



DEAR SHAREHOLDER,

This is my first letter since succeeding Sir John Peace as Chairman following the AGM on 12 July 2018. I would like to begin by paying tribute to Sir John for all he achieved during his 16 years as Chairman of Burberry. Since becoming Chairman I have immersed myself in the business, visiting our manufacturing sites, distribution centres, retail stores and outlets and many of our key offices across the world. During these visits I have always been struck by the enthusiasm, dedication and commitment of our teams and their passion for our unique Burberry brand.

STRATEGY

It has been an exciting year for Burberry with the brand relaunch and our new Chief Creative Officer Riccardo Tisci's debut collections both landing well with consumers, influencers and our wholesale partners. We have also made significant progress on the evolution of our distribution channels, our operational excellence programme and ensuring we have the talent to deliver our strategy. These areas are explained in more detail on pages 22 to 41. We recognise that our strategy is all-absorbing and has had a huge impact on all parts of the business. We are currently at the apex of our creative transition and our Chief Executive Officer Marco Gobetti and our management team are managing the business dynamically through this exciting but challenging transformation.

CULTURE AND PURPOSE

Burberry has a unique culture, which is implicit in everything we do. We are mindful of the changes introduced by the 2018 Corporate Governance Code and are working to articulate more explicitly and holistically our purpose and values and how they relate to all our stakeholders, not least our customers. We are also building on our formal and informal communication mechanisms to ensure

there is meaningful two-way dialogue between our workforce and the Board, as explained in the Corporate Governance Report on page 100.

We are committed to being an industry leader in responsible and sustainable luxury fashion, a commitment that underpins everything we do. During the year we continued to make real progress and more details on Burberry's approach to responsibility can be found on pages 42 to 55.

However, there were two significant instances, which reinforced our resolve in this area: the challenge in July 2018 to the industry-wide practice of destroying unsaleable finished products and a perception from our February 2019 runway show that we lacked sensitivity to important vulnerability and cultural issues in our society. The Board, while very concerned about both incidents, is reassured by the total commitment of Marco and our management team to addressing these issues and by the speed and vigour of their response.

SHAREHOLDER RETURNS

The Group ended the year with a strong cash balance of £837 million, in line with the prior year after a £150 million share buyback and £171 million of dividends. Consequently, the Board has recommended a 3% increase in the full-year dividend to 42.5p, in line with our progressive dividend policy, resulting in a 52% pay-out ratio based on reported earnings per share. This reflects the Board's continued confidence in the future growth of the business.

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Our approach to capital allocation is based on a clear set of priorities that balance investment in sustaining and growing our business, returning cash to our shareholders and maintaining a strong balance sheet with solid credit ratings.

Over the past five years, Burberry has returned around £808.7 million to shareholders through dividends, and over the past three years has completed £600 million of share buybacks. We have approved a continuation of the share buyback programme in FY 2019/20.

BOARD DEVELOPMENTS

We have continued to focus on the evolution of the Board throughout the year. Our aim is to continue to refresh the Board with new and different perspectives while ensuring stability and continuity during a period of transformation for the business.

Changes to the Board during the year to 30 March 2019 are as follows:

- I joined the Board as Chairman designate on the 17 May 2018.
- Sir John Peace retired from the Board following the AGM on the 12 July 2018.

Our longest-serving directors, Stephanie George and Ian Carter will retire from the Board following our AGM in July. We will miss their wise counsel and thank them both for their outstanding service to Burberry during a period of enormous growth and value creation.

FOCUS FOR THE FUTURE

In FY 2019/20, we will continue to focus on the creative transition and completing the first phase of our brand transformation. By the time we issue next year's Annual Report, substantially all products in our mainline stores will be Riccardo's. We are well on the way to completing the rationalisation of our wholesale and retail network and to establishing our new positioning.

We will refine our work on purpose and responsibility as the year progresses and we will continue to invest in re-energising our products and our technology, our stores and our people, the pillars on which Burberry's exciting future will rest.

I would like to end by thanking all our colleagues for their continued hard work and you our shareholders for your patience and support during this period of transformation.

GERRY MURPHY

Chairman