SuperdryPlc

(“Superdry” or “the Company”)

12 December 2018

Interim results for the 26 weeks ended 27 October 2018 (‘1H19’ or the ‘period’)

Difficult trading period - *Superdry* intensifying comprehensive transformation programme

Key Financial Highlights[1]

- Global brand revenue[2] up 6.4% to £831.8m (1H18: £781.6m)
- Group revenue up 3.1% to £414.6m (1H18: £402.0m)
- Underlying[3] profit before income tax down 49.0% to £12.9m (1H18: £25.3m),
- Statutory profit before income tax up 190.1% to £26.4m (1H18: £9.1m), reflecting the fair value movement on forward exchange contracts
- Underlying basic earnings per share 11.9p (1H18: 25.8p); basic earnings per share 24.7p (1H18: 9.7p)
- Interim dividend held at 9.3p (1H18: 9.3p)

Current trading and outlook

Unseasonably warm weather has continued through November and into December (*Superdry’s* two biggest trading months in the year) across all of our key markets. Given *Superdry’s* reliance on cold weather related product continues and a lack of innovation in some of its core categories, sales have remained under pressure despite a strong performance in the Black Friday week. This has resulted in an adverse profit impact of around £11m in November and the Company expects a potentially similar profit impact in December if trading conditions do not improve.

There is still considerable uncertainty in terms of the weather outlook, the changing shape of consumer behaviour in the peak trading period and the impact of wider economic and political uncertainty. Reflecting those impacts and the uncertainty in the remainder of the financial year the Company expects underlying profit before tax to be in the range of £55m to £70m.

Operational and Strategic Update: Intensifying *Superdry*’s comprehensive transformation

The challenges already being addressed by *Superdry* in terms of product mix and ranging were highlighted in the first half, with the unseasonably warm weather and a weakening, discount-driven consumer economy suppressing demand for the cold-weather clothing that has traditionally underpinned *Superdry’s* offer to consumers. Our focus is on re-energising product and evolving the brand, a process that started in April 2018.

The comprehensive transformation programme underway builds on the underlying strengths of the brand and the operational capability which has been established over the last four years and which has been intensified around the following key elements which now include reviews of the store portfolio and the cost structure of the Company.

Product: determined focus on fundamental repositioning of product

- 18-month innovation and diversification programme to rebalance options across categories
- Re-energising core product with greater innovation
- Increasing participation from newer, fast-growing categories
- Moving into untapped categories:
    - Development of Kidswear range, to be launched for autumn/winter 2019
    - Development of licensing programme to deliver an incremental £10m pa royalty margin benefit by FY22
- Roll-out of our first 100% organic cotton products – with aim to be fully organic in cotton by 2040

Brand: strengthening *Superdry*'s brand positioning

- Evolving the brand with upweighted, targeted brand investment, giving customers additional reasons to buy *Superdry*
- Retaining brand-advocate customers, while converting occasional and new consumers
- Supercharging global marketing communications
- Refreshed social media approach, underpinned by campaigning stance

Channels: accelerated investment on capital light channels to increase global reach and drive sales growth

- Ongoing investment into the growth of owned, B2B and partner Ecommerce sites to service new markets and customer-centric mobile platforms
- Significant opportunities for Wholesale-led growth in the US and China, delivering annual global brand revenue value of £400m by FY22

Margin: driving further efficiencies through sourcing, supply chain and automation

- Sourcing: acceleration of sourcing from lower-cost, same quality Chinese producers
- Automation: benefitting from efficiency savings from partners
- Global margin opportunity with licensing in beauty, footwear, watches, eyewear and accessories

Cost structure: efficiency programme targeting gross cost savings[5] of at least £50m by FY22

- Comprehensive cost efficiency review
- Review of flexible store portfolio to consider closures, right-sizing, relocations and renegotiation of rent, to be completed by March 2019
- Leveraging the digital transformation to drive incremental efficiency
- Capex spend reduced to £35-40m with focus on digital investments

Euan Sutherland, *Superdry* Chief Executive Officer, said:

"*Superdry* had a difficult first half, impacted by unseasonably warm weather across our major markets, a consumer economy that is increasingly discount driven and the issues we are addressing in product mix and range.

"In the spring of this year we started an 18-month product innovation and diversification programme. This will increase choice for consumers around the world and address the current over-reliance on jackets and sweats. We are accelerating into new categories and are particularly excited by the upcoming launch of Superdry Kids. At the same time we are evolving the brand through targeted investment. In everything we do we will build on *Superdry*'s heritage of offering exceptional quality and design detail at outstanding value.

"*Superdry* is a strong brand and has strong operational capabilities. We are focused on an intensified transformation programme to reset the business and address the legacy issues we face, particularly in product mix and range.

"*Superdry* is responding to its internal challenges as well as a changing world and changing consumers. Our comprehensive transformation will ensure *Superdry* is well positioned as we optimise our routes to market and make our business more efficient. We are confident that our transformation programme combined with the underlying operational strengths of the business will deliver a return to higher levels of growth and profitability while realising geographic expansion opportunities and leveraging our multi-channel operating model to serve customers in whichever way suits them best."

Business Performance	**26 weeks to 27 October 2018 ("1H19")**	**26 weeks to 28 October 2017 ("1H18")**
Global Brand revenue[2] (£m) (exc. China)	831.8	781.6
Total Group revenue (£m)	414.6	402.0
Total Retail revenue (£m)	242.8	242.7
Net new Retail space added (sq.ft. '000s)	19	68
Average Retail space (sq.ft. '000s)	1,186	1,084
Number of stores at period end:		
Owned	249	233
Franchised & Licensed	446	372
Online participation (%) (as % of Total Retail revenue)	26.9	25.2
Wholesale revenue (£m)	171.8	159.3
Gross margin (%)	56.4	57.1
Underlying[3] operating margin (%)	3.6	6.7
Underlying[3] basic EPS (p)	11.9	25.8

Operating cash flow (£m)	(10.8)	19.4
Net cash[3] position	19.2	33.8

Statutory reporting	**26 weeks to 27 October 2018 ("1H19")**	**26 weeks to 28 October 2017 ("1H18")**
Items excluded from underlying results (£m)	13.5	(16.2)
Profit before tax (£m)	26.4	9.1
Basic earnings per share (p)	24.7	9.7

Notes:

1. Foreign currency sales are translated at the average rate for the month in which they were made.

2. Global Brand revenue represents the equivalent value of the Group revenue at the prices paid by customers. It is calculated by uplifting all revenues by applicable sales tax rates and uplifting revenues within our Wholesale channel by a factor representing the applicable mark-up from wholesale to consumer prices. Global Brand revenue is stated excluding China, but including sales from licensed territories and product categories. As a consequence, 1H18 figure has been restated (previously disclosed as £756.3m).

3. 'Underlying', 'Net cash' and 'Global Brand revenue' are used as alternative performance measures ('APM'). Definition of APMs and how they are calculated are included in note 19.

4. The trading comparatives for each quarter of FY19 are detailed below (unaudited):

	Q1 19 £m	**Q1 18 £m**	**YOY**	**Q2 19 £m**	**Q2 18 £m**	**YOY**	**1H19 £m**	**1H18 £m**	**YOY**
Global Brand revenue (exc. China)	299.2	297.9*	0.4%	532.6	483.7*	10.1%	831.8	781.6*	6.4%
Global Brand revenue (inc. China)	305.1	301.3*	1.3%	545.1	490.4*	11.2%	850.2	791.7*	7.4%
Group revenue	165.5	166.4	(0.5%)	249.1	235.6	5.7%	414.6	402.0	3.1%
Channel revenue									
Wholesale	48.2	50.1	(3.8%)	123.6	109.2	13.2%	171.8	159.3	7.8%
Ecommerce	28.7	26.9	6.7%	36.7	34.3	7.0%	65.4	61.2	6.9%
Store	88.6	89.4	(0.9%)	88.8	92.1	(3.6%)	177.4	181.5	(2.3%)
Average retail space ('000's sq. ft.)	1,184	1,067	11.0%	1,188	1,100	8.0%	1,186	1,084	9.4%

* FY18 Q1/Q2/1H figures restated to include sales from licensed territories and product categories and, where relevant, sales in China.

5. 'Gross cost savings' represent savings in Superdry's selling, general and administrative costs (which totalled £429.4m in FY18). Net cost savings, after allowing for one-off costs and any lost contribution as a result of store closure not otherwise captured by channel shift, will be lower.

Market briefing

A presentation for analysts and investors will be held today starting at 9:30am at UBS, 5 Broadgate, London.

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Reporting calendar confirmation

Q3 trading statement	7 February 2019
Full year pre-close trading statement	9 May 2019
Full year results announcement	4 July 2019

Notes to Editors

Superdry is a Global Digital Brand, obsessed with design, quality and fit and committed to relentless innovation. We design affordable, premium quality clothing, accessories and footwear which are sold around the world. We have a unique purpose to help our consumers feel amazing through wearing our clothes. We have a clear strategy for delivering continued growth via a disruptive multi-channel approach combining Ecommerce, Wholesale and physical stores. We operate in 59 countries, including our development markets of North America and China, and have over 5,000 colleagues globally.

Cautionary statement

This announcement contains certain forward-looking statements with respect to the financial condition and operational results of Superdry Plc. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Superdry Plc has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain. The person responsible for this announcement on behalf of Superdry is Simon Callander, Group General Counsel and Company Secretary of Superdry.

Chief Executive's Review

Superdry has a clear mission to put an item of our clothing in every wardrobe across the globe, achieved through our purpose of designing and making clothes for everyone to help them look and feel amazing. Our ambition is supported by our unique product proposition, the opportunities we have ahead in new markets and our ability to leverage our multi-channel platform, including new technologies, to drive the long-term sustainable growth of the brand.

Over the past four years, we have made huge progress in developing our infrastructure, processes and capabilities, enabling the business to deliver double-digit underlying profit growth through to financial year 2018. Key achievements over this period have included:

- Implementation of our Design to Customer programme, which has embedded operational improvements across the design, sourcing and manufacturing processes. These efficiencies have included harmonisation of our Retail and Wholesale ranges, the creation of a single stock pool across Retail and Wholesale in our EU distribution centre, increasing availability by more than 50% in those markets ahead of the 2018 peak trading period and increasing our direct sourcing capabilities to over 80%, with local offices and expertise in Turkey, India and Hong Kong.

- The expansion from one to three distribution centres – one in each of our key markets of the UK, Europe and the US. These facilities now have truly multi-channel capability, opening up new routes to market, and enhancing our market-leading delivery proposition and allowing us to significantly reduce our store replenishment times, in turn supporting the reduction in stock levels held in stores. We were able to maintain customer delivery promises throughout the Black Friday trading period, fulfilling next day Ecommerce deliveries, with a cut-off as late as midnight in the UK. We achieved a record 92,000 orders on Black Friday itself, with 82,000 of these shipped that same day.

- Moving from a UK-centric, store-based retailer to a truly Global Digital Brand, powered by our capital light channels of Ecommerce and Wholesale and operating in more than 59 countries with more than 70% of our global brand revenues being generated in markets outside the UK.

- Our investment in technology and expertise has delivered market-leading online participation levels, with our customers' digital experience improved through 17 owned local language websites, all of which are optimised for mobile devices. Despite achieving record sales figures over the Black Friday period, with 59k visits to the site in our busiest hour, we utilised less than 20% of the available capacity across our websites, enabling seamless customer experience with no slowdown in response times.

- Progress in our development markets of the US and China, establishing the platforms to support long-term growth. In the US we have brought our Wholesale operations in-house, and developed relationships with key partners such as Macy's. In financial year 2016 we entered a joint venture in China with Trendy International, combining our brand and product expertise with their local operational knowledge. With global brand revenues from our joint venture in China with Trendy International already at £18m in financial year 2018, from a base of zero in 2015, we are accelerating our roll-out of franchise stores as we build brand awareness in this market.

All of these developments have been critical in supporting the delivery of global brand revenue growth of 6.4% in the period (which increases to 7.4% if China is included), driven by our capital light channels of Wholesale and Ecommerce. This is despite operating through challenging trading conditions which both *Superdry* and the wider sector is facing, including:

- Sustained, unseasonably warm weather across our key territories into November, which has impacted the sale of cold-weather clothing. The sensitivity to climate is particularly acute for *Superdry* as 55-60% of our Autumn Winter revenues are driven by jackets and sweats

- Weaker consumer confidence, which is driving more frequent and prolonged periods of promotional activity. This impact on *Superdry* has been exacerbated by our need to clear down legacy stock over the last 18 months and increased pressure on margins.

Against that backdrop we have continued to pursue and execute our strategy across four strategic pillars during the first half of financial year 2019:

Global Digital Brand

Superdry continues to achieve global reach across our digital platforms to drive consumer awareness and brand perception.

The first half of the 2019 financial year saw the launch of several major campaigns and activity which together generated reach of 1.3bn. A key driver of this was our partnership with the Invictus Games Foundation and our role as Official Sportswear partner for Team UK. *Superdry* designed and developed full technical sports kit for the team and our video-focused campaign followed the incredible stories of the competitors and their journeys' to the Games in Sydney. This campaign alone generated over 1bn views, introducing new customers to the brand.

Ecommerce revenues increased by 6.9% in the first half, underpinned by our own Ecommerce site growth of 14.0%. This channel now represents 26.9% of our total Retail sales (up 170bps year-on-year) and we therefore continue to invest to support and drive this increasing participation. A key development includes roll-out of our Progressive Web App technology which will further enhance our mobile proposition to consumers through greatly enhanced download speeds, and focus on our consumers' shopping preferences. We have also launched our own Ecommerce site in Ireland, with a localised site in Greece opening after the period-end.

We have continued to develop our digital strategy in the Wholesale channel by enhancing our B2B platform, now enabling our Wholesale partners to place forward orders from the full range of *Superdry* product online, in addition to the in-season capabilities already in place. This functionality significantly increases our customers' buying experience, driving efficiency across the process, and enabling us to make curated recommendations to drive incremental selling opportunities

Relentless Innovation

Innovation is at the core of everything we do, and is ingrained in our unique product DNA. Our 153 person strong team of in-house designers, category management and merchandisers are driving our product diversification and innovation programme, and they are focused on updating and broadening our product offering while introducing newness and freshness, through new lines such as our disruptive fast-fashion limited edition Preview range. These exciting collections of 25-30 options, dropping every 6-8 weeks, give our existing and target customers a new reason to visit our stores and websites.

The first menswear range of Orange Label T-shirts made with 100% organic cotton was introduced, demonstrating the progress we have already made in our SuperResponsible40 goal of using 100% organic cotton in all *Superdry* garments by 2040. Cotton accounts for around 50% of everything we make and we strongly believe that organic cotton achieves the best long-term outcome for the livelihoods of cotton farmers, as well as supporting both local and global environmental issues such as water usage and climate change.

Operational Excellence

We have now fully integrated Wholesale, Ecommerce and Retail inventory into a single stock pool in our EU distribution centre, increasing availability of stock across the channels, which over time will deliver working capital benefits. Additionally, by enabling Ecommerce fulfilment from our US distribution centre we now have fully multi-channel distribution capabilities in each of our key territories. This enhanced capability opens up further distribution opportunities though our third party Ecommerce partners and provides market-leading delivery proposition to consumers in the US to match those in Europe.

We held a Capital Markets Event on 16 October 2018 which, amongst other topics, showcased our use of RFID technology. RFID has now been rolled out across 30 of our owned stores as at the end of the first half of this financial year. The technology has immediately benefited customer experience in these stores which are RFID enabled, through improved availability and accuracy of stock, and we will continue to see the working capital benefits of this as more stores implement RFID. We will roll-out the technology across the remainder of the owned store estate next calendar year, and remain on track to complete full implementation by autumn 2019.

Our Capital Markets Event also demonstrated the environmental and cost benefits to be achieved through transforming and automating our supply base. Partnering closely with suppliers and machine producers who share our vision to be global leaders in innovation and automation will ensure we are creating a sustainable supply base for the long-term future, whilst optimising costs and driving quality consistency across our product offering. Alongside these advancements in manufacturing, utilising 2D and 3D design will allow us to digitalise product designs, improving our speed to market whilst driving quality and cost savings.

World Market Opportunity

Our multi-channel platform allows us to optimise our market entry and growth strategies, depending on the individual country and stage of development.

We remain on track to open around 60 new franchise stores in the full year, with a net 33 franchise stores across 22 different markets added to the portfolio in this period. In addition, 20 new franchise locations were opened in our development market China, where we have grown our franchise footprint to 35 locations operating alongside 20 owned stores. Operating via our joint venture, we have seen brand revenue in this market nearly double year-on-year demonstrating the significant opportunity for the brand in this market. By continuing to invest in infrastructure and ensuring the people, processes and systems are optimised, we remain on track to achieve profitability by financial year 2021.

Superdry's other development market is in North America where we now have 31 owned stores and more than 400 wholesale accounts. We are accelerating our capital light expansion in this territory, and our localised Ecommerce fulfilment capabilities opens a range of new partnership opportunities. During the period we saw full-price wholesale revenues growth of 39% from our partnerships with our key accounts and independent retailers.

Financial Review

Our financial performance during the first half of the year saw Global Brand revenue (excluding China) growth of 6.4% (as defined in note 19) and Group revenue growth of 3.1%, reflecting continued growth in our Ecommerce and Wholesale channels, which offset a decline in our Retail store performance. Retail store performance has been impacted by the challenging trading conditions on the high-street and the unseasonably hot weather conditions seen in the UK, Continental Europe and on the East Coast of the US. This, together with increased foreign exchange costs, contributed to the 49% decrease in underlying profit before tax year-on-year to £12.9m. Profit before tax increased by 190.1% to £26.4m, mainly driven by the mark-to-market movements of forward foreign exchange contracts.

Group profit and loss

	Unaudited 1H19 £m	Unaudited 1H18 £m	% change
Global Brand revenue (excluding China)[1]	**831.8**	781.6[2]	6.4%
Revenue: Retail	**242.8**	242.7	0.0%
Wholesale	**171.8**	159.3	7.8%
Group revenue	**414.6**	402.0	3.1%
Gross profit	**233.7**	229.5	1.8%
Gross profit margin %	***56.4%***	*57.1%*	*(70)bps*
Selling and distribution costs	**(180.8)**	(166.8)	(8.4%)
Central costs	**(43.2)**	(41.4)	(4.3%)
Other gains and losses	**5.2**	5.7	(8.8%)
Underlying operating profit[1]	**14.9**	27.0	(44.8%)
Underlying operating margin[1]	***3.6%***	*6.7%*	*(310)bps*
Net finance (expense)/income	**-**	(0.1)	100.0%
Share of loss of joint venture	**(2.0)**	(1.6)	(25.0%)
Underlying profit before tax[1]	**12.9**	25.3	(49.0)%
Exceptional and other items:			
Fair value movement on forward contracts	**14.9**	(15.9)	193.7%
IFRS 2 charge – Founder Share Plan	**(1.4)**	(0.3)	(366.7%)
Total non-underlying adjustments	**13.5**	(16.2)	183.3%
Profit before tax	**26.4**	9.1	190.1%
Tax expense	**(6.2)**	(1.2)	(416.7%)
Profit for the period	**20.2**	7.9	155.7%

1 See note 19 for definitions and reconciliations of these APMs.

2 Global Brand revenue stated excludes China, but includes sales from licensed territories and product categories. As a consequence, 1H18 figure has been restated (previously disclosed as £756.3m).

Group revenue increased by £12.6m to £414.6m. The increase of 3.1%, on the same period last year, was driven by growth in our capital-light channels of Wholesale and Ecommerce, offset by a decline in Retail store sales. Wholesale growth of 7.8% reflected both the expected moderation of growth rates in this historically rapidly growing channel, together with a slow-down in in-season orders as our partners also saw the impact of the unseasonably warm weather. Within Retail, Ecommerce revenues grew 6.9% in the first half of the year. This was driven by a strong performance in our owned Ecommerce websites, which grew 14.0%, but partly offset by the performance in our third party Ecommerce partners (albeit off very strong growth in the previous year). Recognising the challenging trading conditions on the high-street and the unseasonably warm weather, we saw Retail store revenues decline 2.3% in the first half of the year.

Gross profit increased to £233.7m, representing a gross profit margin of 56.4%, a decrease of 70bps on the previous year. The reduction from the prior year primarily reflects the proportion of relatively lower margin Wholesale sales compared to the total revenue increase, in addition to the increased use of promotional discounting in the Retail segment. This discounting relates to both planned promotional activity and inventory rebasing.

Selling and distribution costs include costs associated with the storage and delivery of product, the operation of retail stores and fulfilment costs of Ecommerce and Wholesale orders. These have increased by 8.4% year-on-year. The largest component of costs relate to operating stores and logistics costs. Retail store cost increases were driven by the impact of the prior year store opening programme in Europe and the US; the Group opened 16 net new stores in the last 12 months, bringing our owned store estate to 249 stores (1H18: 23 net new stores, totalling 233 owned stores), which increased net space growth by an average of 9.4% in the first half of the year. Distribution costs increased due to set up costs to enable our US distribution centre to dispatch online orders to North American customers.

Central costs increased 4.3% year-on-year to £43.2m. This increase, relative to a revenue increase of 3.1%, reflects the impact of continued investment in global infrastructure and capability to enable future planned growth and increased foreign exchange costs from the realisation of losses on historic contracts. These impacts were partly offset by lower variable pay costs.

Other gains and losses (excluding the unrealised fair value gain on forward contracts) were £5.2m (1H18: £5.7m), a reduction of 8.8%. This is partly the result of a reduction in compensation received from brand protection activities, and also reflects that the income recognised from gift vouchers breakage has reduced following the adoption of IFRS 15 (see note 2 for further details).

Underlying profit before tax for the period was £12.9m (1H18: £25.3m), a decrease of 49.0% year-on-year.

Retail division (including Ecommerce)

Information regarding the Group's continuing operating segments is reported below. Ecommerce is not identified separately as an operating segment due to increasing levels of cross-over between physical store sales, ecommerce sales and retail customers as we pursue our strategic goal of being a Global Digital Brand.

	Unaudited 1H19 £m	Unaudited 1H18 £m	Change
External revenues - Stores	**177.4**	181.5	(2.3%)
External revenues - Ecommerce	**65.4**	61.2	6.9%
% of Group Revenue - Stores	**42.8%**	45.1%	(230)bps
% of Group Revenue - Ecommerce	**15.8%**	15.2%	60bps
Retail Underlying operating profit	**5.8**	17.6	(67.0%)
Retail Underlying operating profit margin	***2.4%***	*7.3%*	*(490)bps*
Retail Operating profit	**15.9**	6.4	148.4%
Retail Operating profit margin	***6.5%***	*2.6%*	*390bps*

Retail division revenues grew marginally to £242.8m in 1H19 (1H18: £242.7m). The growth in Ecommerce revenue of 6.9% was offset by a decline in store revenue of 2.3%.

Ecommerce growth was impacted by third party partner website sales, with owned Ecommerce site revenue growth of 14.0%. The consumers' preference for this channel has continued with participation of Retail sales growing to 26.9% (1H18: 25.2%), where Ecommerce revenue participation is defined as the proportion of total Retail revenue that comes from our Ecommerce channel.

During the last 12 months the Group opened 18 new stores – two in the UK and ROI, eight in the EU, and eight in the US – with two closures, resulting in 16 net new stores in the period (1H18: 23 net new stores). At the end of 1H19 there are 249 owned stores (1H18: 233 owned stores).

Retail underlying operating margins of 2.4% (1H18: 7.3%) were 490bps lower than the previous year, driven by the decline in like-for-like retail store sales and increased discounting activity.

Wholesale division

Wholesale revenue by territory	**Unaudited 1H19 £m**	Unaudited 1H18 £m	Change
Wholesale revenue by territory:			
Europe	113.8	105.8	7.6%
UK and Republic of Ireland	21.0	21.5	(2.3)%
Rest of World	31.4	29.4	6.8%
Clearance and other	5.6	2.6	115.4%
Total Wholesale revenue	**171.8**	159.3	7.8%

Wholesale division	**Unaudited 1H19 £m**	Unaudited 1H18 £m	Change
External revenues	**171.8**	159.3	7.8%
% of Group Revenue	**41.4%**	39.6%	180bps
Wholesale Underlying operating profit	**52.3**	50.8	3.0%
Wholesale Underlying operating profit margin	***30.4%***	*31.9%*	*(150)bps*
Wholesale Operating profit	***57.1***	*46.1*	23.9%
Wholesale Operating profit margin	***33.2%***	*28.9%*	*430bps*

Revenues within the Wholesale division increased by 7.8% year-on-year, delivering revenue of £171.8m in 1H19 (1H18: £159.3m) with continued growth in Europe and the Rest of World territories, and in all routes to market, being: franchise, independents and key accounts. The rate of sales growth is lower than in 1H18 because unseasonably warm weather has reduced the amount of in-season orders we have seen from Wholesale customers.

The underlying operating profit was £52.3m, a 3.0% improvement year-on-year on 1H18 (£50.8m). Operating margins declined to 30.4% (1H18: 31.9%), in part due to an adverse foreign exchange movement year-on-year of 50bps, increased logistics costs (particularly in the US) and sales growth in high growth potential customers in new markets and territories at a lower margin.

Exceptional and other items

Exceptional and other items are detailed in note 6.

Exceptional and other items primarily relate to the half-yearly mark-to-market movements of forward foreign exchange contracts, being a £14.9m gain. This is mainly as a result of movements in the GBP/US dollar rate from 1.38 at the FY18 year end to 1.28 at 1H19, and movements in the EUR/US dollar rate from 1.21 to 1.14 in the equivalent periods. As detailed in note 19, the remaining £1.4m charge within exceptional and other items is in relation to the IFRS 2 charge for the Founder Share Plan.

Finance costs and income
Net finance costs amounted to £nil (1H18: finance income of £0.1m).

Profit before tax
After exceptional and other items, Group profit before tax at £26.4m (1H18: £9.1m) was 190.1% higher than the prior year.

Taxation
Underlying tax expense for 1H19 of £3.2m (1H18: £4.3m) represented an underlying effective tax rate of 24.8% compared to 17.0% in 1H18. The difference between the 1H19 Group underlying tax rate of 24.8% and the UK statutory rate of 19.0% is primarily due to no further deferred tax asset movement being recognised in respect of US tax losses in the period. As in the prior period, Group underlying ETR is also higher due to higher tax rates in overseas jurisdictions, depreciation and amortisation on non-qualifying assets, non-allowable expenses and the non-deductibility of the joint venture loss in the period.

The difference between the 1H18 tax rate of 17.0% and FY18 full year rate of 21.3% was a 1H18 adjustment in respect of deferred tax losses previously not recognised.

Profit for the period
After exceptional and other items, Group profit for the period at £20.2m (1H18: £7.9m) was 155.7% higher than the prior year.

Earnings per share
Underlying basic earnings per share was 11.9p (1H18: 25.8p). Reported basic earnings per share was 24.7p (1H18: 9.7p), calculated using the basic weighted average number of ordinary shares outstanding for the period of 81,758,151 (1H18: 81,405,473).

Diluted earnings per share is 24.7p (1H18: 9.6p) based on a diluted weighted average of 81,869,130 shares (1H18: 81,927,540 shares).

Dividends
We announce today an interim dividend of 9.3 pence per share (1H18: 9.3 pence per share). The interim dividend will utilise an estimated £7.6m of shareholders' funds. The interim dividend will be paid on 25 January 2019 to shareholders on the register at the close of business on 21 December 2018.

The Board previously declared a special dividend of 25.0p per share. The special dividend will represent a cash outflow of £20.5m and will be paid on 14 December 2018 to shareholders on the register at the close of business on 12 October 2018.

Cash flow, investments and working capital
We remain financially strong and retain a net cash balance at the half-year of £19.2m (1H18: £33.8m).

The first half-year is customarily a period of working capital investment as inventories are built in advance of the peak trading period within the third quarter. In the current year the Group utilised cash of £21.4m (1H18: cash inflow of £7.4m) in its operations.

During the period the Group increased its uncommitted bank facility from £20m to £40m. This will reduce back to £20m in the second half of the year. The maximum drawdown on this facility in the period was £26m. In recognition of the continued growth of the Group's Wholesale operation and changes to inventory flows reflecting the increasingly global nature of the brand, and in planning for the longer term, the Group is in the process of arranging a revolving credit facility to accommodate peak working capital requirements, ready for year end.

Capital investment		**1H19 £m**	**1H18 £m**
Store portfolio	New stores	1.9	12.6
	Existing stores	2.1	7.3
	Franchise stores	0.9	1.2
		4.9	**21.1**
Infrastructure	IT (including software development)	5.2	4.7
	Distribution	2.0	1.6
	Head office	2.2	1.8
		9.4	**8.1**
Total capital investment		**14.3**	**29.2**
Capital creditor		(0.2)	(2.4)
		14.1	**26.8**
Cash outflow	Tangible assets	9.3	22.9
	Intangible assets	4.8	3.9
		14.1	**26.8**

Property, plant and equipment and intangible assets totalled £180.4m, decreasing by £7.6m (4.0%) since the financial year end, as a result of depreciation and amortisation being higher than the level of capital additions. Capital expenditure has reduced significantly in the first half of the year as a result of reduced investment in the store portfolio given the current economic climate and a similar level of investment in infrastructure.

Due to the challenging trading conditions and higher level of working capital currently held, we have actively reduced capital expenditure in the year and now expect full year capital expenditure to be between £35m and £45m.

Working Capital	1H19 £m	Reported 1H18 £m	Restated for IFRS 15 1H18[3] £m	Restated Movement %
Inventories	221.9	200.0	205.8	7.8%
Trade and similar receivables[1]	139.1	128.0	128.0	8.7%
Trade and similar payables[2]	(134.0)	(151.5)	(157.3)	(14.8)%
Total working capital	**227.0**	**176.5**	**176.5**	**28.6%**

Notes:
1. Trade and similar receivables exclude items not considered to be working capital being derivatives, cash contributions and rent deposits.
2. Trade and similar payables exclude items not considered to be working capital being derivatives, lease incentives and other taxes payable.
3. Historically the returns provision has been shown net within trade and similar payables. Under IFRS 15 the returns provision has to be shown gross on the balance sheet with a returned stock asset within inventories. The prior year comparative has therefore been restated for this adjustment, for the purposes of this table only. See Note 2 in the Interim Financial Information for the impact on FY18.

Investment in inventories, trade and similar receivables and trade and similar payables increased year-on-year by £50.5m to £227.0m (1H18: £176.5m). The growth in inventories of 7.8% is in part due to increasing inventory within our US distribution centre in order to enable dispatch to North American Ecommerce customers from this site. This is also impacted by the unseasonably warm weather having reduced the amount of in-season orders we have seen from Wholesale customers.

Trade and similar receivables have increased by 8.7% to £139.1m (1H18: £128.0m), in part due to the growth in wholesale sales. In addition, wholesale sales were dispatched later in the period compared to in the prior year, which has had the impact of increasing current debtors outstanding at the end of the period.

Trade and similar payables decreased by 14.8% to £134.0m (1H18: £157.3m). This decline is largely due to Retail stock being bought earlier as part of the move to a single stock pool. Consequently inventory and associated freight and duty costs were paid earlier in the period. In addition, there has been a reduction in the capital investment programme in 1H19 leading to fewer associated payables outstanding at the end of the period.

Going concern

The Board reports that, having reviewed current performance and forecasts, it has a reasonable expectation that the Group has adequate resources to continue operations for the foreseeable future. This is further supported by our existing uncommitted facilities and the revolving credit facility that the Group is in the process of arranging to accommodate peak working capital requirements. For this reason the Group has continued to adopt the 'going concern' basis in preparing the financial information.

Principal risks and uncertainties

The principal risks and uncertainties were outlined in the 2018 Annual Report (pages 51-59) and they remain unchanged. These are described in note 17 of this document.

As the date for Brexit approaches, the Board continues to monitor the impact of the UK's decision to leave the European Union and the uncertainty around the nature of the departure. The Group's Brexit working party meets regularly to discuss the key risk and impacts of the Brexit decision and how these can be mitigated. The extent to which our operational and financial performance may be impacted in the longer term will only become clear as details are finalised. The Brexit working party will meet on a more regular basis once an agreement has been finalised and details published. We will continue to monitor the risks and uncertainties arising from Brexit within the Group's existing risk management and control process as outlined in the 2018 Annual Report (pages 51-59).

The Group considers the following risks to be most relevant to Superdry:

Nature of risk	Risk level
Potential increase of import duties on imports from suppliers outside the EU (in particular Turkey)	Medium
Frontier delays at the UK/EU border causing customs delays on imports of stock	Medium
Potential fluctuations in the value of Sterling and the impact on UK markets and Superdry cost base	Medium
Delays on shipments to EU customers from the UK and impact on availability in distribution centres	Low
Potential loss of harmonised rights in EU on intellectual property	Low
Restriction on mobility of labour within the EU and loss of key personnel	Low

The Group believes however that the risks arising are partly mitigated by the following factors:

- Less than 30% of Global brand revenue is now generated in the UK;
- We operate three distribution centres, including one in Belgium and one in the US. Mitigating actions could be taken such that only UK destined stock needs to be imported into the UK; and
- We have a diversified supplier base in, but not restricted to, Turkey, China and India.

Responsibility statement of the Directors in respect of the condensed consolidated interim financial information

On 11 December 2018 the Board of Directors of Superdry Plc approved this statement.

The Directors confirm that to the best of their knowledge:

- The condensed financial information has been prepared in accordance with IAS 34, Interim Financial Reporting, as adopted by the EU; and

- The interim management report includes a fair review of the information required by:

  a) DTR 4.2.7R of the *Disclosure and Transparency Rules,* being an indication of important events that have occurred during the first 26 weeks of the financial year and their impact on the condensed financial information, and a description of the principal risks and uncertainties for the remaining 26 weeks of the financial year;

  b) DTR 4.2.8R of the *Disclosure and Transparency Rules,* being related party transactions that have taken place in the first 26 weeks of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

The Directors of Superdry Plc are listed on the Board section of the Group website: www.corporate.superdry.com

On behalf of the Board of Directors:

Euan Sutherland Chief Executive Officer 11 December 2018	Ed Barker Chief Financial Officer 11 December 2018

Condensed Group Statement of Comprehensive Income for the 26 weeks ended 27 October 2018 (unaudited)

	Note	**Underlying October 2018**	**Exceptional and other items (note 6)**	**Total October 2018**	Underlying October 2017	Exceptional and other items (note 6)	Total October 2017
		£m	**£m**	**£m**	£m	£m	£m
Revenue	5	414.6	-	414.6	402.0	-	402.0
Cost of sales		(180.9)	-	(180.9)	(172.5)	-	(172.5)
Gross profit		**233.7**	**-**	**233.7**	**229.5**	**-**	**229.5**
Selling, general and administrative expenses		(224.0)	(1.4)	(225.4)	(208.2)	(0.3)	(208.5)
Other gains and losses (net)		5.2	14.9	20.1	5.7	(15.9)	(10.2)
Operating profit		**14.9**	**13.5**	**28.4**	**27.0**	**(16.2)**	**10.8**
Net finance (expense)/income		-	-	-	(0.1)	-	(0.1)
Share of loss of joint venture	7	(2.0)	-	(2.0)	(1.6)	-	(1.6)
Profit before tax		**12.9**	**13.5**	**26.4**	**25.3**	**(16.2)**	**9.1**
Tax expense	8	(3.2)	(3.0)	(6.2)	(4.3)	3.1	(1.2)
Profit for the period		**9.7**	**10.5**	**20.2**	**21.0**	**(13.1)**	**7.9**
Attributable to:							
Owners of the company		9.7	10.5	20.2	21.0	(13.1)	7.9
		9.7	**10.5**	**20.2**	**21.0**	**(13.1)**	**7.9**
Other comprehensive income net of tax:							
Items that may be subsequently reclassified to profit or loss							
Currency translation differences		0.2	-	0.2	3.3	-	3.3
Total comprehensive income for the period		**9.9**	**10.5**	**20.4**	**24.3**	**(13.1)**	**11.2**
Attributable to:							
Owners of the company				20.4			11.2
				20.4			**11.2**
Earnings per share							
Basic	15	11.9		24.7	25.8		9.7
Diluted	15	11.8		24.7	25.6		9.6

Condensed Group Balance Sheet as at 27 October 2018

	Note	**Unaudited October 2018 £m**	Unaudited October 2017 £m	Audited April 2018 £m
ASSETS				
Non-current assets				
Property, plant and equipment	11	121.4	132.5	130.2
Intangible assets	12	59.0	55.9	57.8
Investment in joint venture	7	4.2	7.6	6.2
Long-term loan to joint venture		3.3	-	3.3
Deferred income tax assets		36.0	35.4	38.8
Total non-current assets		**223.9**	**231.4**	**236.3**
Current assets				
Inventories		221.9	200.0	162.3
Trade and other receivables		151.6	143.6	140.0
Cash and cash equivalents	16	19.2	33.8	75.8
Total current assets		**392.7**	**377.4**	**378.1**
LIABILITIES				
Current liabilities				
Trade and other payables		146.1	162.2	119.7
Current tax liabilities		1.6	4.9	9.8
Derivative financial instruments	18	7.8	7.1	18.5
Total current liabilities		**155.5**	**174.2**	**148.0**
Non-current liabilities				
Trade and other payables		43.2	47.5	44.6
Provisions for other liabilities and charges		4.7	3.1	5.3
Deferred tax liabilities		0.9	1.0	0.9
Derivative financial instruments	18	2.9	13.5	7.1
Total non-current liabilities		**51.7**	**65.1**	**57.9**
Net assets		**409.4**	**369.5**	**408.5**
EQUITY				
Share capital	14	4.1	4.1	4.1
Share premium		149.1	148.5	149.0
Translation reserve		(1.4)	(0.9)	(1.6)
Merger reserve		(302.5)	(302.5)	(302.5)
Retained earnings		560.1	520.3	559.5
Equity attributable to the owners of the company		**409.4**	**369.5**	**408.5**
Total equity		**409.4**	**369.5**	**408.5**

Condensed Group Cash Flow Statement for the 26 weeks ended 27 October 2018 (unaudited)

		October 2018 £m	October 2017 £m
Cash generated from operating activities	9	**(10.8)**	**19.4**
Interest (paid)/ received		-	(0.1)
Tax paid		(10.6)	(11.9)
Net cash (used in)/generated from operations		**(21.4)**	**7.4**
Cash flow from investing activities			
Investments in joint ventures	7	-	(3.2)
Purchase of property, plant and equipment		(9.3)	(22.9)
Purchase of intangible assets		(4.8)	(3.9)
Cash received from disposal of financial asset		-	2.2
Net cash used in investing activities		**(14.1)**	**(27.8)**
Cash flow from financing activities			
Issue of share capital	14	0.1	0.1
Dividend payments	10	(17.9)	(16.4)
Net cash used in financing activities		**(17.8)**	**(16.3)**
Net decrease in cash and cash equivalents	16	**(53.3)**	**(36.7)**
Cash and cash equivalents at beginning of period	16	**75.8**	**65.4**
Exchange (losses)/gains on cash and cash equivalents	16	(3.3)	5.1
Cash and cash equivalents at end of period	16	**19.2**	**33.8**

Condensed Group Statement of Changes in Equity for the 26 weeks ended 27 October 2018 (unaudited)

	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Other £m	Total £m
		Attributable to the owners of the company						
Balance at 28 April 2018		**4.1**	**149.0**	**(1.6)**	**(302.5)**	**559.5**	**-**	**408.5**
Comprehensive income								
Profit for the period		-	-	-	-	20.2	-	**20.2**
Other comprehensive income								
Currency translation differences		-	-	0.2	-	-	-	**0.2**
Total other comprehensive income		**-**	**-**	**0.2**	**-**	**-**	**-**	**0.2**
Total comprehensive income for the period		**-**	**-**	**0.2**	**-**	**20.2**	**-**	**20.4**
Transactions with owners								
Employee share award scheme		-	-	-	-	1.5	-	**1.5**
Shares issued	14	-	0.1	-	-	-	-	**0.1**
Dividend payments	10	-	-	-	-	(17.9)	-	**(17.9)**
IFRS 9 and 15 adjustments	2	-	-	-	-	(3.2)	-	**(3.2)**
Total transactions with owners		**-**	**0.1**	**-**	**-**	**(19.6)**	**-**	**(19.5)**
Balance at 27 October 2018		**4.1**	**149.1**	**(1.4)**	**(302.5)**	**560.1**	**-**	**409.4**

	Note	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Other £m	Total £m
		Attributable to the owners of the company						
Balance at 29 April 2017		**4.1**	**148.4**	**(4.2)**	**(302.5)**	**526.6**	**-**	**372.4**
Comprehensive income								
Profit for the period		-	-	-	-	7.9	-	**7.9**
Other comprehensive income								
Currency translation differences		-	-	3.3	-	-	-	**3.3**
Total other comprehensive income		**-**	**-**	**3.3**	**-**	**-**	**-**	**3.3**
Total comprehensive income for the period		**-**	**-**	**3.3**	**-**	**7.9**	**-**	**11.2**
Transactions with owners								
Employee share award scheme		-	-	-	-	2.2	-	**2.2**
Shares issued	14	-	0.1	-	-	-	-	**0.1**
Dividend payments	10	-	-	-	-	(16.4)	-	**(16.4)**
Total transactions with owners		**-**	**0.1**	**-**	**-**	**(14.2)**	**-**	**(14.1)**
Balance at 28 October 2017		**4.1**	**148.5**	**(0.9)**	**(302.5)**	**520.3**	**-**	**369.5**

Condensed Group Statement of Changes in Equity for 28 April 2018 (audited)

	Attributable to the owners of the company						
	Share capital £m	Share premium £m	Translation reserve £m	Merger reserve £m	Retained earnings £m	Other £m	**Total £m**
Balance at 29 April 2017	**4.1**	**148.4**	**(4.2)**	**(302.5)**	**526.6**	**-**	**372.4**
Comprehensive income							
Profit for the period	-	-	-	-	50.7	-	50.7
Other comprehensive income							
Currency translation differences	-	-	2.6	-	-	-	2.6
Total other comprehensive income	**-**	**-**	**2.6**	**-**	**-**	**-**	**2.6**
Total comprehensive income for the period	**-**	**-**	**2.6**	**-**	**50.7**	**-**	**53.3**
Transactions with owners							
Employee share award schemes	-	-	-	-	6.1	-	6.1
Shares issued	-	0.6	-	-	-	-	0.6
Deferred tax – employee share award scheme	-	-	-	-	0.1	-	0.1
Dividend payments	-	-	-	-	(24.0)	-	(24.0)
Total transactions with owners	**-**	**0.6**	**-**	**-**	**(17.8)**	**-**	**(17.2)**
Balance at 28 April 2018	**4.1**	**149.0**	**(1.6)**	**(302.5)**	**559.5**	**-**	**408.5**

Explanatory Notes to the Interim Financial Information (unaudited)

1. Basis of preparation

Superdry Plc (formerly SuperGroup Plc) is a company domiciled in the United Kingdom. The condensed interim financial information ("interim financial information") of Superdry Plc for the 26 weeks ended 27 October 2018 ("October 2018") comprise the company and its subsidiaries (together referred to as "the Group"). The prior comparative period is for the 26 weeks ended 28 October 2017 ("October 2017").

This interim financial information does not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group statutory financial statements for the 52 weeks ended 28 April 2018 ("April 2018") are available upon request from the company's registered office at Superdry Plc, Unit 60, The Runnings, Cheltenham, Gloucestershire, GL51 9NW or www.corporate.superdry.com.

This interim financial information has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the EU and the requirements of the Disclosures and Transparency Rules. They do not include all of the information required for full annual financial statements and should be read in conjunction with the Group financial statements as at and for the 52 weeks ended 28 April 2018, which have been prepared in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the European Union. This interim financial information was approved by the Board of Directors on 11 December 2018.

The comparative figures for April 2018 are extracted from the Group's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors and delivered to the registrar of companies. The report of the auditors (i) was unqualified; (ii) did not draw attention to any matters by way of emphasis; and (iii) did not contain statements under section 498(2) or (3) of the Companies Act 2006. These sections address whether proper accounting records have been kept, whether the Group's accounts are in agreement with these records and whether the auditors have obtained all the information and explanations necessary for the purposes of the audit.

The financial information in this document is unaudited, but has been reviewed by the auditors in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

This interim financial information has been prepared under the going concern basis, as disclosed further in the Financial Review.

2. Significant accounting policies

The accounting policies adopted are consistent with those of the previous financial period (see pages 111 to 116 of the 2018 Annual Report) except as described below.

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

New accounting standards adopted in the period

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from contracts with customers' effective for the period ending 27 October 2018. Both IFRS 9 and IFRS 15 have been applied retrospectively at 27 October 2018 using the 'modified retrospective method' by adjusting the opening balance sheet at that date.

<u>IFRS 9 'Financial Instruments'</u>

IFRS 9 supersedes IAS 39 'Financial instruments: recognition and measurement' and covers the accounting for financial instruments. The Group has adopted IFRS 9 retrospectively by adjusting opening reserves. The impact of IFRS 9 on retained earnings is £2.6m.

The new standard introduces three key changes:

- a principles-based approach to the classification and measurement of financial instruments;
- an impairment model based on expected credit losses; and
- changes to hedge accounting to closer align it with the Group's underlying risk management

The Group does not currently undertake hedge accounting, as such there has been no impact in this regard.

a) Impairment model based on expected credit losses

The adoption of IFRS 9 has fundamentally changed the Group's accounting for impairment losses for financial assets by replacing IAS 39's incurred loss approach with a forward-looking expected credit loss approach.

Under IFRS 9, a financial asset is credit-impaired when one or more of the following events have occurred, which have a significant impact on the expected future cash flows of the financial asset:

A. significant financial difficulty
B. a breach of contract, such as a default or past-due event
C. a concession was granted due to economic or contractual reasons relating to financial difficulty that would not otherwise be considered
D. probable bankruptcy
E. the disappearance of an active market
F. the original debt was at a deep discount reflecting incurred credit losses

The main impact of this change in approach on the Group is in relation to trade receivables from wholesale customers. As at 28 April 2018, an additional £3.2m (£2.6m after tax) of impairment losses on trade receivables would have been recognised as a result of applying this change in approach.

IFRS 15 'Revenue from contracts with customers'

IFRS 15 supersedes IAS 11 "Construction contracts", IAS 8 "Revenue" and related interpretations and it applies to all revenue arising from contracts with customers, except those in the scope of other standards. The new standard provides a principles-based single model for revenue recognition based on when performance obligations are satisfied, using a five-step approach.

The Group has adopted IFRS 15 using the 'modified retrospective method' of adoption. The key considerations along with the impact of adopting IFRS 15 are described below. There is small impact on retained earnings of £0.6m on adoption of IFRS 15.

a) Sale of goods

The Group's contracts with customers for the sale of products generally include one performance obligation. The Group has concluded that revenue from the sale of product should be recognised at the point in time when control of the asset is transferred to the customer. This is as follows for our different routes to market:

- Own store and concession revenue is recognised at the point of sale of a product; and
- Wholesale and Ecommerce revenue is recognised on either dispatch or delivery.

This does not represent a change to the Group's accounting policy, and therefore, the adoption of IFRS 15 does not have an impact on the timing of revenue recognition.

b) Gift charge breakage

Gift cards represent a customer's right to receive goods or services (and the entity's performance obligation to transfer or stand ready to transfer, goods or services) in the future. Customers, however, do not always use the gift cards in full (or at all), resulting in breakage.

Under IAS 18, the Group provided for breakage based on historic rates of redemption. A liability was calculated on the total issued face value of the gift voucher at the point the gift voucher was issued and adjusted for this expected rate of redemption.

Under IFRS 15 where an entity expects to be entitled to a breakage amount it recognises the expected breakage amount as revenue (within other income) in proportion to the pattern of rights exercised by the customer. This differs from the historic calculation adopted under IAS 18, in that the breakage should be recognised over the course of the gift card being exercised rather than on issuance. The resulting adjustments on adopting IFRS 15 reduced retained earnings by £0.6m with corresponding adjustments to Trade and other receivables and deferred tax assets.

c) Variable consideration

Product sales provide customers with a right of return within a specified period and are therefore deemed to be variable under IFRS 15.

Under IFRS 15, the Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amount of variable consideration to which the Group will be entitled. Under the previous standard, IAS 8, expected returns were estimated using a similar approach and therefore no adjustment to the value of variable consideration was required to profit after tax or retained earnings on transition to IFRS 15.

Prior to the adoption of IFRS 15, the amount of revenue relating to expected returns (and corresponding adjustment to Cost of Sales) was deferred and recognised net in the balance sheet within trade and other payables.

Under IFRS 15 the Group has adjusted Inventories to include the value of returned inventory, which forms part of the expected returns provision. The amount of revenue relating to expected returns remains within Trade and other payables.

The table below shows the impact of these changes to the brought forward balance sheet as at 28 April 2018. The FY18 Group statement of comprehensive income was already disclosed with sales and cost of sales appropriately grossed up.

	28 April 2018 Reported £m	Gift Card Breakage Adjustment £m	Returns Provision Adjustment £m	**28 April 2018 Restated £m**
Non-current assets				
Deferred tax assets	38.8	0.2	-	39.0
Other non-current assets	197.5	-	-	197.5
Total non-current assets	**236.3**	0.2	-	**236.5**
Current assets				
Inventories	162.3	-	5.2	167.5
Other current assets	215.8	-	-	215.8
Total current assets	**378.1**	-	5.2	**383.3**
Current liabilities				
Trade and other payables	119.7	0.8	5.2	125.7
Other current liabilities	28.3	-	-	28.3
Total current liabilities	**148.0**	0.8	5.2	**154.0**
Total non-current liabilities	**57.9**	**-**	-	**57.9**
Net assets	**408.5**	(0.6)	-	**407.9**

New accounting standards and interpretations issued but not effective
IFRS 16 'Leases' replaces the current lease accounting requirements including IAS 17 'Leases' and becomes effective for the accounting period ending 25 April 2020. This accounting standard has not been early adopted by the Group. The Group has a large portfolio of leased properties and other equipment; the minimum lease commitment on these at the financial year end is disclosed in Note 30 of the 2018 Annual Report.

On the adoption of IFRS 16, lease agreements (with the exceptions of short-term leases and low value assets) will be recognised on the balance sheet as both a right of use asset and a lease liability for future lease payables.

The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. The total expense recognised in the Group statement of comprehensive income over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would currently be accounted for as operating leases.

There will be no impact on cash flows, although the presentation of the cash flow statement will change significantly, with an increase in cash inflows from operating activities being offset by an increase in cash outflows from financing activities.

The Group has established a project team to ensure we take all necessary steps to comply with the requirements of IFRS 16. Significant work has been completed to date, including extraction of relevant data and building a suitable model. Independent advisors have also been engaged to undertake an independent review of the model and this is anticipated to be completed in March 2019.

The Group intends to apply the fully retrospective approach on transition and will restate comparatives from the transition date of 28 April 2018. The work to determine the impact assessment of transition to IFRS 16 is anticipated to conclude in March 2019. As such, it is not currently considered practical to provide an estimate of the financial effect of the transition in the interim financial statements. The Group expects there to be a significant impact on retained earnings.

Other new standards and interpretations in issue, but not yet effective, which are not expected to have a material impact on the Group are:

- Annual improvements to IFRS: 2014 – 2016 cycle;
- Amendment to IFRS 2 'Share-based payment' on clarifying share-based payment transactions;
- Amendment to IAS 40 'Investment property' transfers of investment property;

- Amendment to IAS 7 ‘Cash flow statements’ disclosure initiative; and
- IFRIC 22 ‘Foreign currency transactions and advance consideration’

3. Critical accounting estimates and judgements in applying accounting policies

The preparation of interim financial information requires judgements, estimates and assumptions to be made that affect the reported value of assets, liabilities, revenue and expenses. The nature of estimation and judgement means that actual outcomes could differ from expectation.

In preparing this interim financial information, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation were the same as those that applied to the consolidated financial statements for the 52 weeks ended 28 April 2018, as set out on pages 116 to 117 of the Annual Report. These were as follows:

- Store impairments and onerous lease provisions
- Determination exceptional and other items.

4. Seasonality of operations

Due to the seasonal nature of the Retail segment, higher revenues and operating profits are usually expected in the second half of the year. The weighting of higher revenues in the second half of the year is a consequence of the brand’s strength in cooler weather categories, such as outerwear, which also carry higher average selling prices. Operating profits therefore benefit from operating cost leverage, particularly in the Group’s stores. Wholesale seasonality is more evenly spread across the year.

In the financial period ended 28 April 2018, 46.1% of total revenues accumulated in the first half of the year, with 53.9% in the second half. This corresponded to 26.1% of underlying profit before tax in the first half of the year and 73.9% in the second half.

5. Segmental information

The Group’s operating segments under IFRS 8 have been determined based on the reports reviewed by the Group’s Chief Operating Decision Maker (Executive Committee Members “the CODM”). The CODM assesses the performance of the operating segments based on underlying profit before interest and before inter-segment royalties. The CODM considers the business from a customer perspective only, being Retail and Wholesale. The CODM reviews the balance sheet at a Group level. No separate balance sheet measures are provided between the Retail and Wholesale segments. Ecommerce is not identified separately as an operating segment due to increasing levels of cross-over between physical store sales, ecommerce sales and retail customers as we pursue our strategic goal of being a Global Digital Brand.

The CODM receives information, reviews the performance of the business, allocates resources and approves budgets for two operating segments, and therefore information is disclosed in respect of the following two segments:

- Retail - principal activities comprise the operation of UK, Republic of Ireland, European and US stores, concessions and all internet sites. Revenue is derived from the sale to individual consumers of own brand clothing, footwear and accessories;

- Wholesale - principal activities comprise the ownership of brands, wholesale distribution of own brand products (clothing, footwear and accessories) worldwide and trade sales.

Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The Group reports and manages central functions separately to the Retail and Wholesale operations, which includes design, finance, HR, IT, legal, merchandising, property, sourcing and the goodwill and intangibles arising on consolidation.

The revenue from external parties reported to the CODM is measured in a manner consistent with that of the IFRS financial statements.

Inter-segment royalties, transfers or transactions entered into under a cost plus pricing structure are not reflected in the performance of each business segment.

Segment information for the business segments of the Group for October 2018 is set out below:

October 2018 segmental analysis (unaudited)	Retail	Wholesale	Central costs	Group
	£m	£m	£m	**£m**
Total segment revenue	245.6	309.6	-	**555.2**
Inter-segment revenue	(2.8)	(137.8)	-	**(140.6)**
Revenue from external customers	**242.8**	**171.8**	**-**	**414.6**

October 2018 segmental analysis (unaudited)	**Underlying* October 2018 £m**	**Exceptional and other items £m**	**Reported 2018 £m**
Revenue			
Retail	242.8	-	242.8
Wholesale	171.8	-	171.8
Total revenue	**414.6**	**-**	**414.6**
Operating profit			
Retail	5.8	10.1	15.9
Wholesale	52.3	4.8	57.1
Central	(43.2)	(1.4)	(44.6)
Total operating profit	**14.9**	**13.5**	**28.4**
Share of loss of investment – Central	(2.0)	-	(2.0)
Profit before tax			
Retail	**5.8**	**10.1**	**15.9**
Wholesale	**52.3**	**4.8**	**57.1**
Central costs	**(45.2)**	**(1.4)**	**(46.6)**
Total profit before tax	**12.9**	**13.5**	**26.4**

*Underlying is defined as reported results before exceptional items and other items, and is further explained in note 19.

The £1.4m charge in the Central Segment is in relation to the Founder Share Plan and the £14.9m gain in the other segments relates entirely to the fair value of forward exchange contracts, as disclosed further in note 6.

October 2017 segmental analysis (unaudited)	Retail	Wholesale	Central	Group
	£m	£m	£m	**£m**
Total segment revenue	244.3	170.0	-	**414.3**
Inter-segment revenue	(1.6)	(10.7)	-	**(12.3)**
Revenue from external customers	**242.7**	**159.3**	**-**	**402.0**

The following additional information is considered useful to the reader.

October 2017 segmental analysis (unaudited)

	Underlying* October 2017 £m	Exceptional and other items £m	Reported 2017 £m
Revenue			
Retail	242.7	-	242.7
Wholesale	159.3	-	159.3
Total revenue	**402.0**	**-**	**402.0**
Operating profit			
Retail	17.6	(11.2)	6.4
Wholesale	50.8	(4.7)	46.1
Central	(41.4)	(0.3)	(41.7)
Total operating profit/(loss)	**27.0**	(16.2)	**10.8**
Net finance income – Central costs	(0.1)	-	(0.1)
Share of loss of investment – Central	(1.6)	-	(1.6)
Profit before tax			
Retail	17.6	(11.2)	6.4
Wholesale	50.8	(4.7)	46.1
Central costs	(43.1)	(0.3)	(43.4)
Total profit/(loss) before tax	**25.3**	(16.2)	**9.1**

*Underlying is defined as reported results before exceptional items and other items, and is further explained in note 19.

The £0.3m charge in the Central Segment is in relation to the Founder Share Plan and the £15.9m loss in the other segments relates entirely to the fair value of forward exchange contracts, as disclosed further in note 6.

The Group has subsidiaries which are incorporated and resident in the UK and overseas. Revenue from external customers in the UK and the total revenue from external customers from other countries are:

	Unaudited October 2018 **£m**	Unaudited October 2017 £m
External revenue – UK	136.5	148.3
External revenue – Europe	219.0	198.9
External revenue – Rest of world	59.1	54.8
Total external revenue	**414.6**	**402.0**

Included within non-UK external revenue is £105.3m (October 2017: £101.1m) generated by our overseas subsidiaries.

The total of non-current assets, other than deferred tax assets, located in the UK is £82.2m (October 2017: £85.5m, April 2018: £86.6m), and the total of non-current assets located in other countries is £105.7m (October 2017: £108.1m, April 2018: £110.9m).

6. Exceptional and other items

Non-underlying adjustments constitute exceptional and other items. These are defined in note 19 and are disclosed separately in the Group statement of comprehensive income.

	Unaudited October 2018 £m	Unaudited October 2017 £m
Exceptional and other items		
Unrealised gain/(loss) on financial derivatives	14.9	(15.9)
IFRS 2 charge in respect of Founder Share Plan ('FSP')	(1.4)	(0.3)
Exceptional and other items	**13.5**	**(16.2)**
Taxation		
Tax impact of non-underlying adjustments	(3.0)	3.1
Taxation on exceptional and other items	**(3.0)**	**3.1**
Total exceptional and other items after taxation	**10.5**	**(13.1)**
Exceptional and other items are included within:		
Selling, general and administrative expenses	(1.4)	(0.3)
Other gains and losses (net)	14.9	(15.9)
Exceptional and other items	**13.5**	**(16.2)**

7. Share of loss of joint venture

During FY18, Superdry Plc invested £3.2m in Trendy & Superdry Holding Limited as a 50% subscription for the issued share capital, and as at 28 April 2018, the carrying value of the investment was £6.2m. For 1H19 £2.0m (1H18: £1.6m) has been recognised as Superdry Plc's share of the loss for the period, and as such the investment is now held at £4.2m.

8. Tax

The Group's underlying tax expense for 1H19 of £3.2m (1H18: £4.3m) represents an underlying effective tax rate of 24.8% compared to 17.0% in 1H18. The difference between the 1H19 Group underlying tax rate of 24.8% and the UK statutory rate of 19.0% is primarily due to no further deferred tax asset movement being recognised in respect of US tax losses in the period. As in the prior period, Group underlying ETR is also higher due to higher tax rates in overseas jurisdictions, depreciation and amortisation on non-qualifying assets, non-allowable expenses and the non-deductibility of the joint venture loss in the period.

The difference between the 1H18 tax rate of 17.0% and FY18 full year rate of 21.3% was a 1H18 adjustment in respect of deferred tax losses previously not recognised.

Factors affecting the tax expense for the period are as follows:

	Unaudited October 2018 £m	Unaudited October 2017 £m
Profit before income tax	**26.4**	**9.1**
Profits multiplied by the standard rate in the UK – 19.0% (1H18: 19.0%)	5.0	1.7
Expenses not deductible for tax purposes	0.8	0.7
Overseas tax differentials	0.1	(0.1)
Deferred tax asset movements on partial tax loss	0.3	(1.1)
Total income tax expense	**6.2**	**1.2**

9. Note to the cash flow statement

Reconciliation of operating profit to cash generated from operations

	Note	**October 2018 £m**	October 2017 £m
Operating profit		**28.4**	**10.8**
Adjusted for:			
- (Profit)/loss on unrealised financial derivatives	6	**(14.9)**	15.9
- Depreciation of property, plant and equipment	11	**18.4**	16.6
- Amortisation of intangible assets	12	**4.2**	2.8
- Loss on disposal of property, plant and equipment	11	**-**	0.2
- Release of lease incentives		**(4.8)**	(4.3)
- Employee share award schemes		**1.5**	2.2
- Foreign exchange losses		**4.9**	-
Operating cash flow before movements in working capital		**37.7**	**44.2**
Changes in working capital:			
- Increase in inventories		**(52.6)**	(42.1)
- Increase in trade and other receivables		**(15.5)**	(28.1)
- Increase in trade and other payables, and provisions		**19.6**	45.4
Cash generated from operating activities		**(10.8)**	**19.4**

10. Dividends

In the year ended April 2018 a final dividend of 21.9p per share was approved. These dividends were paid on 21 September 2018 to shareholders on the register at the close of business on 13 July 2018. The Directors also declared a special dividend of 25.0p per share which will absorb £20.5m of shareholders' funds. This will be paid on 14 December 2018 to shareholders on the register at the close of business on 12 October 2018.

We announce today an interim dividend of 9.3 pence per share (1H18: 9.3 pence per share). The interim dividend will utilise an estimated £7.6m of shareholders' funds. The interim dividend will be paid on 25 January 2019 to shareholders on the register at the close of business on 21 December 2018.

11. Property, plant and equipment

Movements in the net book value ("NBV") of property, plant and equipment in the period to October 2018 were as follows:

	Land and buildings	Leasehold improvements	Furniture, fixtures and fittings	Computer equipment	**Total Group**
	£m	£m	£m	£m	**£m**
NBV as at 28 April 2018	**7.2**	**91.1**	**26.6**	**5.3**	**130.2**
Additions	0.1	3.6	2.1	1.7	**7.5**
Depreciation	-	(11.4)	(4.6)	(2.4)	**(18.4)**
Exchange differences	-	1.5	0.6	-	**2.1**
NBV as at 27 October 2018	**7.3**	**84.8**	**24.7**	**4.6**	**121.4**

12. Intangible assets

Movements in the net book value ("NBV") of intangible assets in the period to October 2018 were as follows:

	Trademarks	Websites and software	Lease pre-miums	Distribution agreements	Goodwill	**Total Group**
	£m	£m	£m	£m	£m	**£m**
NBV as at 28 April 2018	**1.3**	**22.5**	**9.0**	**3.4**	**21.6**	**57.8**
Additions	0.2	4.6	-	-	-	**4.8**
Amortisation	(0.1)	(3.1)	(0.6)	(0.4)	-	**(4.2)**
Exchange differences	-	-	-	0.4	0.2	**0.6**
NBV as at 27 Oct 2018	**1.4**	**24.0**	**8.4**	**3.4**	**21.8**	**59.0**

13. Capital expenditure commitments

The Group has capital expenditure commitments on property, plant and equipment of £nil at October 2018 (£8.5m at October 2017 and £0.4m at April 2018).

14. Equity securities

331,281 ordinary shares of 5p each were authorised, allotted and issued in the period under the Superdry Plc Share based Long Term Incentive Plans, Save As You Earn and Buy As You Earn schemes.

15. Earnings per share

	Unaudited October 2018	Unaudited October 2017
	£m	£m
Earnings		
Profit for the period attributable to owners of the company	**20.2**	7.9
	Number	**Number**
Number of shares at period end	81,961,558	81,580,460
Weighted average number of ordinary shares - basic	**81,758,151**	**81,405,473**
Effect of dilutive options and contingent shares	110,979	522,067
Weighted average number of ordinary shares - diluted	**81,869,130**	**81,927,540**
Basic earnings per share (pence)	**24.7**	**9.7**
Diluted earnings per share (pence)	**24.7**	**9.6**

Underlying basic earnings per share

	Unaudited October 2018	Unaudited October 2017
	£m	£m
Earnings		
Underlying profit for the period attributable to owners of the company	**9.7**	21.0
	Number	**Number**
Weighted average number of ordinary shares - basic	81,758,151	81,405,473
Weighted average number of ordinary shares - diluted	81,869,130	81,927,540
Underlying basic earnings per share (pence)	**11.9**	**25.8**
Underlying diluted earnings per share (pence)	**11.8**	**25.6**

16. Net cash/(debt)

Analysis of net cash - October 2018 (unaudited)	April 2018 £m	Net cash flow £m	Other non-cash changes £m	October 2018 £m
Cash and short-term deposits	75.8	(53.3)	(3.3)	**19.2**
Cash and cash equivalents	**75.8**	**(53.3)**	**(3.3)**	**19.2**
Total net cash	**75.8**	**(53.3)**	**(3.3)**	**19.2**

Analysis of net cash - October 2017 (unaudited)	April 2017 £m	Net cash flow £m	Other non-cash changes £m	October 2017 £m
Cash and short-term deposits	65.4	(36.7)	5.1	**33.8**
Cash and cash equivalents	**65.4**	**(36.7)**	**5.1**	**33.8**
Total net cash	**65.4**	**(36.7)**	**5.1**	**33.8**

17. Principal risks and uncertainties

The principal risks and uncertainties were outlined in the 2018 Annual Report (pages 51 to 59). These remain unchanged and were as follows:

- Damage may occur to the Superdry Brand or the Brand may lose its resonance;
- The Brand and Group's business may suffer from any failure to meet consumer needs and address consumer trends leading to a product range that is insufficiently differentiated or unattractive to target customers.;
- Failure to deliver the global strategy;
- Failure to deliver on our growth aspirations in the Group's key future development markets;
- Loss of key colleagues or the inability to attract and retain talent or preserve the *Superdry* culture;
- Negative impact driven by our response to economic conditions;
- Lack of availability of infrastructure or IT systems (due to operational constraints or a major incident) or compromise of data (either accidentally or maliciously) held by *Superdry* or key third parties;
- Failure to comply with legal and regulatory frameworks;
- Risk of significant changes in currency exchange rates;
- Global supply chain disruption and / or raw material shortage;
- Ecommerce revenue growth, reflecting our position as a digital brand, is key to the ongoing development of the business;
- The ongoing consumer preference shift towards digital shopping channels; and
- Brexit (the exit of the UK from the European Union) potentially introduces risks to operations, including increases in tariffs on goods and delays in their global movement, availability of labour and instability in the global currency market.

18. Financial risk management and financial instruments

The Group's activities expose it to a variety of financial risks including: market risk (including foreign currency risk and cash flow interest rate risk), credit risk and liquidity risk. The condensed interim financial information does not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the Group's annual financial statements as at 28 April 2018. There have been no changes in the risk management department or in any risk management policies since the year end.

Liquidity risk

Compared to the year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The following table presents the Group's assets and liabilities that are measured at fair value at 27 October 2018 and 28 October 2017.

Unaudited	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	2018	2018	2018	2017	2017	2017
	£m	£m	£m	£m	£m	£m
LIABILITIES						
Derivative financial instruments						
- Forward foreign exchange contracts	-	4.4	-	-	4.2	-
- Option contracts	-	6.3	-	-	16.4	-

There were no transfers between levels during the period.

The fair value of the following financial assets and liabilities is approximate to their carrying amount:

- Trade and other receivables
- Cash and cash equivalents
- Trade and other payables

19. Alternative performance measures

Introduction

The Directors assess the performance of the Group using a variety of performance measures; some are IFRS, and some are adjusted and therefore termed 'non-GAAP' measures or "Alternative Performance Measures" ('APMs'). The rationale for using adjusted measures is explained below. The Directors principally discuss the Group's results on an 'underlying' basis. Results on an underlying basis are presented before exceptional and other items.

The APMs used in this Interim Report are: Global Brand revenue (both including and excluding China), underlying operating profit and margin, underlying profit before tax, underlying tax expense and underlying effective tax rate, underlying earnings per share, and net cash/debt. A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The APMs we use may not be directly comparable with similarly titled measures used by other companies. There have been no changes in definitions from the prior period, although there has been a restatement of Global Brand revenue as detailed within the relevant APM disclosure below. The previously disclosed APM of underlying profit before tax for core operations is no longer monitored by management.

Exceptional and other items
The Group's statement of comprehensive income and segmental analysis separately identify trading results before exceptional and other items. The Directors believe that presentation of the Group's results in this way is an alternative analysis of the Group's financial performance, as exceptional and other items are identified by virtue of their size, nature or incidence. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and the Executive Committee and assists in providing a relevant analysis of the trading results of the Group. In determining whether events or transactions are treated as exceptional and other items, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of charges or credits meeting the above definition and which have been presented as exceptional and other items in the current and/or prior periods include:

<u>Exceptional items</u>

- Acquisitions/disposals of significant businesses and investments
- Impact on deferred tax assets/liabilities for changes in tax rates
- Business restructuring programmes
- Asset impairment charges and onerous lease provisions

<u>Other items</u>

- The movement in the fair value of unrealised financial derivatives
- IFRS 2 charges in respect of Founder Share Plan ('FSP')

In the event that other items meet the criteria, which are applied consistently from year to year, they are also treated as exceptional and other items.

Exceptional and other items in this period

The following items have been included within exceptional and other items for the 26 weeks ended 27 October 2018:

<u>Fair value re-measurement of foreign exchange contracts – 1H19 and 1H18 item</u>
The fair value of unrealised financial derivatives is reviewed at the end of each reporting period and unrealised losses/gains are recognised in the Group statement of comprehensive income.

The Directors consider unrealised losses/gains to be 'exceptional and other items' due to both their size and nature. The size of the movement on the fair value of the contracts is dependant in particular on the spot foreign exchange rate at the balance sheet date and an assessment of future foreign exchange volatility applied to the relevant contract currencies; as such the size of the movements can be substantial. The unrealised foreign exchange contracts have been entered into in order to achieve an economic hedge against future payments and receipts and are not a reflection of historic performance. The Directors do not therefore consider these unrealised losses/gains to be a reflection of the trading performance in the period. When contracts mature, the profit or loss is reflected in underlying profit before tax.

<u>Founder Share Plan ('FSP') – IFRS 2 charge – 1H19 and 1H18 item</u>
While there are no cost or cash implications for the Company, the Founder Share Plan ('FSP') falls within the scope of IFRS 2. The Group has included the IFRS 2 charge and related deferred tax movement in relation to the FSP within 'exceptional and other items' for the current and subsequent periods.

The Directors consider the plan to be one-off in nature and unusual in that the share awards are being funded exclusively by the Founders. The full year charge for FY19, FY20 and FY21 has been estimated between £3m and £5m each period. While the charge is spread over a number of financial years, the plan is a one-time scheme and will not be renewed should the share price fail to reach the target vesting price. Accordingly the IFRS 2 charge in respect of the FSP is considered to be an ‘exceptional and other item’ due to the size, nature and incidence of the scheme. There are no known recent examples within quoted companies of incentive arrangements operating in a similar way to the FSP. While unusual in terms of size, the plan is also unusual with regard to its treatment in what is essentially a personal arrangement, with no net cost or cash and minimal administrative burden to the Company. There are no other adjustments anticipated in respect of the scheme other than the IFRS 2 charge.

Therefore, the Directors consider the charge to be significant in terms of its potential influence on the readers' interpretation of the Group's financial performance and not a reflection of the trading performance in the period.

Global Brand revenue

Global Brand revenue represents the equivalent value of Group revenue at the values paid by consumers. It is calculated by uplifting all revenues by applicable sales tax rates and uplifting revenues in our Wholesale division by a factor representing the applicable mark up from wholesale to consumer prices. In the opinion of the Directors, uplifting revenues in this way to show Global Brand revenue is useful to understand the growth of the brand, offering a consistent measure despite the variances that result from multiple routes to market. We quote Global Brand revenue including and excluding China because revenue from China is generated through a joint venture rather than directly by the Group. However, the revenue from China also represents the value of Group revenue at the value paid by consumers. Global Brand revenue from China includes all sales made by the joint venture.

A reconciliation from reported revenue to Global Brand revenue is set out below:

	1H19	Restated 1H18*	Reported 1H18
	£m	£m	£m
Reported revenue	**414.6**	**402.0**	**402.0**
Uplift to reflect values paid by consumers	417.2	379.6	354.3
Global Brand revenue (excluding China)	**831.8**	**781.6**	**756.3**
Global Brand revenue from China	18.4	9.4	-
Global Brand revenue	**850.2**	**791.0**	**756.3**

*Global Brand revenue stated includes sales from licensed territories and product categories. Sales from licensed territories and product categories were not included in the reported 1H18 figure, and refinements have been made to the clearance channel, so as a consequence, the 1H18 figure has been restated.

Underlying operating profit and margin

In the opinion of the Directors, underlying operating profit and margin are measures which seek to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. The Directors' focus on the trends in underlying operating profit and margins, and it is a key internal management metric for assessing segmental performance. As such they exclude the impact of exceptional and other items.

A reconciliation from operating profit, the most directly comparable IFRS measure, to the underlying operating profit and margin is set out below.

	1H19	1H18	FY18
	£m	£m	£m
Reported revenue	**414.6**	**402.0**	**872.0**
Operating profit	28.4	10.8	68.6
Exceptional and other items	(13.5)	16.2	31.7
Underlying operating profit	**14.9**	**27.0**	**100.3**

	1H19	1H18	FY18
	£m	£m	£m
Operating margin	6.8%	2.7%	7.9%
Underlying operating margin	**3.6%**	**6.7%**	**11.5%**

Underlying profit before tax
In the opinion of the Directors, underlying profit before tax is a measure which seeks to reflect the underlying performance of the Group that will contribute to long-term sustainable profitable growth. The Directors consider this to be an important measure of Group performance and is consistent with how the business performance is reported to and assessed by the Board and the Executive Committee.

This is a measure used within the Group's incentive plans. Refer to the Remuneration Report in the Group Annual Report FY18 for explanation of why this measure is used within incentive plans.

As such underlying profit before tax excludes the impact of exceptional and other items.

A reconciliation from profit before tax, the most directly comparable IFRS measures, to the underlying profit before tax is set out below.

	1H19	1H18	FY18
	£m	£m	£m
Profit before tax	26.4	9.1	65.3
Exceptional and other items	(13.5)	16.2	31.7
Underlying profit before income tax	**12.9**	**25.3**	**97.0**

Underlying tax expense and underlying effective tax rate
In the opinion of the Directors, underlying tax expense is the total tax charge for the Group excluding the tax impact of exceptional and other items. Correspondingly, the underlying effective tax rate is the underlying tax expense divided by the underlying profit before tax.

These measures are an indicator of the ongoing tax rate of the Group.

A reconciliation from tax expense, the most directly comparable IFRS measures, to the underlying tax expense is set out below:

	1H19	1H18	FY18
	£m	£m	£m
Underlying profit before tax	**12.9**	**25.3**	**97.0**
Tax expense	(6.2)	(1.2)	(14.6)
Exceptional and other items – tax impact of items included in profit before tax	3.0	(3.1)	(7.3)
Exceptional and other items – impact on deferred tax assets/liabilities for changes in tax rates	-	-	1.2
Underlying tax expense	**(3.2)**	**(4.3)**	**(20.7)**
Underlying effective tax rate	**24.8%**	**17.0%**	**21.3%**

Underlying earnings per share
In the opinion of the Directors, underlying earnings per share is calculated using basic earnings, adjusted to exclude exceptional and other items net of current and deferred tax.

A reconciliation from the basic and diluted earnings per ordinary share, the most directly comparable IFRS measures, to underlying basic and diluted earnings per ordinary share, is set out below:

	1H19	1H18	FY18
	£m	£m	£m
Underlying profit before tax	12.9	25.3	97.0
Underlying tax expense	(3.2)	(4.3)	(20.7)
Underlying profit after tax	**9.7**	**21.0**	**76.3**
Profit after tax	**20.2**	**7.9**	**50.7**
Basic			
Earnings per share (pence)	24.7	9.7	62.2
Underlying basic earnings per share (pence)	**11.9**	**25.8**	**93.6**

	1H19	1H18	FY18
Diluted			
Earnings per share (pence)	24.7	9.6	61.9
Underlying diluted earnings per share (pence)	**11.8**	**25.6**	**93.1**
Weighted average number of shares - basic	**81,758,151**	81,405,473	81,510,921
Weighted average number of shares - diluted	**81,869,130**	81,927,540	81,956,045

Net cash/debt
In the opinion of the Directors, net cash/debt is a useful measure to monitor the overall cash position of the Group. It is the total of all short and long-term loans and borrowings, less cash and cash equivalents. The Group is in a net cash position at 27 October 2018.

INDEPENDENT REVIEW REPORT TO SUPERDRY PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 27 October 2018 which comprises the condensed group statement of comprehensive income, the condensed group balance sheet, the condensed group cash flow statement, the condensed group statement of changes in equity and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 27 October 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP

Statutory Auditor
London, United Kingdom