

14 November 2019

## Burberry Group plc

### Interim results for 26 weeks ended 28 September 2019

#### Strategy delivering results

*“We are pleased with our performance in the half, as we remain on track to deliver the first phase of our strategy. New product now represents a high proportion of our assortment and the customer response has been positive delivering strong double digit growth. We also continued to strengthen momentum around our brand and transform our distribution. We delivered financial results in line with guidance despite the decline in Hong Kong and we confirm our outlook for FY 2020.”*

**Marco Gobbetti, Chief Executive Officer**

- Riccardo Tisci’s collections delivered strong double digit growth with new product now around 70% of our mainline retail store offer
- Strengthened our brand with positive momentum across social media, press and influencers
- Transformation of distribution well underway with wholesale rationalisation and refreshed retail stores in all major cities
- Launched exclusive, innovative partnership with Tencent to develop social retail in China<sup>#</sup>

<sup>#</sup>See separate announcement

In the current period, we have adopted new accounting standard IFRS 16, recognising operating leases as right of use assets and lease liabilities on the balance sheet. The impact of which is set out on page 20. Throughout this review, to aid comparability, a pro forma H1 2020 (see detail on page 37) has been included to be comparable with H1 2019 results.

Period ended £ million	28 Sept 2019	29 Sept 2018	% change reported FX	28 Sept 2019 pro forma*	% change pro forma vs Sept 2018 reported FX	CER*
<b>Revenue</b>	<b>1,281</b>	<b>1,220</b>	<b>5</b>	<b>1,281</b>	<b>5</b>	<b>3</b>
<i>Retail comparable store sales*</i>	4%	3%		4%		
<b>Adjusted operating profit*</b>	<b>203</b>	<b>178</b>	<b>14</b>	<b>187</b>	<b>5</b>	<b>(4)</b>
Adjusted operating profit margin	15.9%	14.6%		14.6%		
<b>Reported operating profit</b>	<b>202</b>	<b>173</b>	<b>17</b>	<b>186</b>	<b>8</b>	
Adjusted Diluted EPS (pence)*	36.9	32.9	12	36.1	10	1
Diluted EPS (pence)	36.4	31.6	15	35.7	13	
Free cash flow*	(29)	46		(29)		
Dividend (pence)	11.3	11.0	3	11.3	3	

\*See page 12 for definitions of alternative performance measures

#### Outlook FY 2020

- Guidance maintained for broadly stable top-line and adjusted operating margin, despite incremental pressure on gross margin from the disruptions in Hong Kong and mix<sup>~</sup>

<sup>~</sup>At CER and excluding the impact of the adoption of IFRS 16. See detailed guidance in Appendix

The financial information contained herein is unaudited.

All metrics and commentary in the Interim Review exclude adjusting items unless stated otherwise.

Constant exchange rates (CER) removes the effect of changes in exchange rates compared to the prior period. This takes into account both the impact of the movement in exchange rates on the translation of overseas subsidiaries' results and also on foreign currency procurement and sales through the Group's UK supply chain. Throughout this review, CER performance will be described by reference to the H1 2020 pro forma.

The following alternative performance measures are presented in this announcement: pro forma H1 2020 results, adjusted profit measures, comparable sales, free cash flow and lease adjusted net debt in the prior period. The definitions of these alternative performance measures are set out in the Appendix on page 12 .

Cumulative cost savings are savings compared to FY 2016 operating expenses. The savings relating to the store rationalisation programme are measured compared to the reported costs which were under IAS 17.

Certain financial data within this announcement have been rounded.

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- There will be a presentation today at 9.30am (UK time) for investors and analysts at Horseferry House, Horseferry Road, London, SW1P 2AW
- 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 3003 2666
- The supporting slides and an indexed replay will be available on the website later in the day
- Burberry will update on third quarter trading on 22 January 2020

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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## GROUP H1 2019 FINANCIAL HIGHLIGHTS

- Revenue £1,281m +3% CER, +5% reported
  - Retail comparable store sales +4% (Q1: +4%; Q2: +5%) with new collections growing strong double digits, offset by a softer performance of replenishment product lines

### Pro forma profit measures:

- Pro forma adjusted operating profit £187m, -4% CER. As guided, gross margin was down 110bps at CER, largely offset by currency resulting in -10bps at reported
  - Operating expenses were impacted by store impairments, partially offset by cost savings
- Pro forma operating profit £186m, +8% after adjusting items of £1m (H1 2019: £173m)
- Pro forma adjusted diluted EPS 36.1p, +1% CER, supported by ongoing share repurchases and a 200bps effective tax rate reduction

### Reported profit measures:

- Operating profit £202m, +17% reported due to a currency benefit and the positive impact of IFRS 16, under which lease costs are split between operating expenses and interest
- Diluted EPS 36.4p, +15% reported principally due to the impact of currency, tax and a small positive impact from the adoption of IFRS 16

### Cash measures:

- Free cash outflow of £29m (H1 2019: inflow of £46m) due predominantly to the accelerated timing of UK tax payments resulting from the new HMRC rules
- Net cash £670m at Sept 2019 (£647m at Sept 2018) after returning £144m cash to shareholders through dividends (£129m) and share buyback (£15m)
- Interim dividend 11.3p, +3% year-on-year (H1 2019: 11.0p)

### Summary income statement

Period ended	28 Sept 2019	29 Sept 2018	% change reported FX	28 Sept 2019 pro forma*	% change pro forma vs Sept 2018 reported FX	CER
Revenue	1,281	1,220	5	1,281	5	3
Cost of sales	(416)	(395)	5	(416)	5	
<b>Gross profit</b>	<b>865</b>	<b>825</b>	<b>5</b>	<b>865</b>	<b>5</b>	
<b>Gross margin %</b>	<b>67.5%</b>	<b>67.6%</b>	<b>(10bps)</b>	<b>67.5%</b>	<b>(10bps)</b>	
Operating expenses**	(662)	(647)	(2)	(678)	(5)	
Opex as a % of sales	51.6%	53.0%		52.9%		
<b>Adjusted operating profit**</b>	<b>203</b>	<b>178</b>	<b>14</b>	<b>187</b>	<b>5</b>	<b>(4)</b>
<b>Adjusted operating margin %</b>	<b>15.9%</b>	<b>14.6%</b>	<b>130bps</b>	<b>14.6%</b>	<b>0bps</b>	<b>(100bps)</b>
Adjusting operating items	(1)	(5)		(1)		
<b>Operating profit</b>	<b>202</b>	<b>173</b>	<b>17</b>	<b>186</b>	<b>8</b>	
Net finance (charge)/credit~	(9)	1		3		
<b>Profit before taxation</b>	<b>193</b>	<b>174</b>	<b>11</b>	<b>189</b>	<b>9</b>	
Taxation	(43)	(42)		(42)		
<b>Attributable profit</b>	<b>150</b>	<b>132</b>		<b>147</b>		
<b>Adjusted profit before taxation**</b>	<b>195</b>	<b>180</b>	<b>8</b>	<b>191</b>	<b>6</b>	<b>(3)</b>
<b>Adjusted EPS (pence)**^</b>	<b>36.9</b>	<b>32.9</b>	<b>12</b>	<b>36.1</b>	<b>10</b>	<b>1</b>
<b>EPS (pence)^</b>	<b>36.4</b>	<b>31.6</b>	<b>15</b>	<b>35.7</b>	<b>13</b>	
Weighted average number of ordinary shares (millions)~	412.5	417.2		412.5		

\* We have included a pro forma for H1 2020 to make it comparable to H1 2019. The basis for this pro forma is set out on page 37. \*\* Excludes adjusting items. ~ Includes adjusting finance charge of £1m (H1 2019: £1m). ^ EPS is presented on a diluted basis

## BUSINESS AND FINANCIAL REVIEW

FY 2020 is the second year of our multi-year plan to transform Burberry. Our focus in this first phase is on re-energising our brand and aligning our distribution to our new positioning in luxury fashion as well as establishing a new product offering. Against these objectives, we made good progress in the half as we increased the availability of products designed by Riccardo Tisci and continued to evolve our retail and wholesale network.

In this half, our mainline stores benefited from a meaningful proportion of new product. The response from consumers was very promising. The new product delivered strong double-digit percentage growth compared to equivalent collections in the prior year, with growth in all regions. The response was also strong in luxury wholesale doors. At the end of the period, new product comprised around 70% of the assortment in our mainline stores, including a more comprehensive leather goods range.

In September, we presented Spring/Summer 2020 in our first carbon neutral runway show. The collection, *Evolution*, was influenced by the Victorian era and celebrated our new house codes as well as mixing innovative techniques with classic fabrications. The response to the show was exceptional. Compared to the Autumn/Winter 2019 show, global press reach grew by more than 50%, total reach on Instagram more than doubled and the show was one of the top five trending topics globally on Twitter.

We also strengthened brand momentum. In H1, our social first approach drove double digit year-on-year growth in our reach, engagement rate and followers across both Instagram and WeChat. We also continued to localise our China communications. For example, we delivered a dedicated campaign to celebrate Qixi Jie, an equivalent of Valentine's Day in China, which resulted in over 200m views across local social media platforms and contributed to strong double digit quarter-on-quarter growth in our WeChat engagement rate in Q2.

Social media and store experiences are playing an increasingly important role in inspiring luxury consumers and the customer journey between these touch points is becoming more fluid. Responding to this, we have entered into an exclusive partnership with Tencent to develop social retail in China. Together we will pioneer a concept that blends social media and retail, creating digital and physical spaces for engaged communities to interact, share and shop. This partnership will begin with Burberry opening a social retail store in Shenzhen, China in the first half of next year, powered by Tencent technology.

More widely in distribution, as planned, we continued to transform our network. In retail, we now have at least one creatively aligned store in each major city globally and a cumulative 15 of the smaller, non-strategic stores previously announced for rationalisation, have now been closed. In wholesale, we continued to rationalise space in non-luxury doors in the US and EMEIA and we remain on track for the closures in the US to be largely completed by the end of the financial year.

Finally, we continued to lead the way in building a more sustainable future for luxury fashion. We achieved our highest ever score on the Dow Jones Sustainability Index. We innovated with raw materials, introducing ECONYL, a nylon yarn made from regenerated fishing nets, fabric scraps and industrial plastic, into men's and women's outerwear and bags. And we were a founding signatory of The Fashion Pact, a global alliance between 56 of the world's leading fashion companies to limit global warming, protect the world's oceans and restore biodiversity.

## First half performance

By the end of September the proportion of new product was around 70% of the mainline retail offer compared to 10-15% in March. This underpinned the improvement in comparable store sales growth to +4% in H1 and an acceleration to 5% growth in Q2 despite considerable disruptions in Hong Kong. Revenue growth at CER was 3%, impacted by the headwind from the closure of non-luxury wholesale doors in the US.

Group adjusted pro forma operating profit declined 4% in the half at CER, as guided. This predominantly reflected pressure on gross margin resulting from the continuing investment into product quality and deeper discounts on older product lines as well as store impairments relating to Hong Kong. These were partially offset by our continued focus on efficiency, productivity and simplification. Reported operating profit grew 17% due to the benefit of currency and the impact of IFRS 16, under which lease costs are split between operating expenses and interest.

There was a free cash outflow in the half, predominantly reflecting the accelerated timing of UK tax payments, higher capex year-on-year as guided and higher payables relating to the timing of inventory payments.

## Revenue analysis

### Revenue by channel

Period ended £ million	28 Sept 2019	29 Sept 2018	% change Reported FX	CER
Retail	1,004	944	6	4
<i>Retail comparable store sales</i>	<i>4%</i>	<i>3%</i>		
Wholesale	253	254	0	(2)
Licensing	24	22	6	4
<b>Revenue</b>	<b>1,281</b>	<b>1,220</b>	<b>5</b>	<b>3</b>

### Retail

- Retail sales +4% at CER; +6% reported
- Impact of new space -0.5%

First half comparable store sales +4% (Q1: +4%; Q2 +5%).

### By region

Asia Pacific grew by a mid-single digit percentage

- Mainland China grew mid-teens, Korea grew high-single digits and Japan was up mid-single digits. However, Hong Kong declined double digits

EMEA grew by a mid-single digit percentage

- The UK grew high single digits and Continental Europe grew mid-single digits. The Middle East returned to growth in Q2 but was negative in the half overall

The Americas grew by a low-single digit percentage

- The US grew low-single digits with a consistent performance across quarters, whilst Canada and Brazil saw improved trends in Q2

### By product

- Consumers responded positively to new product, which delivered strong double digit percentage growth. However, this was partially offset by replenishment lines, which were softer year-on-year
- In retail stores, men's apparel grew by a double digit percentage and women's apparel grew high-single digits as full look merchandising continued to drive strength in tops, trousers and skirts
- The trend in accessories was softer year-on-year, albeit it improved significantly through the period with consumers responding positively to newly launched bags as we continued to build out a fuller assortment

### Store footprint

The transformation of our distribution is well underway:

- Store openings included mainline stores in China World in Beijing and IAPM in Shanghai, and we undertook a major expansion of our store in GUM, Moscow
- All major cities now incorporate a store aligned to our new creative vision
- Cumulative 15 stores closed to date as part of the non-strategic store rationalisation programme

### **Wholesale**

Wholesale revenue declined 2% at CER, flat at reported, with double digit growth in continuing luxury accounts offset by non-luxury door closures. This was slightly better than our expectations due to the timing of shipments and stronger than expected in season orders.

- Asia Pacific declined low double digits. This reflected the annualisation of Chinese consumers shifting their spend into Asian tourist geographies, which resulted in exceptional growth in Asia travel retail in the prior year
- EMEIA grew low double digits, benefiting from stronger than expected in season orders as well as the timing of shipments
- The Americas declined double digits, in line with guidance, with the headwind from the strategic rationalisation of non-luxury doors partly offset by growth in continuing luxury doors

### **Licensing**

Licensing revenue was up £2m year-on-year (+4% at CER), predominantly due to a strong eyewear performance.

## Operating profit analysis

### Adjusted operating profit

Period ended	28 Sept 2019	29 Sept 2018	% change reported FX	28 Sept 2019 pro forma	% change pro forma vs Sept 2018 reported FX	CER
<b>£ million</b>						
Revenue	1,281	1,220	5	1,281	5	3
Cost of sales	(416)	(395)	5	(416)	5	
<b>Gross profit</b>	<b>865</b>	<b>825</b>	<b>5</b>	<b>865</b>	<b>5</b>	
<b>Gross margin %</b>	<b>67.5%</b>	<b>67.6%</b>		<b>67.5%</b>		
Operating expenses	(662)	(647)	(2)	(678)	(5)	
Opex as a % of sales	51.6%	53.0%		52.9%		
<b>Adjusted operating profit</b>	<b>203</b>	<b>178</b>	<b>14</b>	<b>187</b>	<b>5</b>	<b>(4)</b>
<b>Adjusted operating margin %</b>	<b>15.9%</b>	<b>14.6%</b>	<b>+130bps</b>	<b>14.6%</b>	<b>0bps</b>	<b>(100bps)</b>

Pro forma adjusted operating profit declined 4% and margin decreased by 100bps at CER.

- As guided, gross margin was negatively impacted by investments in design, product development and quality and deeper discounts on older product lines. However, these were almost fully offset by a currency benefit
- Opex as a percentage of sales decreased by 10bps, reflecting an incremental £9m of restructuring savings and £3m of store rationalisation savings. However, this was offset by £14m of store impairments relating to Hong Kong, continued inflationary pressures and a rebalancing of marketing spend after the lower level in the prior year

Including a £16m currency benefit, pro forma adjusted operating profit was +5% reported and the margin was flat.

After a net finance charge of £8m, reported adjusted profit before tax was £195m.

### Adjusting items\*

Adjusting items were £2m (H1 2019: £6m) with £1m relating to adjusting operating items and £1m relating to finance items. There is no change to the total estimated one-off costs associated with our cost and efficiency programme of c.£110m and our target of cumulative annualised cost savings of £135m in FY 2022.

Reported operating profit was £202m (H1 2019: £173m) due to the underlying movements, adjusting items, currency and the positive impact of IFRS 16 on operating profit, under which lease costs are split between operating expenses and interest.

\*For detail on adjusting items see Appendix and note 4 of Condensed Consolidated Interim Financial Statements

### Taxation

The effective rate of tax on adjusted profit for FY 2020 is estimated to be 22.0% (FY 2019: 23.1%) and we have applied this at the half (H1 2019: 24.0%). The resulting effective tax rate on H1 2020 reported profit before taxation is 22.1% (H1 2019: 24.2%, FY 2019: 23.0%). Tax on adjusting items has been recognised at the prevailing rates as appropriate.

## **Cash flow**

There was a free cash outflow\* of £29m in the half compared to the prior year inflow of £46m. The current year outflow primarily reflected accelerated timing of UK tax payments, higher capex year-on-year, as guided, and a payables outflow relating to the timing of inventory payments.

The major components were:

- A working capital outflow of £120m (H1 2019: £98m) predominantly due to an outflow from trade and other payables due to the timing of inventory payments
- Tax paid of £88m (H1 2019: £40m) reflecting the accelerated timing of UK tax payments resulting from the new HMRC rules
- Capital expenditure of £68m (H1 2019: £51m) as we invest into store refurbishments and IT platforms

Net cash at 28 September 2019 was £670m, compared to £647m at 29 September 2018 and £837m at 30 March 2019. During the half £144m was returned to shareholders, with final dividends of £129m and share buyback of £15m out of the previously announced full year programme of £150m. Our net debt<sup>~</sup> including reported lease liabilities was £416m (30 March 2019: Lease adjusted net debt £409m).

\*For a definition of free cash flow see page 13.

~ For a definition of net debt see page 13.

## **Summary outlook**

Whilst mindful of the global economic uncertainty, we maintain our FY 2020 guidance of broadly stable revenue and pro forma adjusted operating margin\* at CER including the delivery of £120m cumulative cost savings.\*\*

- As previously guided, in H2, we expect full price sales to benefit from new product. However, this will be partially offset by reduced markdown inventory available for sale and we also expect sales in Hong Kong to remain under pressure
- We now expect gross margin to be down around 150bps (previously 100bp decline). The incremental 50bps largely reflects mix and the disruptions in higher margin market Hong Kong

At 1 November spot rates, the impact of year-on-year exchange rate movements is expected to be a benefit of £4m on adjusted operating profit and a benefit of £13m on revenue.

\*This excludes the impact of the adoption of IFRS 16. See detailed guidance in Appendix.

\*\*The base year for the cumulative cost savings is 2016



## APPENDIX

<b>Adjusting items*</b> <b>Period ended</b> <b>£ million</b>	<b>28 Sept</b> <b>2019</b>	<b>29 Sept</b> <b>2018</b>
Disposal of Beauty business	-	6
Restructuring costs	(1)	(10)
Revaluation of deferred consideration liability	-	(1)
<b>Adjusting operating items</b>	<b>(1)</b>	<b>(5)</b>
Adjusting financing items	(1)	(1)
<b>Adjusting items</b>	<b>(2)</b>	<b>(6)</b>

\*For additional detail on adjusting items note 4 of Condensed Consolidated Interim Financial Statements

### Disposal of Beauty business

The net income of £6m in the prior year was predominantly due to positive resolution of some distributor negotiations associated with the transfer of Beauty operations to Coty in October 2017.

### Restructuring costs

Restructuring costs of £1m were incurred relating to our cost and efficiency programme. We continue to expect charges of £16m in FY 2020. There is no change to the total estimated one-off costs of the programme of around £110m.

### Revaluation of deferred consideration liability

The £1m prior year charge principally reflects foreign exchange rate movements for the Burberry Middle East transaction.

### Adjusting finance charge

The £1m charge relates to the deferred consideration that arose from the Burberry Middle East and Burberry Manifattura transactions.

## Detailed guidance for FY 2020\*

Item	Financial impact
Revenue	Revenue expected to be broadly stable at CER
Impact of retail space on revenues	No expected impact from net space on our retail revenue with the headwind from the non-strategic store rationalisation programme offset by strategic store openings
Wholesale revenues	Wholesale revenues expected to decline by a low-single digit percentage reflecting the strength from continuing luxury doors partly offsetting non-luxury door closures. This is ahead of previous guidance for a mid-single digit decline.
Gross margin	We now expect gross margin to be down around 150bps, below our previous expectation for a 100bp decline. The incremental 50bps primarily reflects mix and the disruptions in higher margin Hong Kong market.
Cost savings	Cumulative cost savings of £120m, an incremental £15m in the year
Operating margin <sup>#</sup>	Adjusted operating margin expected to be broadly stable at CER
Tax	We anticipate a further c100bps reduction to around 22%
Currency	At 1 November spot rates, the impact of year-on-year exchange rate movements is expected to be a £4m benefit on adjusted operating profit and a £13m benefit to revenue.
Restructuring costs	£16m (including the non-strategic store rationalisation)
Capital expenditure	We now expect capex of £180m below our previous expectation for £200m, predominantly due to the timing of projects
Share buyback	£150m

\*Guidance assumes constant exchange rates, a stable economic environment and current tax legislation. It excludes the impact of the UK's possible withdrawal from the EU without an agreement. In the event of the UK withdrawing from the European Union without an agreement, there is likely to be a material but manageable operational and financial impact on Burberry's business. We continue to prepare mitigating actions to limit the operational and financial impact in the short term.

<sup>#</sup> The operating margin guidance excludes the impact of the adoption of IFRS 16, which is expected to benefit FY 2020 operating profit by £30m-£35m and profit before tax by £5m-£10m

Exchange rates	Forecast effective rates for FY 2020		Actual average exchange rates		
	1 November 2019	28 June 2019	H1 2020	H1 2019	FY 2019
£1=					
Euro	1.14	1.12	1.12	1.13	1.13
US Dollar	1.28	1.27	1.26	1.33	1.31
Chinese Renminbi	8.92	8.73	8.71	8.78	8.82
Hong Kong Dollar	9.97	9.93	9.82	10.42	10.26
Korean Won	1,500	1,473	1,486	1,463	1,460

<b>Retail/wholesale revenue by destination</b>					
Period ended	28 Sept	29 Sept	% change		
£ million	2019	2018	Reported FX	CER	
Asia Pacific	500	472	6	4	
EMEIA	487	462	6	5	
Americas	270	264	2	(3)	
<b>Total</b>	<b>1,257</b>	<b>1,198</b>	<b>5</b>	<b>3</b>	

<b>Retail/wholesale revenue by product division</b>					
Period ended	28 Sept	29 Sept	% change		
£ million	2019	2018	Reported FX	CER	
Accessories	457	469	(2)	(5)	
Women's	387	360	8	6	
Men's	347	309	12	10	
Children's & other	66	60	10	8	
<b>Total</b>	<b>1,257</b>	<b>1,198</b>	<b>5</b>	<b>3</b>	

<b>Store portfolio</b>					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 30 March 2019	233	146	52	431	44
Additions	7	8	3	18	-
Closures	(17)	(6)	(3)	(26)	-
<b>At 28 September 2019</b>	<b>223</b>	<b>148</b>	<b>52</b>	<b>423</b>	<b>44</b>

<b>Store portfolio by region</b>					
	Directly-operated stores				Franchise stores
	Stores	Concessions	Outlets	Total	
At 28 September 2019					
Asia Pacific	92	87	16	195	6
EMEIA	62	51	19	132	38
Americas	69	10	17	96	-
<b>Total</b>	<b>223</b>	<b>148</b>	<b>52</b>	<b>423</b>	<b>44</b>

<b>Adjusted operating profit</b>						
Period ended	28 Sept	29 Sept	% change	28 Sept	% change pro forma vs	
£ million	2019	2018	reported	2019	reported	Sept 2018
			FX	Pro forma	FX	CER
Retail/wholesale	182	158	15	166	5	(5)
Licensing	21	20	6	21	6	5
<b>Adjusted operating profit</b>	<b>203</b>	<b>178</b>	<b>14</b>	<b>187</b>	<b>5</b>	<b>(4)</b>
<b>Adjusted operating margin</b>	<b>15.9%</b>	<b>14.6%</b>		<b>14.6%</b>		

<b>Profit before tax reconciliation</b>						
Period ended	28 Sept 2019	29 Sept 2018	% change Reported FX	28 Sept 2019 pro forma	% change pro forma vs Sept 2018 Reported FX	CER
£ million						
<b>Adjusted profit before tax</b>	<b>195</b>	<b>180</b>	<b>8</b>	<b>191</b>	<b>6</b>	<b>(3)</b>
<b>Adjusting items*</b>						
Disposal of Beauty operations	-	6		-		
Restructuring costs	(1)	(10)		(1)		
Revaluation of deferred consideration liability	-	(1)		-		
Adjusting financing items	(1)	(1)		(1)		
<b>Profit before tax</b>	<b>193</b>	<b>174</b>	<b>11</b>	<b>189</b>	<b>9</b>	

\*For additional detail on adjusting items see note 4 of Condensed Consolidated Interim 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.

<b>APM</b>	<b>Description and purpose</b>	<b>GAAP measure reconciled to</b>																					
Pro forma results	This measure is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases. It has been included as IFRS 16 was adopted without restatement of the prior period.	<i>Reported results for the same period</i> This is set out on page 37.																					
Constant Exchange Rates (CER)	This measure removes the effect of changes in exchange rates compared to the prior period. It 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 store openings and closings, allowing a comparison of equivalent store performance against the prior period.	<i>Retail Revenue:</i> <table border="1"> <thead> <tr> <th>Period ended</th> <th>28 Sept 2019</th> <th>29 Sept 2018</th> </tr> </thead> <tbody> <tr> <td>YoY%</td> <td></td> <td></td> </tr> <tr> <td>Comparable sales</td> <td>4%</td> <td>3%</td> </tr> <tr> <td>Change in space</td> <td>-</td> <td>(1%)</td> </tr> <tr> <td>IFRS 15/Retail Calendar</td> <td>-</td> <td>(1%)</td> </tr> <tr> <td>FX</td> <td>2%</td> <td>(1%)</td> </tr> <tr> <td><b>Retail revenue</b></td> <td><b>6%</b></td> <td><b>0%</b></td> </tr> </tbody> </table>	Period ended	28 Sept 2019	29 Sept 2018	YoY%			Comparable sales	4%	3%	Change in space	-	(1%)	IFRS 15/Retail Calendar	-	(1%)	FX	2%	(1%)	<b>Retail revenue</b>	<b>6%</b>	<b>0%</b>
Period ended	28 Sept 2019	29 Sept 2018																					
YoY%																							
Comparable sales	4%	3%																					
Change in space	-	(1%)																					
IFRS 15/Retail Calendar	-	(1%)																					
FX	2%	(1%)																					
<b>Retail revenue</b>	<b>6%</b>	<b>0%</b>																					
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.	<i>Reported Profit:</i> A reconciliation of reported profit before tax to adjusted profit before tax is included in the income statement on page 15. The Group's accounting policy for adjusted profit before tax is set out in note 2 to the financial statements.																					

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 following the adoption of IFRS 16 in this period.	<p><i>Net cash generated from operating activities:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>28 Sept 2019</th> <th>29 Sept 2018</th> </tr> </thead> <tbody> <tr> <td>Net cash generated from operating activities</td> <td>164</td> <td>97</td> </tr> <tr> <td>Capex</td> <td>(68)</td> <td>(51)</td> </tr> <tr> <td>Payment of lease principal</td> <td>(115)</td> <td>-</td> </tr> <tr> <td>Other lease related items</td> <td>(10)</td> <td>-</td> </tr> <tr> <td>Free cash flow</td> <td>(29)</td> <td>46</td> </tr> </tbody> </table>	Period ended £m	28 Sept 2019	29 Sept 2018	Net cash generated from operating activities	164	97	Capex	(68)	(51)	Payment of lease principal	(115)	-	Other lease related items	(10)	-	Free cash flow	(29)	46
Period ended £m	28 Sept 2019	29 Sept 2018																		
Net cash generated from operating activities	164	97																		
Capex	(68)	(51)																		
Payment of lease principal	(115)	-																		
Other lease related items	(10)	-																		
Free cash flow	(29)	46																		
Net Debt	<p>Net debt is defined as the lease liability recognised on the balance sheet, less net cash.</p> <p>*In the prior year lease adjusted net debt was defined as five times minimum lease payments, adjusted for charges and utilisation of onerous lease provisions, less net cash.</p>	<p><i>Net cash:</i></p> <table border="1"> <thead> <tr> <th>Period ended £m</th> <th>28 Sept 2019</th> <th>30 Mar 2019</th> </tr> </thead> <tbody> <tr> <td>Net cash</td> <td>670</td> <td>837</td> </tr> <tr> <td>Lease liability/ Operating lease debt</td> <td>(1,086)</td> <td>(1,246)</td> </tr> <tr> <td>Net debt</td> <td>(416)</td> <td>*(409)</td> </tr> </tbody> </table>	Period ended £m	28 Sept 2019	30 Mar 2019	Net cash	670	837	Lease liability/ Operating lease debt	(1,086)	(1,246)	Net debt	(416)	*(409)						
Period ended £m	28 Sept 2019	30 Mar 2019																		
Net cash	670	837																		
Lease liability/ Operating lease debt	(1,086)	(1,246)																		
Net debt	(416)	*(409)																		

### Related parties

Related party disclosures are given in note 17 of the Condensed Consolidated Interim Financial Statements.

### Principal Risks

The principal risks and uncertainties that the Group faces for the remaining 26 weeks of the financial year are consistent with those previously reported and are summarised below:

#### Strategic and Financial Risks

- **Execution of Strategy:** Focused execution of the strategy through our six strategic pillars: Product, Communication, Distribution, Digital, Operational Excellence and Inspired People are key to sustainable shareholder value. Success depends on the value and relevance of our brand to luxury consumers around the world and our ability to innovate. Failure to execute the projects that underpin these strategies successfully could result in under delivery on the expected growth, productivity and efficiency targets. This could have a significant impact on the value of the business and market confidence in our ability to deliver the strategy.
- **Image and Reputation:** the Group carefully safeguards its image and reputational assets. Unfavourable incidents, unethical behaviour or erroneous media coverage relating to the Group's senior executives, products, practices or supply chain operations could damage the Group's reputation.
- **Global Chinese Consumer Spending:** any significant change to Chinese consumer spending habits or the economic, regulatory, social and/or political environment in China could adversely impact the consumer group's disposable income or confidence.
- **Volatility in foreign exchange rates:** Burberry is exposed to uncertainty through foreign exchange movements which could have a significant impact on the Group's reported results.

#### Operational Risks

- **A cyber-attack** results in a system outage, impacting core operations and/or results in a major data loss leading to reputational damage and financial loss. The Group's technology environment

is critical to success. A robust control environment helps decrease the risks to core business operations and/or major data loss.

- **People:** Inability to attract, motivate, develop and retain our people to perform to the best of their ability in order to meet our strategic objectives. Delivery of our strategy relies on our ability to ensure our people continue to be driven and inspired to deliver outstanding results for the Group.
- **Technology and IT Operations** support critical processes across the Group including retail, digital and Group functions such as Supply Chain and Finance. Failure to provide technology platforms that meet customer demands and support innovation could result in failure to deliver the strategy and negatively impact operations due to poor system performance and/or system outages.
- **Sustainability and Climate Change:** The success of our business over the long term will depend on the social and environmental sustainability of our operations, the resilience of our supply chain and our ability to manage the impact of any potential climate change on our business model and performance.
- **Business Interruption:** A major incident at one of the Group's main locations, suppliers or affecting key products significantly interrupting the business. This could be caused by a wide range of events including natural catastrophe, fire, terrorism, or quality control failures.

#### Compliance Risks

- **Regulatory Risk and Ethical/Environmental Standards:** The Group's operations are subject to a broad spectrum of national and regional laws and regulations in the various jurisdictions in which we operate. These include product safety, trademarks, competition, employee and customer health & safety, data, corporate governance, employment and tax. Changes to laws and regulations, or a major compliance breach could have a material impact on the business.
- **Sustained breaches of Burberry's intellectual property (IP) rights or allegations of infringement by Burberry.** Counterfeiting, copyright, trademark and design infringement in the marketplace could reduce the demand for genuine Burberry merchandise.

#### External Risks

- **Macro-Economic and Political instability:** The Group operates in a wide range of markets and is exposed to changing economic, regulatory, social and political developments that may impact consumer demand, disrupt operations and impact profitability. Adverse macro-economic conditions or country-specific civil unrest for example in Hong Kong, may impact spending habits of key consumer groups such as the Chinese consumer and cause increased operational costs.
- **UK's withdrawal from the EU:** The risk to our business of a no deal withdrawal from the EU remains unchanged owing to the continuing political uncertainty. As previously stated, we have prepared for a no deal and have plans in place to limit the impact on business operations and incremental costs, including additional duties.

CONDENSED GROUP INCOME STATEMENT – UNAUDITED

	Note	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	Audited 52 weeks to 30 March 2019 £m
Revenue	3	1,281.2	1,220.0	2,720.2
Cost of sales		(415.8)	(394.9)	(859.4)
<b>Gross profit</b>		<b>865.4</b>	<b>825.1</b>	<b>1,860.8</b>
Net operating expenses		(663.4)	(652.6)	(1,423.6)
<b>Operating profit</b>		<b>202.0</b>	<b>172.5</b>	<b>437.2</b>
<b>Financing</b>				
Finance income		4.5	4.2	8.7
Finance expense		(13.2)	(1.7)	(3.6)
Other financing charge		(0.7)	(0.9)	(1.7)
<b>Net finance (expense) / income</b>		<b>(9.4)</b>	<b>1.6</b>	<b>3.4</b>
<b>Profit before taxation</b>		<b>192.6</b>	<b>174.1</b>	<b>440.6</b>
Taxation	5	(42.5)	(42.2)	(101.5)
<b>Profit for the period</b>		<b>150.1</b>	<b>131.9</b>	<b>339.1</b>
<b>Attributable to:</b>				
Owners of the Company		150.3	131.9	339.3
Non-controlling interest		(0.2)	–	(0.2)
<b>Profit for the period</b>		<b>150.1</b>	<b>131.9</b>	<b>339.1</b>
<b>Earnings per share</b>				
Basic	6	36.6p	31.9p	82.3p
Diluted	6	36.4p	31.6p	81.7p
<b>Reconciliation of adjusted profit before taxation:</b>				
Profit before taxation		192.6	174.1	440.6
Adjusting items:				
Adjusting operating items	4	1.4	5.4	0.9
Adjusting financing items	4	0.7	0.9	1.7
<b>Adjusted profit before taxation – non-GAAP measure</b>		<b>194.7</b>	<b>180.4</b>	<b>443.2</b>
<b>Adjusted earnings per share – non-GAAP measure</b>				
Basic	6	37.1p	33.1p	82.7p
Diluted	6	36.9p	32.9p	82.1p
<b>Dividends per share</b>				
Proposed interim (not recognised as a liability at period end)	7	11.3p	11.0p	11.0p
Final (not recognised as a liability at 30 March)	7	N/A	N/A	31.5p

CONDENSED GROUP STATEMENT OF COMPREHENSIVE INCOME – UNAUDITED

	<b>26 weeks to 28 September 2019 £m</b>	26 weeks to 29 September 2018 £m	Audited 52 weeks to 30 March 2019 £m
Profit for the period	150.1	131.9	339.1
Other comprehensive income <sup>1</sup> :			
Cash flow hedges	(0.6)	(0.1)	(2.1)
Net investment hedges	1.9	2.2	1.6
Foreign currency translation differences	23.0	14.7	14.6
Tax on other comprehensive income:			
Cash flow hedges	0.1	–	0.4
Net investment hedges	(0.4)	(0.4)	(0.2)
Foreign currency translation differences	(1.5)	(1.1)	(1.3)
Other comprehensive income for the period, net of tax	22.5	15.3	13.0
<b>Total comprehensive income for the period</b>	<b>172.6</b>	<b>147.2</b>	<b>352.1</b>
Total comprehensive income attributable to:			
Owners of the Company	172.6	147.0	352.0
Non-controlling interest	–	0.2	0.1
	<b>172.6</b>	<b>147.2</b>	<b>352.1</b>

1. 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 28 September 2019 £m	As at 29 September 2018 £m	Audited As at 30 March 2019 £m
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	8	238.2	213.5	221.0
Property, plant and equipment	9	319.9	311.4	306.9
Right-of-use assets	10	879.9	–	–
Investment properties		2.5	2.6	2.5
Deferred tax assets		160.5	127.7	123.1
Trade and other receivables	11	51.1	66.8	70.1
		<b>1,652.1</b>	<b>722.0</b>	<b>723.6</b>
<b>Current assets</b>				
Inventories		535.6	496.4	465.1
Trade and other receivables	11	271.5	244.5	251.1
Derivative financial assets		2.7	2.7	3.0
Income tax receivables		18.4	5.7	14.9
Cash and cash equivalents	12	715.4	665.0	874.5
		<b>1,543.6</b>	<b>1,414.3</b>	<b>1,608.6</b>
<b>Total assets</b>		<b>3,195.7</b>	<b>2,136.3</b>	<b>2,332.2</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Trade and other payables	13	(109.4)	(173.4)	(176.5)
Lease liabilities		(872.6)	–	–
Deferred tax liabilities		(3.3)	(1.6)	(3.4)
Derivative financial liabilities		–	(0.1)	(0.1)
Retirement benefit obligations		(1.6)	(0.9)	(1.4)
Provisions for other liabilities and charges	14	(25.7)	(64.6)	(50.7)
		<b>(1,012.6)</b>	<b>(240.6)</b>	<b>(232.1)</b>
<b>Current liabilities</b>				
Bank overdrafts	15	(45.4)	(17.9)	(37.2)
Lease liabilities		(213.4)	–	–
Derivative financial liabilities		(4.2)	(5.1)	(5.5)
Trade and other payables	13	(625.2)	(487.6)	(525.7)
Provisions for other liabilities and charges	14	(15.2)	(32.8)	(34.6)
Income tax liabilities		(8.3)	(45.9)	(37.1)
		<b>(911.7)</b>	<b>(589.3)</b>	<b>(640.1)</b>
<b>Total liabilities</b>		<b>(1,924.3)</b>	<b>(829.9)</b>	<b>(872.2)</b>
<b>Net assets</b>		<b>1,271.4</b>	<b>1,306.4</b>	<b>1,460.0</b>
<b>EQUITY</b>				
<b>Capital and reserves attributable to owners of the Company</b>				
Ordinary share capital	16	0.2	0.2	0.2
Share premium account		219.6	215.5	216.9
Capital reserve		41.2	41.2	41.1
Hedging reserve		4.5	5.5	3.5
Foreign currency translation reserve		248.9	228.0	227.7
Retained earnings		752.4	810.9	965.6
<b>Equity attributable to owners of the Company</b>		<b>1,266.8</b>	<b>1,301.3</b>	<b>1,455.0</b>
<b>Non-controlling interest in equity</b>		<b>4.6</b>	<b>5.1</b>	<b>5.0</b>
<b>Total equity</b>		<b>1,271.4</b>	<b>1,306.4</b>	<b>1,460.0</b>

CONDENSED GROUP STATEMENT OF CHANGES IN EQUITY – UNAUDITED

	Attributable to owners of the Company					Total	Non- controlling interest	Total equity
	Note	Ordinary	Share	Other reserves	Retained earnings			
		share capital	premium account					
		£m	£m	£m	£m	£m	£m	£m
<b>Balance as at 31 March 2018</b>		<b>0.2</b>	<b>214.6</b>	<b>259.6</b>	<b>946.1</b>	<b>1,420.5</b>	<b>4.9</b>	<b>1,425.4</b>
Adjustment on initial application of IFRS 9		–	–	–	(0.2)	(0.2)	–	(0.2)
<b>Adjusted balance as at 1 April 2018</b>		<b>0.2</b>	<b>214.6</b>	<b>259.6</b>	<b>945.9</b>	<b>1,420.3</b>	<b>4.9</b>	<b>1,425.2</b>
Profit for the period		–	–	–	131.9	131.9	–	131.9
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	1.3	–	1.3	–	1.3
Cash flow hedges – gains transferred to income		–	–	(1.4)	–	(1.4)	–	(1.4)
Net investment hedges – gains deferred in equity		–	–	2.2	–	2.2	–	2.2
Foreign currency translation differences		–	–	14.5	–	14.5	0.2	14.7
Tax on other comprehensive income		–	–	(1.5)	–	(1.5)	–	(1.5)
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>15.1</b>	<b>131.9</b>	<b>147.0</b>	<b>0.2</b>	<b>147.2</b>
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	7.8	7.8	–	7.8
Value of share options transferred to liabilities		–	–	–	(0.1)	(0.1)	–	(0.1)
Tax on share options granted		–	–	–	2.1	2.1	–	2.1
Exercise of share options		–	0.9	–	–	0.9	–	0.9
Purchase of own shares								
Share buy-back		–	–	–	(150.7)	(150.7)	–	(150.7)
Dividends paid in the period		–	–	–	(126.0)	(126.0)	–	(126.0)
<b>Balance as at 29 September 2018</b>		<b>0.2</b>	<b>215.5</b>	<b>274.7</b>	<b>810.9</b>	<b>1,301.3</b>	<b>5.1</b>	<b>1,306.4</b>
<b>Balance as at 30 March 2019</b>		<b>0.2</b>	<b>216.9</b>	<b>272.3</b>	<b>965.6</b>	<b>1,455.0</b>	<b>5.0</b>	<b>1,460.0</b>
Adjustment on initial application of IFRS 16	2	–	–	–	(87.0)	(87.0)	(0.4)	(87.4)
Adjustment on initial application of IFRIC 23	2	–	–	–	(4.4)	(4.4)	–	(4.4)
<b>Adjusted balance as at 31 March 2019</b>		<b>0.2</b>	<b>216.9</b>	<b>272.3</b>	<b>874.2</b>	<b>1,363.6</b>	<b>4.6</b>	<b>1,368.2</b>
Profit for the period		–	–	–	150.3	150.3	(0.2)	150.1
Other comprehensive income:								
Cash flow hedges – gains deferred in equity		–	–	0.3	–	0.3	–	0.3
Cash flow hedges – gains transferred to income		–	–	(0.9)	–	(0.9)	–	(0.9)
Net investment hedges – gains deferred in equity		–	–	1.9	–	1.9	–	1.9
Foreign currency translation differences		–	–	22.8	–	22.8	0.2	23.0
Tax on other comprehensive income		–	–	(1.8)	–	(1.8)	–	(1.8)
<b>Total comprehensive income for the period</b>		<b>–</b>	<b>–</b>	<b>22.3</b>	<b>150.3</b>	<b>172.6</b>	<b>–</b>	<b>172.6</b>
Transactions with owners:								
Employee share incentive schemes								
Value of share options granted		–	–	–	8.3	8.3	–	8.3
Value of share options transferred to liabilities		–	–	–	(0.5)	(0.5)	–	(0.5)
Tax on share options granted		–	–	–	0.1	0.1	–	0.1
Exercise of share options		–	2.7	–	–	2.7	–	2.7
Purchase of own shares								
Share buy-back		–	–	–	(150.8)	(150.8)	–	(150.8)
Dividends paid in the period		–	–	–	(129.2)	(129.2)	–	(129.2)
<b>Balance as at 28 September 2019</b>		<b>0.2</b>	<b>219.6</b>	<b>294.6</b>	<b>752.4</b>	<b>1,266.8</b>	<b>4.6</b>	<b>1,271.4</b>

CONDENSED GROUP STATEMENT OF CASH FLOWS – UNAUDITED

	Note	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	Audited 52 weeks to 30 March 2019 £m
<b>Cash flows from operating activities</b>				
Operating profit		202.0	172.5	437.2
Amortisation of intangible assets		11.9	13.2	28.6
Depreciation of property, plant and equipment		40.3	42.7	87.2
Depreciation of right-of-use assets		107.6	–	–
Net impairment charge of intangible assets	8	0.6	–	3.9
Net impairment (reversal) / charge of property, plant and equipment	9	(0.4)	(1.2)	7.9
Net impairment charge of right-of-use assets	10	11.6	–	–
Loss on disposal of property, plant and equipment and intangible assets		0.4	0.8	1.2
Gain on disposal of right-of-use assets		(1.8)	–	–
Gain on disposal of Beauty operations		(0.3)	(5.9)	(6.9)
Gain on derivative instruments		(0.1)	–	(2.4)
Charge in respect of employee share incentive schemes		8.3	7.8	15.7
Receipt from settlement of equity swap contracts		0.2	2.5	2.5
Increase in inventories		(50.7)	(82.7)	(59.3)
Increase in receivables		(27.7)	(36.9)	(54.6)
(Decrease) / increase in payables and provisions		(41.4)	21.6	54.9
Cash generated from operating activities		260.5	134.4	515.9
Interest received		4.2	4.0	8.1
Interest paid		(13.1)	(1.0)	(1.8)
Taxation paid		(88.0)	(40.4)	(110.8)
<b>Net cash generated from operating activities</b>		<b>163.6</b>	<b>97.0</b>	<b>411.4</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(40.8)	(27.2)	(62.6)
Purchase of intangible assets		(27.7)	(24.0)	(48.0)
Proceeds from disposal of Beauty operations, net of cash costs paid		–	1.2	0.6
Acquisition of subsidiary		–	(12.5)	(14.5)
<b>Net cash outflow from investing activities</b>		<b>(68.5)</b>	<b>(62.5)</b>	<b>(124.5)</b>
<b>Cash flows from financing activities</b>				
Dividends paid in the period		(129.2)	(126.0)	(171.1)
Payment to non-controlling interest	13	(2.7)	(2.9)	(11.1)
Payment of lease principal		(114.8)	–	–
Initial landlord contributions		0.1	–	–
Payment on termination of lease		(9.7)	–	–
Issue of ordinary share capital		2.7	0.9	2.3
Purchase of own shares through share buy-back		(15.3)	(150.7)	(150.7)
Purchase of own shares by ESOP trusts		–	–	(12.8)
<b>Net cash outflow from financing activities</b>		<b>(268.9)</b>	<b>(278.7)</b>	<b>(343.4)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(173.8)</b>	<b>(244.2)</b>	<b>(56.5)</b>
Effect of exchange rate changes		6.5	(0.8)	1.7
Cash and cash equivalents at beginning of period		837.3	892.1	892.1
<b>Cash and cash equivalents at end of period</b>		<b>670.0</b>	<b>647.1</b>	<b>837.3</b>

	Note	As at 28 September 2019 £m	As at 29 September 2018 £m	Audited As at 30 March 2019 £m
Cash and cash equivalents as per the Balance Sheet	12	715.4	665.0	874.5
Bank overdrafts	15	(45.4)	(17.9)	(37.2)
<b>Net cash</b>		<b>670.0</b>	<b>647.1</b>	<b>837.3</b>

## 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

The financial information contained in this report is unaudited. The Condensed Group Income Statement, Condensed Group Statement of Comprehensive Income, Condensed Group Statement of Changes in Equity and Condensed Group Statement of Cash Flows for the 26 weeks to 28 September 2019, and the Condensed Group Balance Sheet as at 28 September 2019 and related notes have been reviewed by the auditors and their report to the Company is set out on page 35. 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 52 weeks to 30 March 2019 were approved by the Board of Directors on 15 May 2019 and have been filed with the Registrar of Companies. The report of the auditors on the statutory accounts for the 52 weeks to 30 March 2019 was unqualified, did not contain an emphasis of matter paragraph 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 28 September 2019 have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, 'Interim Financial Reporting' as adopted by the European Union. This report should be read in conjunction with the Group's financial statements for the 52 weeks to 30 March 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union.

The directors have made enquiries and reviewed the Group's updated forecasts and projections. These include the assumptions around the Group's products and markets, expenditure commitments, expected cashflows and borrowing facilities. Taking into account reasonable possible changes in trading performance, and after making enquiries, the directors consider it appropriate to continue to adopt the going concern basis in preparing the condensed consolidated interim financial statements for the 26 weeks to 28 September 2019.

#### Accounting policies

Accounting policies and presentation are consistent with those applied in the Group's financial statements for the 52 weeks to 30 March 2019, as set out on pages 168 to 176 of those financial statements, with the exception of the following:

#### Taxation

Taxes on income in the interim periods are accrued using the expected tax rate that would be applicable to total annual earnings.

#### IFRS 16 Leases

The Group adopted IFRS 16 Leases, for the period commencing 31 March 2019. This standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both lessees and lessors. It replaces IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.

The Group has adopted IFRS 16 using a modified retrospective approach. Under this approach, the Group has opted to measure the initial right-of-use assets at an amount equal to the lease liabilities on the date of adoption. The lease liabilities are measured as the present value of future lease payments. The right-of-use assets are adjusted to take account of any prepaid lease payments and incentives relating to the relevant leases that are recorded on the balance sheet at 30 March 2019.

The Group has released any onerous lease provisions which had previously been recognised against off balance sheet onerous lease contracts. An impairment analysis of the related right-of-use asset recognised at 31 March 2019 has been performed and the resulting impairments recognised. The difference between the release of onerous lease provisions previously recognised and impairments recognised against related right-of-use assets has been recognised against opening reserves as at 31 March 2019.

The impact of the adoption of IFRS 16 on the balance sheet as at 31 March 2019 is set out in the table on page 22.

There has been no restatement of comparative information in the financial statements as a result of adopting IFRS 16 under the modified retrospective approach.

For contracts in place at this date of adoption, the Group continued to apply its existing definition of leases under the previous standards, IAS 17 and IFRIC 4, instead of reassessing whether existing contracts were or contained a lease at the date of application of the new standard.

The Group is using the following practical expedients on transition to leases previously classified as operating leases: electing to not apply the retrospective treatment to leases for which the term ends within 12 months of initial application, electing to apply a single

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

discount rate to portfolios of leases with similar characteristics, excluding initial direct costs from the initial measurement of the right-of-use assets, and using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group's new accounting policy for leases is set out below. The previous policy for leases is set out in note 2e) of the Group's financial statements for the 52 weeks to 30 March 2019.

### Accounting policy for leases

The Group is both a lessee and lessor of property, plant and equipment. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be specifically or implicitly specified. Control exists when the lessee has both the right to direct the use of the identified asset and the right to obtain substantially all of the economic benefits from that use.

### Lessee Accounting

The Group's principal lease arrangements where the Group acts as the lessee are for property, most notably the lease of retail stores, corporate offices and warehouses. Other leases are for office equipment, vehicles, and supply chain equipment and property. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

The Group recognises all lease liabilities and the corresponding right-of-use assets on the balance sheet, with the exception of certain short-term leases (12 months or less) and leases of low value assets, which are expensed as incurred.

Lease liabilities are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments, less any incentives;
- Variable lease payments that are based on a future index or rate;
- Amounts expected to be payable by the lessee under residual value guarantees; and,
- The cost of exercise of a purchase option if the lessee is reasonably certain to exercise that option.

Where the lease contains an extension option or a termination option which is exercisable by the Group, as lessee, an assessment is made as to whether the Group is reasonably certain to exercise the extension option, or not exercise the termination option, considering all relevant facts and circumstances that create an economic incentive. Considerations may include the contractual terms and conditions for the optional periods compared to market rates, costs associated with the termination of the lease and the importance of the underlying asset to the Group's operations.

Variable lease payments dependent upon a future index or rate are measured using the amounts payable at the commencement date until the index or rate is known. Variable lease payments not dependent on an index or rate are excluded from the calculation of lease liabilities.

Payments are discounted at the incremental borrowing rate of the lessee, unless the interest rate implicit in the lease can be readily determined.

Right-of-use assets are classified as property or non-property. The Group has elected not to apply the short-term exemption to the property class of right-of-use assets. Where the exemption is applied to the non-property class of right-of-use assets, lease payments are expensed as incurred. The low value asset exemption has been applied to both the property and non-property class of assets on a lease-by-lease basis where applicable.

In circumstances where the Group is in possession of a property but there is no executed agreement or other binding obligation in relation to the property, rent is expensed until such time the obligation becomes binding, at which point, a right-of-use asset and lease liability will be recognised prospectively.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received; and,
- Any initial direct costs incurred in entering into the lease.

The Group recognises depreciation of right-of-use assets and interest on lease liabilities in the income statement over the lease term. Repayments of lease liabilities are classified separately in the cash flow statement where the cash payments for the principal portion of the lease liability are presented within financing activities, and cash payments for the interest portion are presented within operating activities. Payments in relation to short-term leases and leases of low value assets which are not included on the balance sheet are included within operating activities.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Right-of-use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite economic lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

### Lessor Accounting

The Group also acts as a lessor of properties. Each of these leases are classified as either a finance lease or an operating lease. Leases in which substantially all of the risks and rewards incidental to ownership of an underlying asset are transferred to the lessee by the lessor are classified as finance leases. Leases which are not finance leases are classified as operating leases.

Gross rental income in respect of operating leases is recognised on a straight-line basis over the term of the leases.

### Adjustments recognised on adoption of IFRS 16

The change in accounting policy affected the following line items in the balance sheet at 31 March 2019:

	As at 31 March 2019 £m	Description of change
Property, plant and equipment	(0.7)	Reclassification of assets held under finance leases from Property, plant and equipment to Right-of-use assets
Right-of-use assets	838.7	Initial right-of-use assets recognised on adoption of IFRS 16, net of impairments recognised on adoption
Deferred tax assets	25.9	Net impact of deferred tax arising on the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised
Trade and other receivables	(37.5)	Reclassification of prepayments, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Trade and other payables	83.2	Reclassification of accruals and deferred income, relating to leases recognised on balance sheet on adoption of IFRS 16, to form part of the initial right-of-use assets
Provisions for other liabilities and charges	48.0	Release of onerous lease provisions previously recognised against off balance sheet onerous lease contracts
Lease liabilities	(1,045.0)	Net present value of lease liabilities recognised on adoption of IFRS 16
Reserves	87.4	Post-tax net impact of the difference between the initial impairment of right-of-use assets recognised on adoption, compared to the onerous lease provisions previously recognised, which is recorded in reserves on adoption

The net impact on retained earnings at 31 March 2019 was a decrease of £87.4 million. This arose as a result of an initial impairment of right-of-use assets of £161.3 million, offset by a reversal in the previous onerous lease provisions relating to the same leases of £48.0 million and the recognition of a net increase in deferred tax assets of £25.9 million. The weighted average incremental borrowing rate applied to the lease liabilities on 31 March 2019 was 2.3%.

Key judgements made in calculating the initial impact of adoption include determining the lease term 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 on adoption 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.

Judgement is required in determining the discount rate, which is based on the incremental borrowing rate. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under IAS 17 Leases.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The most significant differences between the Group's operating lease commitments of £940.5 million at 30 March 2019 and lease liabilities upon adoption of IFRS 16 of £1,045.0 million are set out below:

	£m
<b>Operating lease commitments reported at 30 March 2019 under IAS 17</b>	<b>940.5</b>
<b>Exclude / deduct:</b>	
Commitments relating to assets not yet controlled by the Group	(82.4)
<b>Include / add:</b>	
Liabilities in excess of the minimum commitment to the end of the lease term	262.5
Reclassification of finance lease liabilities	0.7
Restatement for commitments excluded at 30 March 2019	37.2
Subtotal	1,158.5
Effect of discounting on payments including in the calculation of the lease liability	(113.5)
<b>Lease liability opening balance as at 31 March 2019 under IFRS 16</b>	<b>1,045.0</b>
Of which are:	
Current lease liabilities	207.8
Non-current lease liabilities	837.2
	<b>1,045.0</b>

The Group's activities as a lessor are not material and there is not a significant impact on the financial statements on adoption of IFRS 16.

### Implementation, presentation and impact of IFRS 16 for the 26 weeks to 28 September 2019

The following amounts are recorded in the condensed consolidated interim financial statements for the 26 weeks to 28 September 2019:

	£m	Included within
<b>Income Statement – 26 weeks to 28 September 2019</b>		
Depreciation	(107.6)	Net operating expenses
Interest expense	(12.6)	Finance expense
<b>Balance Sheet – as at 28 September 2019</b>		
Right-of-use assets	879.9	Non-current assets
Lease liabilities		
- Current	(213.4)	Current liabilities
- Non-current	(872.6)	Non-current liabilities

### IFRIC 23

The Group adopted IFRIC 23 Uncertainty over Income Tax Treatments, for the period commencing 31 March 2019. This interpretation clarifies the accounting for uncertainties in income tax positions. IFRIC 23 requires the Group to measure the effect of uncertainty on income tax positions using either the most likely amount or the expected value amount depending on which method is expected to better reflect the resolution of the uncertainty. The adoption of IFRIC 23 has resulted in a reduction to retained earnings at 31 March 2019 of £4.4 million.

### **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 52 weeks to 30 March 2019, as set out on pages 167 to 168, except for impairment of property, plant and equipment and onerous lease provisions. Following the adoption of IFRS 16 Leases, lease liabilities and the related right-of-use assets are recognised on the balance sheet. Consequently, impairment of property, plant and equipment of the Group's cash

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

generating units now includes the carrying amount of the cash generating unit's right-of-use assets. Onerous lease provisions are not applicable where leases are recognised on the balance sheet.

### 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 financial statements. Key judgements that have a significant impact on the amounts recognised in the Group financial statements for the 26 weeks to 28 September 2019 are as follows:

Where the group is a lessee, judgement is required in determining the lease term 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.

Judgement is required in determining the lease discount rate, which is based on the incremental borrowing rate. An increase in the discount rate would result in a lower value of the initial right-of-use asset and lease liability, lower depreciation expense and higher interest expense over the term of the lease.

There were no key judgements arising in the 26 weeks to 29 September 2018.

### 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'). 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 USA.

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.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	Retail/Wholesale		Licensing		Total	
	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m
Retail	1,004.2	944.0	–	–	1,004.2	944.0
Wholesale	253.3	253.6	–	–	253.3	253.6
Licensing	–	–	24.5	23.2	24.5	23.2
<b>Total segment revenue</b>	<b>1,257.5</b>	<b>1,197.6</b>	<b>24.5</b>	<b>23.2</b>	<b>1,282.0</b>	<b>1,220.8</b>
Inter-segment revenue <sup>1</sup>	–	–	(0.8)	(0.8)	(0.8)	(0.8)
<b>Revenue from external customers</b>	<b>1,257.5</b>	<b>1,197.6</b>	<b>23.7</b>	<b>22.4</b>	<b>1,281.2</b>	<b>1,220.0</b>
<b>Adjusted operating profit</b>	<b>181.9</b>	<b>157.6</b>	<b>21.5</b>	<b>20.3</b>	<b>203.4</b>	<b>177.9</b>
Adjusting items <sup>2</sup>					(2.1)	(6.3)
Finance income					4.5	4.2
Finance expense					(13.2)	(1.7)
<b>Profit before taxation</b>					<b>192.6</b>	<b>174.1</b>

	Retail/Wholesale	Licensing	Total
	£m	£m	£m
52 weeks to 30 March 2019			
Retail	2,185.8	–	2,185.8
Wholesale	487.9	–	487.9
Licensing	–	48.3	48.3
<b>Total segment revenue</b>	<b>2,673.7</b>	<b>48.3</b>	<b>2,722.0</b>
Inter-segment revenue <sup>1</sup>	–	(1.8)	(1.8)
<b>Revenue from external customers</b>	<b>2,673.7</b>	<b>46.5</b>	<b>2,720.2</b>
<b>Adjusted operating profit</b>	<b>395.7</b>	<b>42.4</b>	<b>438.1</b>
Adjusting items <sup>2</sup>			(2.6)
Finance income			8.7
Finance expense			(3.6)
<b>Profit before taxation</b>			<b>440.6</b>

- Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions that would be available to unrelated third parties.
- Refer to note 4 and note 5 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 28 September 2019 £m	26 weeks to 29 September 2018 £m	52 weeks to 30 March 2019 £m
Revenue by product division			
Accessories	457.2	468.8	1,012.7
Women's	387.4	359.7	836.8
Men's	347.2	309.3	698.2
Children's/Other <sup>1</sup>	65.7	59.8	126.0
<b>Retail/Wholesale</b>	<b>1,257.5</b>	<b>1,197.6</b>	<b>2,673.7</b>
<b>Licensing</b>	<b>23.7</b>	<b>22.4</b>	<b>46.5</b>
<b>Total</b>	<b>1,281.2</b>	<b>1,220.0</b>	<b>2,720.2</b>

- The revenue by product division for the prior periods has been re-presented to include Beauty sales within Children's/Other.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	52 weeks to 30 March 2019 £m
Revenue by destination			
Asia Pacific	500.2	471.9	1,104.3
EMEIA <sup>1</sup>	487.4	461.5	957.4
Americas	269.9	264.2	612.0
<b>Retail/Wholesale</b>	<b>1,257.5</b>	<b>1,197.6</b>	<b>2,673.7</b>
<b>Licensing</b>	<b>23.7</b>	<b>22.4</b>	<b>46.5</b>
<b>Total</b>	<b>1,281.2</b>	<b>1,220.0</b>	<b>2,720.2</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 usually expected to be higher in the second half of the year.

#### 4. ADJUSTING ITEMS

	26 weeks to 28 September 2019 £m	26 weeks to 29 September 2018 £m	52 weeks to 30 March 2019 £m
Adjusting operating items			
Gain on disposal of Beauty operations	(0.3)	(5.9)	(6.9)
Restructuring costs	1.4	10.3	12.2
Revaluation of deferred consideration liability	0.3	1.0	(4.4)
<b>Total adjusting operating items</b>	<b>1.4</b>	<b>5.4</b>	<b>0.9</b>
Adjusting financing items			
Finance charge on deferred consideration liability	0.7	0.9	1.7
<b>Total adjusting financing items</b>	<b>0.7</b>	<b>0.9</b>	<b>1.7</b>

##### Gain on disposal of beauty operations

During the year ended 31 March 2018, the Group entered into two agreements with Coty Geneva SARL Versoix (Coty) to grant Coty a licence to sell its fragrance and beauty products and to transfer the Group's Beauty operations to Coty.

In the 26 weeks to 28 September 2019 a credit of £0.3 million (last half year: credit of £5.9 million; last full year: credit of £6.9 million) has been recorded relating to reassessments of provisions for contract termination. A related tax charge of £0.1 million (last half year: £1.1 million; last full year: £1.3 million) has also been recognised in the period.

The net gain on disposal is presented as an adjusting item in accordance with the Group's accounting policy as it arises from the disposal of a business.

##### Restructuring costs

Restructuring costs of £1.4 million (last half year: £10.3 million; last full year: £12.2 million) were incurred in the current period, arising as a result of the Group's cost-efficiency programme announced in May 2016. These costs are presented as an adjusting item as they are considered material and one-off in nature, being part of a restructuring programme running from May 2016 to March 2021. The costs in the current period are principally attributable to redundancies and functional restructuring costs. A related tax credit of £0.4 million (last half year: £2.2 million; last full year: £2.2 million) has also been recognised in the current period.

##### Items relating to deferred consideration liability

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

A charge of £0.3 million in relation to the revaluation of this balance has been recognised in operating expenses for the 26 weeks to 28 September 2019 (last half year: charge of £1.0 million; last full year: credit of £4.4 million). A financing charge of £0.5 million in

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 28 September 2019 (last half year: £0.9 million; last full year: £1.7 million). These movements are unrealised.

On 19 September 2018, the Group acquired Burberry Manifattura S.R.L. Consideration for the acquisition included a future performance related deferred consideration payment to be made in 2021. A financing charge of £0.2 million in relation to the unwinding of the discount on the non-current portion of the deferred consideration liability has been recognised for the 26 weeks to 28 September 2019. This movement is unrealised.

No tax has been recognised on either of these items, as the future payments are not considered to be deductible for tax purposes. These items are presented as adjusting items in accordance with the Group's accounting policy, as they arise from changes in the value of the liability for expected future payments relating to the purchase of a non-controlling interest in the Group and acquisition of a subsidiary respectively.

### 5. TAXATION

The tax charge for the 26 weeks to 28 September 2019 has been calculated based on an estimated effective underlying rate of tax on adjusted profit before taxation for the full year of 22.0% (last half year: 24.0%; last full year: 23.1%). 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 22.1% (last half year: 24.2%; last full year: 23.0%).

Total taxation recognised in the Condensed Group Income Statement comprises:

	<b>26 weeks to 28 September 2019 £m</b>	26 weeks to 29 September 2018 £m	52 weeks to 30 March 2019 £m
Tax on adjusted profit before taxation	42.8	43.3	102.4
Tax on adjusting items (note 4)	(0.3)	(1.1)	(0.9)
<b>Total taxation charge</b>	<b>42.5</b>	<b>42.2</b>	<b>101.5</b>

### 6. 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 28 September 2019 £m</b>	26 weeks to 29 September 2018 £m	52 weeks to 30 March 2019 £m
Attributable profit for the year before adjusting items <sup>1</sup>	152.1	137.1	341.0
Effect of adjusting items <sup>1</sup> (after taxation)	(1.8)	(5.2)	(1.7)
<b>Attributable profit for the year</b>	<b>150.3</b>	<b>131.9</b>	<b>339.3</b>

1. Refer to note 4 and note 5 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 employee share option plan trusts (ESOP trusts) and own shares purchased by the Company as part of a share buy-back programme.

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 28 September 2019 Millions</b>	26 weeks to 29 September 2018 Millions	52 weeks to 30 March 2019 Millions
Weighted average number of ordinary shares in issue during the period	410.2	414.1	412.3
Dilutive effect of the employee share incentive schemes	2.3	3.1	2.8
<b>Diluted weighted average number of ordinary shares in issue during the period</b>	<b>412.5</b>	<b>417.2</b>	<b>415.1</b>

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 7. DIVIDENDS

The interim dividend of 11.3p (last half year: 11.0p) per share has been approved by the Board of Directors after 28 September 2019. Accordingly, this dividend has not been recognised as a liability at the period end.

The interim dividend will be paid on 31 January 2020 to Shareholders on the Register at the close of business on 20 December 2019.

A dividend of 31.5p (last half year: 30.3p) per share was paid during the period to 28 September 2019 in relation to the year ended 30 March 2019.

The ex-dividend date is 19 December 2019 and the final day for dividend reinvestment plan ('DRIP') elections is 10 January 2020.

### 8. INTANGIBLE ASSETS

Goodwill at 28 September 2019 is £109.7million (last half year: £108.6 million). There were no additions to goodwill in the period (last half year: £19.5 million).

In the period there were additions to other intangible assets of £28.4 million (last half year: £27.0 million) and disposals with a net book value of £nil (last half year: £0.6 million).

Capital commitments contracted but not provided for by the Group amounted to £6.6 million (last half year: £11.0 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 28 September 2019. Management has performed a review for indicators of impairment as at 28 September 2019 and concluded that there are no indicators at this time. The annual impairment test will be performed at 28 March 2020.

The impairment charge for other intangible assets for the 26 weeks to 28 September 2019 is £0.6 million (last half year: £nil).

### 9. PROPERTY, PLANT AND EQUIPMENT

In the period there were additions to property, plant and equipment of £43.3 million (last half year: £27.3 million) and disposals with a net book value of £0.4 million (last half year: £0.2 million).

Capital commitments contracted but not provided for by the Group amounted to £27.0 million (last half year: £15.6 million).

#### Impairment testing

During the period, retail cash generating units were reviewed for any indication of impairment. Where indicators of impairment were identified, the impairment review compared the value-in-use of the retail cash generating units to the carrying values at 28 September 2019 including the value of any right-of-use assets. The pre-tax cash flow projections were based on financial plans of expected revenues and costs of each retail cash generating unit, approved by management, and extrapolated beyond the budget year to the lease end dates using growth rates and inflation rates appropriate to each store's location. The pre-tax discount rates used in these calculations were between 9.5% and 14.0% (last half year: between 10.3% and 15.6%) based on the Group's weighted average cost of capital adjusted for country-specific borrowing costs, tax rates and risks. Where the recoverable amount (being the higher of value-in-use and fair value less costs to sell) was less than the carrying value of the cash generating unit, an impairment of property, plant and equipment and right-of-use assets was recorded. Potential alternative uses for property, such as subletting of leasehold or sale of freehold, were considered in estimating the value for impairment charges.

During the 26 weeks to 28 September 2019, a net impairment reversal of £0.4 million (last half year: net impairment reversal of £1.2 million) was recorded against property, plant and equipment as a result of a review of impairment of retail store assets.

The net impairment reversal relates to 4 retail cash generating units (last half year: net impairment reversal related to 12 retail cash generating units) for which the total recoverable amount at the balance sheet date is £11.7 million (last half year: £15.3 million).

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 10. RIGHT-OF-USE ASSETS

In the period there were additions to right-of-use assets of £126.9 million.

A net impairment charge of £13.3 million was recognised as a result of review of impairment of retail cash generating units. In addition, an impairment reversal of £1.7 million was recognised in relation to vacant office premises. This reversal was recognised as part of restructuring costs in adjusting items. Refer to note 4 for details of adjusting items.

### 11. TRADE AND OTHER RECEIVABLES

	As at 28 September 2019 £m	As at 29 September 2018 £m	As at 30 March 2019 £m
<b>Non-current</b>			
Deposits and other financial receivables	44.7	40.8	41.0
Other non-financial receivables	3.4	3.0	3.0
Prepayments <sup>1</sup>	3.0	23.0	26.1
<b>Total non-current trade and other receivables</b>	<b>51.1</b>	<b>66.8</b>	<b>70.1</b>
<b>Current</b>			
Trade receivables	147.2	142.3	124.5
Provision for doubtful debts	(5.6)	(6.3)	(4.8)
Net trade receivables	141.6	136.0	119.7
Other financial receivables	37.2	25.6	32.6
Other non-financial receivables	40.0	19.9	37.9
Prepayments <sup>1</sup>	41.7	52.9	50.7
Accrued income	11.0	10.1	10.2
<b>Total current trade and other receivables</b>	<b>271.5</b>	<b>244.5</b>	<b>251.1</b>
<b>Total trade and other receivables</b>	<b>322.6</b>	<b>311.3</b>	<b>321.2</b>

1. Upon adoption of IFRS 16 Leases, prepayments relating to leases recognised on the balance sheet form part of the initial right-of-use asset. Refer to note 2 for further details.

The charge for impairment of financial receivables in the period was £0.9 million (last half year: reversal of £5.0 million; last full year: reversal of £4.1 million).

### 12. CASH AND CASH EQUIVALENTS

	As at 28 September 2019 £m	As at 29 September 2018 £m	As at 30 March 2019 £m
<b>Cash and cash equivalents held at amortised cost</b>			
Cash at bank and in hand	160.4	161.6	151.3
Short-term deposits	112.2	29.2	75.2
	<b>272.6</b>	<b>190.8</b>	<b>226.5</b>
<b>Cash and cash equivalents held at fair value through profit and loss</b>			
Short-term deposits	442.8	474.2	648.0
<b>Total</b>	<b>715.4</b>	<b>665.0</b>	<b>874.5</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.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 13. TRADE AND OTHER PAYABLES

	As at 28 September 2019 £m	As at 29 September 2018 £m	As at 30 March 2019 £m
<b>Non-current</b>			
Other payables	3.3	3.0	2.9
Deferred income and non-financial accruals <sup>2</sup>	8.3	59.4	70.8
Contract liabilities	80.3	86.9	83.6
Deferred consideration	17.5	24.1	19.2
<b>Total non-current trade and other payables</b>	<b>109.4</b>	<b>173.4</b>	<b>176.5</b>
<b>Current</b>			
Trade payables	219.4	169.3	221.6
Other taxes and social security costs	49.6	74.3	53.4
Other payables <sup>1</sup>	139.0	5.2	4.5
Accruals <sup>2</sup>	193.9	196.9	209.3
Deferred income and non-financial accruals <sup>2</sup>	5.2	15.6	20.5
Contract liabilities	15.4	13.6	13.7
Deferred consideration	2.7	12.7	2.7
<b>Total current trade and other payables</b>	<b>625.2</b>	<b>487.6</b>	<b>525.7</b>
<b>Total trade and other payables</b>	<b>734.6</b>	<b>661.0</b>	<b>702.2</b>

1. Includes £135.5 million (last half 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 16 for further details.
2. Upon adoption of IFRS 16 Leases, deferred income and accruals relating to leases recognised on the balance sheet form part of the initial right-of-use asset. Refer to note 2 for further details.

#### 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. 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 28 September 2019 £m	As at 29 September 2018 £m	As at 30 March 2019 £m
Retail contract liabilities	8.8	7.1	7.1
Licensing contract liabilities	86.9	93.4	90.2
<b>Total contract liabilities</b>	<b>95.7</b>	<b>100.5</b>	<b>97.3</b>

#### Deferred consideration

Following the purchase of the economic right to the non-controlling interest in Burberry Middle East LLC on 22 April 2016, the Group has recognised a liability in relation to the deferred consideration for this transaction of £13.4 million at 28 September 2019 (last half year: £28.1 million; last full year: £15.4 million). The deferred consideration consists of contingent payments calculated as an agreed percentage of the future revenue of Burberry Middle East LLC and its subsidiaries, over the period to 2023. Payments of £2.7 million were made in the 26 weeks to 28 September 2019 (last half year: £2.9 million; last full year: £11.1 million).

The fair value of the deferred consideration has been estimated using a present value calculation, incorporating observable and non-observable inputs. The inputs applied in arriving at the value of the deferred consideration are an estimate of the future revenue of Burberry Middle East LLC and its subsidiaries from the current period to 2023 and an appropriate risk-adjusted discount rate for Burberry Middle East LLC.

Deferred consideration of £6.8 million at 28 September 2019 (last half year: £8.7 million; last full year: £6.5 million) relates to the acquisition of Burberry Manifattura S.R.L. on 19 September 2018 and consists of a future performance related payment to be made in 2021. The amount of the performance related payment is dependent upon the acquired business achieving against several performance criteria and will be assessed over the three year period. Initial deferred consideration was recognised as the maximum amount payable, discounted using an appropriate discount rate linked to the borrowing rate. The fair value of the deferred consideration is considered to be the maximum amount on the basis of historical performance of the acquired business.

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### 14. PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Property obligations £m	Other costs £m	Total £m
<b>Balance as at 30 March 2019</b>	79.4	5.9	85.3
Adjustment on initial application of IFRS 16	(48.0)	-	(48.0)
<b>Adjusted balance as at 31 March 2019</b>	31.4	5.9	37.3
Effect of foreign exchange rate changes	1.2	0.1	1.3
Created during the period	2.1	3.4	5.5
Utilised during the period	(1.4)	(1.5)	(2.9)
Released during the period	-	(0.3)	(0.3)
<b>Balance as at 28 September 2019</b>	<b>33.3</b>	<b>7.6</b>	<b>40.9</b>
<b>Balance as at 29 September 2018</b>	<b>89.3</b>	<b>8.1</b>	<b>97.4</b>

  

	As at 28 September 2019 £m	As at 29 September 2018 £m	As at 30 March 2019 £m
Analysis of total provisions:			
Non-current	25.7	64.6	50.7
Current	15.2	32.8	34.6
<b>Total</b>	<b>40.9</b>	<b>97.4</b>	<b>85.3</b>

At 28 September 2019, no onerous leases were included within property obligations (last half year: £61.6 million; last full year: £48.0 million). Following the adoption of IFRS 16 Leases, any onerous lease obligations related to right-of-use assets have been released and impairments have been recognised against the related right-of-use asset (see note 2 adoption of IFRS 16 Leases).

### 15. BANK OVERDRAFTS

Included within bank overdrafts is £44.4 million (last half year: £16.3 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 28 September 2019, the Group held bank overdrafts of £1.0 million (last half year: £1.6 million) excluding balances on cash pooling arrangements.

On 25 November 2014, the Group entered into a £300 million multi-currency revolving credit facility with a syndicate of banks. At 28 September 2019, there were £nil outstanding drawings (last half year: £nil). The facility matures in November 2021. The Group is in compliance with the financial and other covenants within this facility and has been in compliance throughout the period.

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

### 16. SHARE CAPITAL AND RESERVES

	Number	£m
<b>Allotted, called up and fully paid share capital</b>		
Ordinary shares of 0.05p (last year: 0.05p) each		
<b>As at 1 April 2018</b>	418,275,123	0.2
Allotted on exercise of options during the year	76,922	-
<b>As at 29 September 2018</b>	418,352,045	0.2
<b>As at 31 March 2019</b>	411,456,001	0.2
Allotted on exercise of options during the year	301,003	-
<b>As at 28 September 2019</b>	<b>411,757,004</b>	<b>0.2</b>

#### Other reserves

Own shares purchased by the Company, as part of a share buy-back programme, are classified as treasury shares and their cost offset against retained earnings. When treasury shares are cancelled, a transfer is made from retained earnings to the capital redemption reserve, equivalent to the nominal value of the shares purchased and subsequently cancelled.

The cost of shares purchased by employee share ownership trusts (ESOP trusts) are offset against retained earnings, as the amounts paid reduce the profits available for distribution by the Company. As at 28 September 2019 the amount held against retained earnings was £17.7 million (last half year: £150.7 million) including stamp duty of £0.1 million (last half year: £0.7 million) in relation to treasury shares and £20.9 million (last half year: £19.6 million) in relation to shares purchased by ESOP trusts. As at 28 September 2019, the

## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Company held 0.8 million (last half year: 7.0 million) treasury shares, with a market value of £17.6 million (last half year: £141.1 million) and ESOP trusts held 1.3 million (last half year: 1.4 million) shares in the Company, with a market value of £27.7 million (last half year: £28.2 million). In the 26 weeks to 28 September 2019 the ESOP trusts and the Company have waived their entitlement to dividends of £0.4 million (last half year: £0.8 million).

During the period, the Company entered into an agreement to purchase £150.0 million of its own shares as part of a share buy-back programme (last half year: £150.0 million). In the period, £135.5 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 13).

### 17. RELATED PARTY DISCLOSURES

The Group's significant related parties are disclosed in the Annual Report for the 52 weeks to 30 March 2019. There were no material changes to these related parties in the period, other than changes to the composition of the Board. Other than total compensation in respect of key management, no material related party transactions have taken place during the first 26 weeks of the current financial year.

### 18. FOREIGN CURRENCY

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 28 September 2019	26 weeks to 29 September 2018	52 weeks to 30 March 2019	26 weeks to 28 September 2019	26 weeks to 29 September 2018	As at 30 March 2019
Euro	1.12	1.13	1.13	1.13	1.12	1.16
US Dollar	1.26	1.33	1.31	1.23	1.31	1.30
Chinese Yuan Renminbi	8.71	8.78	8.82	8.77	8.96	8.75
Hong Kong Dollar	9.82	10.42	10.26	9.65	10.22	10.20
Korean Won	1,486	1,463	1,460	1,480	1,449	1,478

### 19. FAIR VALUE DISCLOSURE FOR FINANCIAL INSTRUMENTS

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

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 £13.5 million (last half year: £13.4 million) held in non-current other receivables relating to an interest-free loan provided to a landlord in Korea. At 28 September 2019, the discounted fair value of the loan is £15.9 million (last half year: £14.5 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.



## NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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 and equity swap contracts 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 components of deferred consideration are considered to be Level 3 measurements and are derived using present value calculations, incorporating observable and non-observable inputs. This valuation technique has been adopted as it most closely mirrors the contractual arrangements. Refer to note 13 for further details on deferred consideration.

### 20. 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 condition.

## 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 European Union and that the Interim Management Report and condensed consolidated interim financial statements include a fair review of the information required by Disclosure 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 52 weeks to 30 March 2019 with the exception of Ian Carter and Stephanie George, who both retired from the Board on 17 July 2019 and Debra Lee and Sam Fischer who were appointed on 1 October 2019 and 1 November 2019 respectively.

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

Marco Gobbetti  
Chief Executive Officer  
13 November 2019

Julie Brown  
Chief Operating and Chief Financial Officer  
13 November 2019

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

### **REPORT ON THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

#### **Our conclusion**

We have reviewed Burberry Group plc's condensed consolidated interim financial statements (the "interim financial statements") in the interim report of Burberry Group plc for the 26 week period ended 28 September 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

#### **What we have reviewed**

The interim financial statements comprise:

- the Condensed Group Balance Sheet as at 28 September 2019;
- the Condensed Group Income Statement and Condensed Group Statement of Comprehensive Income for the period then ended;
- the Condensed Group Statement of Cash Flows for the period then ended;
- the Condensed Group Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim report have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

### **RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW**

#### **Our responsibilities and those of the directors**

The interim report, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim report in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the interim report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

#### **What a review of interim financial statements involves**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. 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.

We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP  
Chartered Accountants  
13 November 2019  
London

Notes:

- a) The maintenance and integrity of the Burberry Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim financial statements since they were initially presented on the website.
- b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## PRO FORMA INCOME STATEMENT

The re-presented income statements set out below do not form part of the condensed consolidated interim financial statements for the 26 weeks to 28 September 2019. They are included to provide an understanding of the underlying performance for the 26 weeks to 28 September 2019, given that IFRS 16 Leases has been adopted for the current period without restatement of the comparative period. The re-presented income statements consist of:

- The reported income statement for the current period;
- A pro forma income statement for the current period; and
- The reported income statement for the prior half year.

The pro forma income statement for the current period is an estimation of the results for the period when applying the previous accounting standard for leases, IAS 17 Leases.

Re-presented Group Income Statement	26 weeks to 28	26 weeks to 28	26 weeks to 29
	September 2019	September 2019	September 2018
	Reported	Pro Forma	Reported
	£m	£m	£m
Revenue	1,281.2	1,281.2	1,220.0
Cost of sales	(415.8)	(415.8)	(394.9)
<b>Gross profit</b>	<b>865.4</b>	<b>865.4</b>	<b>825.1</b>
Net operating expenses	(663.4)	(679.7)	(652.6)
<b>Operating profit</b>	<b>202.0</b>	<b>185.7</b>	<b>172.5</b>
Net finance (expense) / income	(9.4)	3.2	1.6
<b>Profit before taxation</b>	<b>192.6</b>	<b>188.9</b>	<b>174.1</b>
Taxation	(42.5)	(41.7)	(42.2)
<b>Profit for the period</b>	<b>150.1</b>	<b>147.2</b>	<b>131.9</b>
<b>Attributable to:</b>			
Owners of the Company	150.3	147.4	131.9
Non-controlling interest	(0.2)	(0.2)	–
<b>Profit for the period</b>	<b>150.1</b>	<b>147.2</b>	<b>131.9</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Reconciliation of adjusted profit before taxation:</b>			
Profit before taxation	192.6	188.9	174.1
Adjusting items:			
Adjusting operating items	1.4	1.4	5.4
Adjusting financing items	0.7	0.7	0.9
<b>Adjusted profit before taxation – non-GAAP measure</b>	<b>194.7</b>	<b>191.0</b>	<b>180.4</b>
Adjusted earnings per share - diluted	36.9p	36.1p	32.9p
Earnings per share - diluted	36.4p	35.7p	31.6p

The pro forma income statement has been prepared using the reported results for the current period and replacing the accounting entries related to IFRS 16 Leases, on adoption and during the period, with an estimate of the accounting entries that would have arisen when applying IAS 17 Leases. The effective tax rate has been assumed to be unaltered by this change and the impairment charges arising during the period on right-of-use assets have not been remeasured, but have been reclassified as charges for onerous lease provisions.

The pro forma income statement for the current period has been prepared by making adjustments to the reported income statement for the current period to:

- Reverse depreciation of £107.6 million on the right-of-use assets and interest of £12.6 million on lease liabilities in the period;
- Record fixed rent of £122.0 million on leases in the period measured on an IAS 17 basis, excluding charges for onerous lease provisions;
- Adjust for other minor impacts including reversal of the gain on disposal of right-of-use assets in the period of £1.8 million; and
- Reduce the tax charge by £0.8 million to reflect the change in profit before tax as a result of the adjustments above.

## SHAREHOLDER INFORMATION

### GENERAL SHAREHOLDER ENQUIRIES

Enquiries relating to shareholdings, such as the transfer of shares, change of name or address, lost share certificates or dividend cheques, should be referred to the Company's Registrar, Equiniti, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Tel: 0371 384 2839. Lines are open 8.30am to 5.30pm, Monday to Friday.

Please dial +44 (0) 121 415 0804 if calling from outside the UK or see [www.help.shareview.co.uk](http://www.help.shareview.co.uk) for additional information.

### AMERICAN DEPOSITARY RECEIPTS

We have a sponsored Level 1 American Depositary Receipt ('ADR') programme to enable US investors to purchase ADRs in US Dollars. Each ADR represents one Burberry ordinary share.

For queries relating to ADRs in Burberry, please use the following contact details:

BNY Mellon Shareowner Services  
P.O. BOX 505000  
Louisville, KY 40233-5000

Tel: Toll free within the US: +1 888 269 2377

Tel: International: +1 201 680 6825

Email enquiries: [shrrelations@cpushareownerservices.com](mailto:shrrelations@cpushareownerservices.com) or see [www.mybnymdr.com](http://www.mybnymdr.com) for additional information.

### MANAGING YOUR SHARES ONLINE

Shareholders and employees can manage their Burberry holdings online by registering with Shareview, a secure online platform provided by Equiniti. Registration is a straightforward process and allows shareholders and employees to:

- Access information on their shareholdings, including share balance and dividend information.
- Sign up for electronic shareholder communications.
- Buy and sell shares.
- Update their records following a change of address.
- Have dividends paid into their bank account.
- Vote by proxy online in advance of the Company's general meetings.

Burberry encourages shareholders to sign up for electronic communication as it allows information to be disseminated quickly and efficiently and also reduces paper usage, which makes a valuable contribution to our global footprint.

### WEBSITE

The investor section of Burberry Group plc's website, [www.burberryplc.com/en/investors.html](http://www.burberryplc.com/en/investors.html), contains a wide range of information and gives access to:

- Regulatory news.
- Share price information.
- Dividend history, share analysis and the investment calculator.
- Financial results announcements.

- Frequently asked questions.

It is also possible to sign up to receive email alerts for Regulatory News Service (RNS) and press releases relating to Burberry Group plc at [www.burberryplc.com/en/alerts.html](http://www.burberryplc.com/en/alerts.html).

### UPDATES TO OUR PRIVACY POLICY

The General Data Protection Regulation (GDPR) has applied since 25 May 2018. Please see the updated privacy policy on [www.burberryplc.com](http://www.burberryplc.com) for details on how Burberry collects and uses shareholder personal information.

### DIVIDENDS

An interim dividend of 11.3p per share will be paid on 31 January 2020 to shareholders on the register at the close of business on 20 December 2019.

The ADR local payment date will be approximately five business days after the proposed dividend payment date for ordinary shareholders.

Dividends can be paid by BACS directly into a UK bank account, with the annual dividend confirmation being sent to the shareholder's address. This is the easiest way for shareholders to receive dividend payments and avoids the risk of lost or out-of-date cheques. A dividend mandate form is available from Equiniti or at [www.shareview.co.uk](http://www.shareview.co.uk).

If you are a UK taxpayer, please note that you are eligible for a tax-free Dividend Allowance of £2,000 in each tax year. Any dividends received above this amount will be subject to taxation. Dividends paid on shares held within pensions and Individual Savings Accounts ('ISAs') will continue to be tax-free. Further information can be found at [www.gov.uk/tax-on-dividends](http://www.gov.uk/tax-on-dividends).

### DIVIDENDS PAYABLE IN FOREIGN CURRENCIES

Equiniti are able to pay dividends to shareholder bank accounts in over 30 currencies worldwide through the Overseas Payment Service. An administrative fee will be deducted from each dividend payment. Further details can be obtained from Equiniti or online at [www.shareview.co.uk](http://www.shareview.co.uk).

### DIVIDEND REINVESTMENT PLAN

Our Dividend Reinvestment Plan ('DRIP') enables shareholders to use their dividends to buy further Burberry shares. Full details of the DRIP can be obtained from Equiniti. If shareholders would like their interim dividend and future dividends to qualify for the DRIP, completed application forms must be returned to Equiniti by 10 January 2020.

### DUPLICATE ACCOUNTS

Shareholders who have more than one account due to inconsistency in account details may avoid duplicate mailings by contacting Equiniti and requesting the amalgamation of their share accounts.

### ELECTRONIC COMMUNICATION

Shareholders may at any time choose to receive all shareholder documentation in electronic form via the internet, rather than in paper format. Shareholders who decide to register for this option will receive an email each time a

## SHAREHOLDER INFORMATION

shareholder document is published on the internet. Shareholders who wish to receive documentation in electronic form should register online at [www.shareview.co.uk](http://www.shareview.co.uk).

Equiniti offers a range of shareholder information and services online at [www.shareview.co.uk](http://www.shareview.co.uk). A textphone facility for those with hearing difficulties is available by calling: 0371 384 2255. Lines are open 8.30am to 5.30pm, Monday to Friday. Please call +44 121 415 7028 if calling from outside the UK.

### FINANCIAL CALENDAR

Interim results announcement	14 November 2019
Dividend record date	20 December 2019
Third quarter trading update	22 January 2020
Dividend payment date	31 January 2020
Preliminary results announcement	May 2020
Annual General Meeting	July 2020

### REGISTERED OFFICE

Burberry Group plc, Horseferry House, Horseferry Road, London, SW1P 2AW.

Registered in England and Wales Registered Number 03458224 [www.burberryplc.com](http://www.burberryplc.com)

### SHARE BUYBACK

In September 2019, we commenced a share buyback programme of £150 million to complete no later than March 2020.

### SHARE DEALING

Burberry Group plc shares can be traded through most banks, building societies or stock brokers. Equiniti offers a telephone and internet dealing service. Terms and conditions and details of the commission charges are available on request.

For telephone dealing, please call 03456 037 037 between 8.00am and 4.30pm, Monday to Friday, and for internet dealing visit [www.shareview.co.uk/dealing](http://www.shareview.co.uk/dealing). Shareholders will need their reference number, which can be found on their share certificate.

### SHAREGIFT

Shareholders with a small number of shares, the value of which makes them uneconomic to sell, may wish to consider donating their shares to charity through ShareGift, a donation scheme operated by The Orr Mackintosh Foundation. A ShareGift donation form can be obtained from Equiniti. Further information is available at [www.sharegift.org](http://www.sharegift.org) or by telephone on 0207 930 3737.

### TIPS ON PROTECTING YOUR INFORMATION

- Keep any documentation that contains your shareholder reference number in a safe place and shred any unwanted documentation.
- Inform Equiniti, the Registrar, promptly if you change address.
- Be familiar with dividend payment dates and contact the Registrar if you do not receive your dividend cheque or, better still, make arrangements to have the dividend paid directly into your bank account.

- Consider holding your shares electronically in a CREST account via a nominee.

### SHARE PRICE INFORMATION

The latest Burberry Group plc share price is available on the Company's website at [www.burberryplc.com](http://www.burberryplc.com).

### UNAUTHORISED BROKERS (BOILER ROOM SCAMS)

Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. These are typically from overseas-based 'brokers' who target UK shareholders offering to sell them what often turn out to be worthless or high-risk shares in US or UK investments. These operations are commonly known as boiler rooms.

If you receive any unsolicited investment advice, get the correct name of the person and organisation, and check that they are properly authorised by the FCA before getting involved. This can be done by visiting [www.fca.org.uk/register](http://www.fca.org.uk/register).

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme if things go wrong.

If you think you have been approached by an unauthorised firm, you should contact the FCA consumer helpline on 0800 111 6768.

More detailed information can be found on the FCA website at [www.fca.org.uk/consumers/protect-yourself/unauthorised-firms](http://www.fca.org.uk/consumers/protect-yourself/unauthorised-firms).

### WEBSITE

This Interim Report and other information about Burberry Group plc, including share price information and details of results announcements, are available at [www.burberryplc.com](http://www.burberryplc.com).