



**CEO'S
LETTER**

DEAR SHAREHOLDER,

Looking back on the past 12 months, I am extremely proud of our people and the progress we have made on our plan to transform and reposition Burberry and deliver sustainable long-term value. We achieved a huge amount in the period, starting with the launch of our new creative vision in the summer and building to the delivery of Riccardo Tisci's first collection in late February. Although we are only halfway through the first phase of Burberry's transformation, the positive initial reaction from customers is very encouraging.

FY 2018/19 PERFORMANCE

Our focus in this first phase is on investing to re-energise our brand and aligning distribution to our new positioning, while creating the foundations of a new product offering. Against this backdrop, we delivered FY 2018/19 results that met the objectives we had set for the business.

- Revenue was £2.7 billion, flat at reported rates, and up 2% at constant exchange rates (CER), excluding Beauty wholesale.
- Reported operating profit was £437 million, up 7%.
- Adjusted operating profit was £438 million, unchanged at CER.
- Diluted Earnings Per Share (EPS) was 81.7p, up 19%.
- Adjusted Diluted EPS was 82.1p, up 7% at CER.

Our performance was underpinned by operational and financial discipline, enabling us to self-fund our transformation. We delivered £105 million of cumulative cost savings, which was ahead of plan.

INTRODUCING A NEW BURBERRY

To signal a new era for the brand, we refreshed our logo for the first time in 20 years and revived the Thomas Burberry monogram inspired by our heritage. We brought these to life in surprising, engaging and impactful ways, generating exceptional visibility and presenting the new Burberry to millions of luxury consumers globally.

We unveiled Riccardo's debut collection Kingdom in London in September. His vision is of a Burberry that is as much for the young as for the old. Street influences play as important a role as the codes of luxury and sophistication. The response from press and wholesale partners was excellent.

Digital innovation has never been more important in luxury and we asserted our leadership in this area with our award-winning B Series. Available on social platforms, the monthly drop of limited-edition products has proved extremely popular and attracted new and younger customers to the brand. We also partnered with Instagram to launch checkout, a new feature enabling customers to buy products directly from the Burberry Instagram shop for a more seamless shopping experience.

Creating the right store environment for our brand is essential and over the course of the year, we began to align our distribution network to our new creative vision, starting with stores in key fashion cities, including London, Paris, New York, Seoul, Shanghai and Tokyo. In wholesale, we accelerated the closure of non-luxury doors in the US, while opening new, image-driving locations around the world to reach new customers and reinforce our brand positioning.



These initiatives combined to re-ignite brand heat and significantly shift consumer perceptions of Burberry. We added more than three million followers on our key social platforms and significantly increased engagement. Some of the world's most followed celebrities and influential fashion icons wore or endorsed Burberry products and we saw a step change in the response from global fashion press.

The first deliveries of Riccardo's products arrived in stores in February. Although this is currently a small portion of our offer, the initial reaction from customers has been very positive with sales of the new collections generating strong double-digit percentage growth in the final weeks of the year. Lead indicators for his second runway collection Tempest are also very promising.

“Over the course of the coming year, we will continue to build the new Burberry. We are energised by the early results.”

AN ENGAGED TEAM

As a global company with more than 10,000 employees across 33 countries, creating shared purpose and unifying around our values and behaviours are vital to the successful delivery of our strategy. During the year, we focused on building capability and driving engagement among our teams. This included new training programmes for all retail associates and implementing plans we laid out last year to strengthen our pipeline of women leaders.

Erica Bourne joined Burberry as our new Chief Human Resources Officer. We also welcomed Gavin Haig as Chief Commercial Officer with responsibility for all regions and Rod Manley as our new Chief Marketing Officer. All three are great additions to our Executive Committee and are already having a positive impact on the business.

DRIVING POSITIVE CHANGE

As the Chairman noted in his letter, the year was not without challenges but I was impressed by the passion and determination of our people to respond and learn from them. We are stronger for it. The progress we made on our Responsibility Agenda was particularly satisfying and led to us being recognised as the leading luxury brand in the 2018 Dow Jones Sustainability Index.

We strengthened our commitment to revalue waste and ended the practice of destroying unsaleable products. We stopped using real fur. We pledged to reduce plastic usage in our supply chain. We also joined the UN Fashion Industry Charter for Climate Action and we are now carbon neutral across the Americas region, EMEIA retail stores and our UK operations. At the same time, we broadened and deepened our commitment to diversity and inclusion. We are passionate about driving positive change for our industry, our communities and the environment and we have ambitious plans for the year ahead.

LOOKING AHEAD

Over the course of the FY 2019/20, we will continue to build the new Burberry, while managing the business to maintain stable results. The range of products designed by Riccardo will steadily increase in stores and we will accelerate the transformation of our retail network.

The implementation of our plan is on track. What we have achieved this year gives me huge confidence for the future and we are energised by the early results.

I would like to take this opportunity to thank the Burberry team and our partners who made FY 2018/19 so successful. Their passion, commitment and energy has been integral to our progress and I am excited to see our plans come alive in the months ahead.

MARCO GOBBETTI

Chief Executive Officer