). A financing charge of £nil in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has also been recognised for the 26 weeks to 1 October 2022 (last half year: £nil; last full year: £1 million).

No tax has been recognised as the future payments are not considered to be deductible for tax purposes. This is presented as an adjusting item in accordance with the Group's accounting policy, as it arises from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group.

### 5. FINANCING

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Finance income – amortised cost	1	–	1
Bank interest income – fair value through profit and loss	5	1	2
<b>Finance income</b>	<b>6</b>	<b>1</b>	<b>3</b>
Interest expense on lease liabilities	(14)	(13)	(27)
Interest expense on borrowings	(2)	(2)	(4)
Bank charges	(1)	(2)	(2)
Other finance expense	(1)	–	(1)
<b>Finance expense</b>	<b>(18)</b>	<b>(17)</b>	<b>(34)</b>
Finance charge on deferred consideration liability	–	–	(1)
<b>Net finance expense</b>	<b>(12)</b>	<b>(16)</b>	<b>(32)</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 6. TAXATION

The interim tax charge has been calculated by applying the estimated weighted average tax rate applicable to the Group's full year forecast adjusted profit before tax to the actual adjusted profit before tax in the interim period. Tax on prior year adjustments and remeasurement of tax balances due to changes in tax rates have been recorded as identified in the period. The resulting effective tax rate on adjusted profit before tax in the period is 22.4% (last half year: 24.1%; last full year: 22.3%). Tax on adjusting items has been recognised at the prevailing tax rates as appropriate. The resulting effective tax rate on reported profit before taxation is 22.7% (last half year: 24.1%; last full year: 22.4%). The effective tax rate on adjusted profit before tax for the full year is estimated to be 22%.

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
<b>Current tax</b>			
Current tax on income for the period	69	58	135
Adjustments in respect of prior years	2	7	10
<b>Total current tax</b>	<b>71</b>	<b>65</b>	<b>145</b>
<b>Deferred tax</b>			
Origination and reversal of temporary differences	(15)	(18)	(30)
Impact of changes to tax rates	–	(3)	(4)
Adjustments in respect of prior years	1	2	3
<b>Total deferred tax</b>	<b>(14)</b>	<b>(19)</b>	<b>(31)</b>
<b>Total tax charge on profit</b>	<b>57</b>	<b>46</b>	<b>114</b>

Total taxation recognised in the condensed group income statement comprises:

	26 weeks to 1 October 2022 £m	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Tax on adjusted profit before taxation	51	44	109
Tax on adjusting items (note 4)	6	2	5
<b>Total taxation charge</b>	<b>57</b>	<b>46</b>	<b>114</b>

#### Deferred taxation

The major deferred tax assets/(liabilities) recognised by the Group and movements during the period are as follows:

	Capital allowances £m	Unrealised inventory profit and other inventory provisions £m	Share schemes £m	Unused tax losses £m	Leases £m	Other £m	Net deferred tax asset £m
<b>Balance as at 2 April 2022</b>	19	97	5	3	32	18	174
Effect of foreign exchange rates	–	11	–	–	1	3	15
Credited/(charged) to the Income Statement	(4)	19	1	–	1	(3)	14
<b>Balance as at 1 October 2022</b>	<b>15</b>	<b>127</b>	<b>6</b>	<b>3</b>	<b>34</b>	<b>18</b>	<b>203</b>
<b>Balance as at 25 September 2021</b>	<b>20</b>	<b>85</b>	<b>4</b>	<b>1</b>	<b>30</b>	<b>17</b>	<b>157</b>

An increase in the UK's main corporation tax rate from 19% to 25% was substantially enacted in the previous period to take effect from 1 April 2023. All UK deferred tax assets and liabilities which are forecast to be utilised after this date are recorded at the higher enacted tax rate.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. EARNINGS PER SHARE

The calculation of basic earnings per share is based on profit or loss attributable to owners of the Company for the period divided by the weighted average number of ordinary shares in issue during the period. Basic and diluted earnings per share based on adjusted profit before taxation are also disclosed to indicate the underlying profitability of the Group.

	<b>26 weeks to 1 October 2022 £m</b>	26 weeks to 25 September 2021 £m	53 weeks to 2 April 2022 £m
Attributable profit for the period before adjusting items <sup>1</sup>	174	136	382
Effect of adjusting items <sup>1</sup> (after taxation)	19	9	14
<b>Attributable profit for the period</b>	<b>193</b>	<b>145</b>	<b>396</b>

1. Refer to note 4 for details of adjusting items.

The weighted average number of ordinary shares represents the weighted average number of Burberry Group plc ordinary shares in issue throughout the period, excluding ordinary shares held in the Group's ESOP trusts and treasury shares held by the Company or its subsidiaries.

Diluted earnings per share is based on the weighted average number of ordinary shares in issue during the period. In addition, account is taken of any options and awards made under the employee share incentive schemes, which will have a dilutive effect when exercised.

	<b>26 weeks to 1 October 2022 Millions</b>	26 weeks to 25 September 2021 Millions	53 weeks to 2 April 2022 Millions
Weighted average number of ordinary shares in issue during the period	392.9	404.3	402.5
Dilutive effect of the employee share incentive schemes	1.5	2.0	2.3
<b>Diluted weighted average number of ordinary shares in issue during the period</b>	<b>394.4</b>	<b>406.3</b>	<b>404.8</b>

### 8. DIVIDENDS PAID TO OWNERS OF THE COMPANY

The interim dividend of 16.5p (last half year: 11.6p) per share has been approved by the Board of Directors after 1 October 2022. Accordingly, this dividend has not been recognised as a liability at the period end and will be paid on 27 January 2023 to Shareholders on the Register at the close of business on 16 December 2022. The ex-dividend date is 15 December 2022 and the final day for dividend reinvestment plan ('DRIP') elections is 6 January 2023.

A dividend of 35.4p (last half year: 42.5p) was paid during the period to 1 October 2022 in relation to the year ended 2 April 2022.

### 9. INTANGIBLE ASSETS

Goodwill at 1 October 2022 is £113 million (last half year: £106 million; last full year: £109 million). There were no additions to goodwill in the period (last half year: £nil).

In the period there were additions to other intangible assets of £18 million (last half year: £13 million) and disposals with a net book value of £nil (last half year: £nil).

Capital commitments contracted but not provided for by the Group amounted to £4 million (last half year: £3 million).

#### Impairment testing

Assets that have an indefinite useful economic life are not subject to amortisation and are tested annually for impairment.

Goodwill is the only intangible asset category with an indefinite useful economic life included within total intangible assets at 1 October 2022. Management has performed a review for indicators of impairment as at 1 October 2022 and concluded that there are no indicators at this time. The annual impairment test will be performed at 1 April 2023.

There was no impairment charge for other intangible assets for the 26 weeks to 1 October 2022 (last half year: no impairment)

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. PROPERTY, PLANT AND EQUIPMENT

In the period there were additions to property, plant and equipment of £44 million (last half year: £35 million) and disposals with a net book value of £nil (last half year: £nil). Additions include £35 million (last half year: £26 million) arising as a result of investing cash outflows and £9 million (last half year: £9 million) movement in capital expenditure accruals.

Capital commitments contracted but not provided for by the Group amounted to £43 million (last half year: £39 million).

During the 26 weeks to 1 October 2022, the Group completed the sale of an owned property in the US previously classified as held for sale. A gain on disposal of property of £19 million has been included as an adjusting item (refer to note 4).

As at 1 October 2022 the Group had two freehold properties that met the criteria to be classified as held for sale. These assets were required to be recorded at the lower of carrying value or fair value less any costs to sell. As the fair value less any costs to sell exceeded the carrying value for each, the related assets and liabilities were recorded at their carrying value. The sale of these properties is expected to complete within the current financial year.

#### Impairment testing

During the current period, management reviewed their assumptions on retail cash generating units and reviewed these units for any indication of impairment or impairment reversal. Where indicators of impairment have been identified an impairment analysis was carried out and if the value-in-use was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use asset would be recorded. The pre-tax cash flow projections used for this review were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the current year to the lease end dates using growth rates and inflation rates appropriate to each store's location.

During the 26 weeks to 1 October 2022, following the review of impairment of retail stores, no impairment charges or reversals were recorded against property, plant and equipment (last half year: impairment charge of £2 million). Last half year, a charge of £2 million was recorded against right-of-use assets. Refer to note 11 for further details of right-of-use assets.

Last half year, the impairment charge recorded in property, plant and equipment related to three retail cash generating units for which the total recoverable amount at the balance sheet date was £nil.

### 11. RIGHT OF USE ASSETS

In the period there were additions to right-of-use assets of £79 million (last half year: £124 million) and remeasurements of £34 million (last half year: £20 million). Depreciation of right-of-use assets of £100 million (last half year: £89 million) is included within operating expenses.

#### Impairment testing

As a result of the assessment of retail cash generating units for impairment, an impairment charge of £nil (last half year: £2 million) was recorded against right-of-use assets. Refer to note 10 for further details of impairment assessment of retail cash generating units.

An impairment reversal of £1 million (last half year: £nil) was recognised in relation to office premises as part of restructuring costs in adjusting items (refer to note 4).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 12. TRADE AND OTHER RECEIVABLES

	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 £m
<b>Non-current</b>			
Other financial receivables <sup>1</sup>	49	43	42
Other non-financial receivables <sup>2</sup>	1	1	1
Prepayments	3	3	2
<b>Total non-current trade and other receivables</b>	<b>53</b>	<b>47</b>	<b>45</b>
<b>Current</b>			
Trade receivables	206	154	151
Provision for expected credit losses	(10)	(9)	(7)
Net trade receivables	196	145	144
Other financial receivables <sup>1</sup>	33	32	36
Other non-financial receivables <sup>2</sup>	53	54	63
Prepayments	48	59	32
Accrued income	8	10	8
<b>Total current trade and other receivables</b>	<b>338</b>	<b>300</b>	<b>283</b>
<b>Total trade and other receivables</b>	<b>391</b>	<b>347</b>	<b>328</b>

1. Other financial receivables include rental deposits and other sundry debtors.

2. Other non-financial receivable relates to indirect taxes, other taxes and duties and COVID-19 related government grant receivables.

The net charge for impairment of financial receivables in the period was £3 million (last half year: charge of £2 million; last full year: reversal of £1 million). None of this net charge has been presented as an adjusting item (last half year: £nil; last full year: reversal of £1 million). Refer to note 4 for details of adjusting items.

### 13. INVENTORIES

Inventory provisions of £76 million (last half year: £110 million; last full year: £83 million) are recorded, representing 13.5% (last half year: 20.2%; last full year 16.3%) of the gross value of inventory. The provisions reflect management's best estimate of the net realisable value of inventory, where this is considered to be lower than the cost of the inventory.

As at 28 March 2020, £68 million of the provision was included in cost of sales as a result of the estimated reduction in net realisable value of inventory due to COVID-19 and was presented as an adjusting item. In the current period, £4 million of the provision (last half year: £5 million; last full year: £14 million) has been utilised, where inventory previously provided for had been sold below cost in the current year and is recognised in cost of sales.

An additional £1 million (last half year: £6 million; last full year: £16 million) has been released upon re-assessment of the provision, where inventory previously provided for has been sold, or is now expected to be sold, for a higher net realisable value than has been estimated last year as performance during the current period has exceeded, and is expected to continue to exceed, the assumptions made at 2 April 2022. This reversal is presented as an adjusting item. Refer to note 4 for details of adjusting items.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. CASH AND CASH EQUIVALENTS

	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 £m
<b>Cash and cash equivalents held at amortised cost</b>			
Cash at bank and in hand	186	189	124
Short-term deposits	72	113	73
	<b>258</b>	<b>302</b>	<b>197</b>
<b>Cash and cash equivalents held at fair value through profit and loss</b>			
Short-term deposits	759	895	1,025
<b>Total</b>	<b>1,017</b>	<b>1,197</b>	<b>1,222</b>

Cash and cash equivalents classified as fair value through profit and loss relate to deposits held in low volatility net asset value money market funds. The cash is available immediately and, since the funds are managed to achieve low volatility, no significant change in value is anticipated. The funds are monitored to ensure there are no significant changes in value.

### 15. TRADE AND OTHER PAYABLES

	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 £m
<b>Non-current</b>			
Other payables <sup>1</sup>	2	8	5
Deferred income and non-financial accruals	21	15	18
Contract liabilities	61	67	64
Deferred consideration <sup>2</sup>	–	4	4
<b>Total non-current trade and other payables</b>	<b>84</b>	<b>94</b>	<b>91</b>
<b>Current</b>			
Trade payables	177	144	181
Other taxes and social security costs	54	56	60
Other payables <sup>1,3</sup>	28	18	6
Accruals	204	191	204
Deferred income and non-financial accruals	16	7	13
Contract liabilities	13	13	13
Deferred consideration <sup>2</sup>	6	14	4
<b>Total current trade and other payables</b>	<b>498</b>	<b>443</b>	<b>481</b>
<b>Total trade and other payables</b>	<b>582</b>	<b>537</b>	<b>572</b>

1. Other payables are comprised of interest and employee related liabilities.

2. Deferred consideration relates to the acquisition of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016. The change in the deferred consideration liability in the period arises as a result of a financing cash outflow and non-cash movements. Total deferred consideration payments of £6 million were made in the 26 weeks to 1 October 2022 (last half year: £nil; last full year: £12 million).

3. Includes £20 million (last half year: £nil; last full year £nil) relating to the cost of shares not yet purchased, under an agreement entered into by the Group to purchase its own shares, together with anticipated stamp duty arising. Refer to note 19 for further details.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 15. TRADE AND OTHER PAYABLES (CONTINUED)

#### Contract liabilities

Retail contract liabilities relate to unredeemed balances on issued gift cards and similar products, and advanced payments received for sales which have not yet been delivered to the customer, which are all considered current. Licensing contract liabilities relate to deferred revenue arising from the upfront payment for the Beauty licence which is being recognised in revenue over the term of the licence on a straight-line basis reflecting access to the trademark over the licence period to 2032.

	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 £m
Retail contract liabilities	7	6	7
Licensing contract liabilities	67	74	70
<b>Total contract liabilities</b>	<b>74</b>	<b>80</b>	<b>77</b>

### 16. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
<b>Balance as at 2 April 2022</b>	<b>49</b>	<b>15</b>	<b>64</b>
Effect of foreign exchange rate changes	2	2	4
Created during the period	2	3	5
Utilised during the period	(2)	–	(2)
Released during the period	(1)	(3)	(4)
<b>Balance as at 1 October 2022</b>	<b>50</b>	<b>17</b>	<b>67</b>
<b>Balance as at 25 September 2021</b>	<b>43</b>	<b>11</b>	<b>54</b>

	As at 1 October 2022 £m	As at 25 September 2021 £m	As at 2 April 2022 £m
<b>Analysis of total provisions:</b>			
Non-current	40	33	36
Current	27	21	28
<b>Total</b>	<b>67</b>	<b>54</b>	<b>64</b>

### 17. BANK OVERDRAFTS

Included within bank overdrafts is £76 million (last half year: £54 million; last full year: £45 million) representing balances on cash pooling arrangements in the Group.

The Group has a number of committed and uncommitted arrangements agreed with third parties. At 1 October 2022, the Group held bank overdrafts of £nil (last half year: £nil; last full year: £nil) excluding balances on cash pooling arrangements.

The fair value of overdrafts approximates the carrying amount because of the short maturity of these instruments.

### 18. BORROWINGS

On 21 September 2020, Burberry Group plc issued medium term notes with a face value of £300 million and 1.125% coupon maturing on 21 September 2025 (the sustainability bond). Proceeds from the sustainability bond will allow the Group to finance projects which support the Group's sustainability agenda. There are no financial penalties for not using the proceeds as anticipated. Interest on the sustainability bond is payable semi-annually. The carrying value of the bond at 1 October 2022 is £298m (last half year: £297m; last full year: £298m), all movements on the bond are non-cash.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 18. BORROWINGS (CONTINUED)

On 26 July 2021, the Group entered into a new £300 million multi-currency sustainability linked revolving credit facility with a syndicate of banks replacing the previous £300 million RCF that had been in place since 2014. There were no drawdowns or repayments of the RCF during the current or previous year and at 1 October 2022, there were £nil outstanding drawings.

The Group is in compliance with the financial and other covenants within the facilities and has been in compliance throughout the financial period.

### 19. SHARE CAPITAL AND RESERVES

Allotted, called up and fully paid share capital	Number	£m
Ordinary shares of 0.05p (last year: 0.05p) each		
<b>As at 27 March 2021</b>	404,864,359	–
Allotted on exercise of options during the period	64,529	–
<b>As at 25 September 2021</b>	404,928,888	–
<b>As at 2 April 2022</b>	405,107,301	–
Allotted on exercise of options during the period	69,226	–
Cancellation of shares	(9,800,686)	–
<b>As at 1 October 2022</b>	<b>395,375,841</b>	<b>–</b>

#### Other reserves

The Company has a general authority from shareholders, renewed at each Annual General Meeting, to repurchase a maximum of 10% of its issued share capital. During the 26 weeks to 1 October 2022, the Company entered into agreements to purchase a total of £400 million of its own shares, excluding stamp duty, through two share buy-back programmes of £200 million each (last half year: £nil). The first programme commenced during the period and resulted in purchases of £180 million of own shares, excluding stamp duty, in the period. £20 million (last half year: £nil) relating to the cost of shares not yet purchased under this agreement has been charged to retained earnings, with the payment obligation recognised in other payables (refer to note 15). The second programme to purchase a further £200 million own shares will commence and complete in the second half of the year.

The cost of own shares purchased by the Company, as part of a share buy-back programme is offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. When shares are cancelled, a transfer is made from retained earnings to the capital reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled. In the 26 weeks to 1 October 2022, 9.8 million shares were cancelled (last half year: none). As at 1 October 2022, the amount held against retained earnings in relation to shares bought back but not cancelled yet was £13 million (last half year: £nil) including stamp duty of £nil (last half year: £nil).

As at 1 October 2022, the Company held 6.1 million treasury shares (last half year: none), with a market value of £109 million based on the share price at the reporting date (last half year: £nil). The treasury shares held by the Company are related to the share buy-back programme completed during the 53 weeks to 2 April 2022. During the 26 weeks to 1 October 2022, 2.3 million treasury shares were transferred to ESOP trusts (last half year: none). During the 26 weeks to 1 October 2022, no treasury shares were cancelled (last half year: none).

The cost of shares purchased by ESOP trusts are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 1 October 2022 the cost of own shares held by ESOP trusts and offset against retained earnings is £48 million (last half year: £15 million). As at 1 October 2022, the ESOP trusts held 3 million shares (last half year: 1 million) in the Company, with a market value of £48 million (last half year: £15 million). In the 26 weeks to 1 October 2022 the ESOP trusts and the Company have waived their entitlement to dividends.

Other reserves in the Statement of Changes in Equity consists of the capital reserve, the foreign currency translation reserve, and the hedging reserves. The hedging reserves consist of the cash flow hedge reserve and the net investment hedge reserve.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 20. RELATED PARTY TRANSACTIONS

The Group's significant related parties are disclosed in the Annual Report for the 53 weeks to 2 April 2022. There were no material changes to these related parties in the period. Other than total compensation in respect of key management, no material related party transactions have taken place during the current period.

### 21. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS

The Group's principal financial instruments comprise derivative instruments, cash and cash equivalents, borrowings (including overdrafts), deferred consideration, trade and other receivables and trade and other payables arising directly from operations.

The fair value of the Group's financial assets and liabilities held at amortised cost approximate their carrying amount due to the short maturity of these instruments with the exception of the £298 million sustainability bond (last half year: £297 million) and £14 million (last half year: £13 million) held in non-current other receivables relating to an interest-free loan provided to a landlord in Korea. At 1 October 2022, the discounted fair value of the sustainability bond is £257 million (last half year: £297 million) and the discounted fair value of the loan provided to a landlord in Korea is £13 million (last half year: £14 million).

The measurements for financial instruments carried at fair value are categorised into different levels in the fair value hierarchy based on the inputs to the valuation technique used. The different levels are defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: includes unobservable inputs for the asset or liability.

Observable inputs are those which are developed using market data, such as publicly available information about actual events or transactions. The Group has an established framework with respect to measurement of fair values, including Level 3 fair values. The Group regularly reviews any significant inputs which are not derived from observable market data and considers, where available, relevant third-party information, to support the conclusion that such valuations meet the requirements of IFRS. The classification level in the fair value hierarchy is also considered periodically. Significant valuation issues are reported to the Audit Committee.

The fair value of those cash and cash equivalents measured at fair value through profit and loss, principally money market funds, is derived from their net asset value which is based on the value of the portfolio investment holdings at the balance sheet date. This is considered to be a Level 2 measurement.

The fair value of forward foreign exchange contracts, equity swap contracts and trade and other receivables is based on a comparison of the contractual and market rates and, in the case of forward foreign exchange contracts, after discounting using the appropriate yield curve as at the balance sheet date. All Level 2 fair value measurements are calculated using inputs which are based on observable market data.

The fair value of the contingent payment component of deferred consideration is considered to be a Level 3 measurement and is derived using a present value calculation, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangement.

### 22. CONTINGENT LIABILITIES

The Group is subject to claims against it and to tax audits in a number of jurisdictions which arise in the ordinary course of business. These typically relate to Value Added Taxes, sales taxes, customs duties, corporate taxes, transfer pricing, payroll taxes, various contractual claims, legal proceedings and other matters. Where appropriate, the estimated cost of known obligations have been provided in these financial statements in accordance with the Group's accounting policies. The Group does not expect the outcome of current similar contingent liabilities to have a material effect on the Group's financial position.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors confirm that the condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the UK and that the Interim Management Report and condensed consolidated interim financial statements include a fair review of the information required by Disclosure Guidance and Transparency Rules 4.2.7 and 4.2.8, namely:

- an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed consolidated interim financial statements, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year; and
- material related party transactions in the first 26 weeks of the financial year and any material changes in the related party transactions described in the last Annual Report.

The Directors of Burberry Group plc are consistent with those listed in the Burberry Group plc Annual Report for the 53 weeks to 2 April 2022 with the exception of Alan Stewart who was appointed on 1 September 2022.

A list of current directors is maintained on the Burberry Group plc website: [www.burberryplc.com](http://www.burberryplc.com).

By order of the Board

Jonathan Akeroyd  
Chief Executive Officer  
16 November 2022

Julie Brown  
Chief Operating and Financial Officer  
16 November 2022

## **INDEPENDENT REVIEW REPORT TO BURBERRY GROUP PLC**

### **Conclusion**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 October 2022 which comprises the condensed Group income statement, the condensed Group statement of comprehensive income, the condensed Group balance sheet, the condensed Group statement of changes in equity, the condensed Group statement of cash flows and the related explanatory notes 1 to 22. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 week period ended 1 October 2022 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Auditing Practices Board. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

### **Conclusions Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

### **Responsibilities of the directors**

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the half-yearly financial report, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the review of the financial information**

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is based on procedures that are less extensive than audit procedures, as described in the 'Basis for Conclusion' paragraph of this report.

### **Use of our report**

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP  
London  
16 November 2022