



4 October 2018

Ted Baker Plc
("Ted Baker", the "Group")

Interim Results Announcement for the 28 weeks ended 11 August 2018

'Continued progress in challenging trading conditions'

Highlights	28 weeks ended 11 August 2018	28 weeks ended 12 August 2017	Change
Group Revenue	£306.0m	£295.7m	3.5%
Profit Before Tax and Exceptional Items	£25.0m	£24.2m	3.5%
Profit Before Tax	£24.5m	£25.3m	(3.2%)
Basic EPS	42.8p	43.6p	(1.8%)
Adjusted EPS	43.8p	41.7p	5.0%
Interim Dividend	17.9p	16.6p	7.8%

- Group revenue up 3.5% (5.5% in constant currency) to £306.0m
- Retail sales including e-commerce up 1.1% (up 2.9% in constant currency) to £220.1m
 - UK and Europe retail sales up 1.0% (up 0.7% in constant currency) to £147.1m
 - North America retail sales up 1.8% (up 8.1% in constant currency) to £61.8m
 - Rest of the World retail sales down 1.8% (up 1.8% in constant currency) to £11.2m
- E-commerce sales up 24.1% (up 25.7% in constant currency) to £53.0m
- Planned expansion continued with:
 - Two new stores in the UK, three new stores in the US, one new store in Spain, two new outlets in Germany and one new outlet in France
 - Further concessions with leading department stores across the UK, Europe and North America
 - Licensee openings in India, Kazakhstan, Malaysia, Mexico, Singapore, Taiwan and Ukraine
- Wholesale sales up 10.1% (up 12.8% in constant currency) to £85.9m

- Licence income up 11.7% to £10.9m
- Measured and controlled approach to cost saving initiatives savings due to our business model

Commenting, Ray Kelvin CBE, Founder and Chief Executive, said:

“Ted Baker has continued to develop and expand as a global lifestyle brand across its markets and distribution channels despite challenging external trading conditions. This continued growth is testament to the strength of the Ted Baker brand, the design and quality of our collections as well as the dedication and talent of our teams.

Whilst we believe that the second half of the year will remain challenging due to external factors, we are well positioned to continue Ted Baker’s long-term development. Our flexible business model ensures that our customer has multiple channels to engage with Ted Baker and our global e-commerce business continues to expand, supported by our digital marketing strategy and unique stores that showcase the brand.”

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<http://www.tedbakerplc.com/ted/en/mediacentre/imagelibrary>

Notes to Editors

Ted Baker Plc – “No Ordinary Designer Label”

Ted Baker is a leading global lifestyle brand distributing across five continents through its three main distribution channels: retail (including e-commerce); wholesale; and licensing.

Ted Baker has an increasing global presence with 544 stores, concessions and outlets worldwide comprising: 201 in the UK; 116 in Europe; 129 in North America; 89 in the Middle East, Asia and Africa; and 9 in Australasia.

We offer a wide range of collections: Menswear; Womenswear; Global; Phormal; Endurance; Accessories; Bedding; Childrenswear; Crockery; Eyewear; Footwear; Fragrance and Skinwear; Gifting and Stationery; Jewellery; Lingerie and Sleepwear; Luggage; Neckwear; Rugs; Suiting; Technical Accessories; Tiles; and Watches.

Development of the Brand

Our strategy is to further develop as a leading global lifestyle brand, based on three main elements:

- considered expansion of our collections. We review our collections continually to ensure we react to trends and meet our customers' expectations. In addition, we look for opportunities to extend the breadth of our collections and enhance our offer;
- controlled distribution through three main channels: retail (including e-commerce); wholesale and licensing. We consider each new opportunity to ensure it is right for the brand and will deliver margin-led growth; and
- carefully managed development of existing and new international markets. We continue to manage growth in existing territories while considering new territories for expansion.

Underlying our strategy is an emphasis on design, product quality and attention to detail, which is delivered by the passion, commitment and dedication of our teams, licence partners and wholesale customers.

Chairman's Statement

The first half of the year has continued to see challenging external trading conditions across many of our global markets. In addition, performance has been impacted by unseasonable weather across the UK and Europe and North America in the early part of the year and a very hot summer across the UK and Europe. Despite this difficult backdrop, Group revenue increased by 3.5% (5.5% in constant currency¹) and profit before tax and exceptional items² increased by 3.5% to £25.0m (2017: £24.2m) for the 28 weeks ended 11 August 2018 (the "period"). Reported profit before tax decreased by 3.2% to £24.5m (2017: £25.3m).

Against the backdrop of these challenging trading conditions, retail sales (including e-commerce) increased by 1.1% to £220.1m (2.9% in constant currency¹). Our e-commerce business is an integral and increasingly important component within our retail proposition and has performed well, delivering sales growth of 24.1% (25.7% in constant currency¹). Average retail square footage increased by 5.5%. Our flexible business model, including a relatively low number of own stores, and strong brand enables us to adapt to structural changes in the retail sector.

Wholesale sales increased by 10.1% (12.8% in constant currency¹) to £85.9m with a good performance from our UK business, a strong performance from our North American business and the earlier timing of deliveries. We anticipate achieving mid to high single-digit growth (in constant currency¹) in the wholesale business for the full year.

Licence income increased by 11.7% to £10.9m as both our product and territorial licences continued to perform well. During the period, our licence partners opened further stores in India, Kazakhstan, Malaysia, Mexico, Singapore and Taiwan. We also opened our first licensed partner store and first licensed partner concession in Ukraine. There were notable performances from our product licensees in Childrenswear, Eyewear, Fragrance and Skinwear and Suiting.

We are pleased to have signed two new global licence agreements. In June, we signed a new men's underwear and loungewear global licence with Delta Galil. Since the period end, we signed a new global watch licence with Timex Group, allowing us to benefit from their expertise and long history as an authentic watchmaker. Both of these new partners reflect our commitment to working with the best product specialists that are able to support our status as a truly global lifestyle brand.

We have successfully implemented the final phase of the Microsoft Dynamics AX System across our UK and European business and, as previously stated, we remain on track to complete the final phases of this project in Asia towards the end of this financial year. This will allow us to continue to enhance our efficiency, streamline operations and support the development of the business.

In July, we commenced the transition to our new distribution facility in North America. Once fully operational, this will serve our retail, wholesale and e-commerce businesses across North America supporting our long-term growth strategy.

Since the period end, the Group entered into an agreement with Pentland Group Plc, our footwear licensee since 2001, to acquire the issued share capital of No Ordinary Shoes Limited and No Ordinary Shoes USA LLC. Pentland currently holds the exclusive global licence to manufacture and distribute footwear under the Ted Baker brand. The aggregated sales for both companies for the year ended 31 December 2017 totalled £39.8m. Approximately 25% of these were sales to Ted Baker. The acquisition will complete on 31 December 2018 and is expected to be earnings enhancing for the year ending 25 January 2020 and beyond. This is an exciting opportunity for us to drive further growth in our footwear business, by leveraging our global footprint and infrastructure.

Financial Results

Group revenue increased by 3.5% (5.5% in constant currency¹) to £306.0m (2017: £295.7m) for the 28 weeks ended 11 August 2018. The composite gross margin decreased to 58.3% (2017: 58.9%).

Distribution costs, which comprise the cost of retail operations and distribution centres, increased by 3.2% (5.2% in constant currency¹) to £121.6m (2017: £117.8m). Distribution costs before exceptional items² increased by 2.7% to £121.1m and as a percentage of sales, they remained broadly consistent at 39.6% (2017: 39.8%) reflecting the variable elements of costs in our business model.

Administrative expenses increased by 3.1% (4.7% in constant currency¹) to £41.6m (2017: £40.4m). Administrative expenses before exceptional items² increased by 0.4% to £41.6m (2017: £41.5m) and as a percentage of sales decreased to 13.6% (2017: 14.0%). This decrease is a result of a measured and controlled approach to multiple cost saving initiatives across the central functions of the business.

Dual running costs incurred in respect of our systems roll-out were £1.3m (2017: £1.2m) in the first half of the year. We would expect to incur further costs of £1.1m in the second half of the year.

Exceptional costs of £0.6m (2017: income of £1.1m) related to debtor balances owed by House of Fraser which are no longer expected to be recovered following its entry into administration on 10 August 2018.

The net foreign exchange loss during the period of £0.1m (2017: gain £0.4m) was due to the translation of monetary assets and liabilities denominated in foreign currencies. Net interest payable during the period was £1.9m (2017: £1.6m).

Profit before tax and exceptional items² increased by 3.5% to £25.0m (2017: £24.2m) and profit before tax decreased by 3.2% to £24.5m (2017: £25.3m). Adjusted earnings per share³, which excludes exceptional items, increased by 5.0% to 43.8p (2017: 41.7p) and basic earnings per share decreased by 1.8% to 42.8p (2017: 43.6p).

The forecast effective tax rate of 22.2% (2018 full year effective rate: 23.3%) is higher than the forecast UK corporation tax rate for the period of 19%, largely due to higher overseas tax rates and the non-recognition of losses in overseas territories where the brand is still in its development phase.

The net decrease in cash and cash equivalents of £24.4m (2017: £30.6m) primarily reflected an increase in working capital, further capital expenditure to support our long-term development and the payment of the full year dividend. During the period, we made repayments of £3.0m (2017: £3.0m) on the secured term loan used to purchase The Ugly Brown Building.

Total working capital, which comprises inventories, trade and other receivables and trade and other payables, increased by £31.3m to £188.2m (2017: £156.9m). This was mainly driven by an increase in inventories of £31.7m to £208.2m (2017: £176.4m) reflecting the projected growth of our business, some earlier phasing of stock deliveries between the first and second half of the year and to a lesser extent, the impact of the movement in foreign exchange rates. We have been focussed on a number of working capital initiatives that will start to deliver benefits by the year end.

Trade and other receivables decreased by £0.5m to £65.4m (2017: £65.9m) and trade and other payables decreased by £0.2m to £85.3m (2017: £85.5m).

Capital expenditure of £18.7m (2017: £19.4m) comprised the costs of opening and refurbishing stores, concessions and outlets. It also reflected the on-going investment in business-wide systems, e-commerce and infrastructure, including our distribution centres in the UK and North America to support our continued growth. We expect full year capital expenditure to be in line with previous guidance of £30.0m, subject to the timing of planned openings.

Dividends

The Board has declared an interim dividend of 17.9p (2017: 16.6p), representing an increase of 7.8%, which will be payable on 23 November 2018 to shareholders on the register at the close of business on 12 October 2018.

People

Against a backdrop of difficult market conditions, the performance in the period is a testament to our talented teams across the world, whose commitment and passion remain key to our success. I would like to take this opportunity to thank all of my colleagues for their continued hard work as we continue to grow the business and further develop Ted Baker as a global lifestyle brand.

Global Group Performance

		28 weeks ended 11 August 2018	28 weeks ended 12 August 2017	Variance	Constant currency variance ¹
Group	Revenue	£306.0m	£295.7m	3.5%	5.5%
	Gross margin	58.3%	58.9%	(60 bps)	
	Operating contribution (excluding exceptional items ⁴) *	8.7%	8.5%	20 bps	
	Operating contribution**	8.5%	8.9%	(40 bps)	
	Profit before tax (excluding exceptional items ²) as a % of revenue	8.2%	8.2%	-	
	Profit before tax as a % of revenue	8.0%	8.6%	(60 bps)	
Retail	Revenue	£220.1m	£217.7m	1.1%	2.9%
	E-commerce	£53.0m	£42.7m	24.1%	25.7%
	Gross margin	64.2%	65.6%	(140 bps)	
	Average square footage***	422,343	400,313	5.5%	
	Closing square footage***	433,466	409,470	5.9%	
	Sales per square foot including e-commerce	£521	£544	(4.2%)	(2.5%)
	Sales per square foot excluding e-commerce	£396	£437	(9.4%)	(7.8%)
Wholesale	Revenue	£85.9m	£78.0m	10.1%	12.8%
	Gross margin	43.4%	40.2%	320 bps	-
Licence income	Revenue	£10.9m	£9.7m	11.7%	11.7%

*Operating contribution (excluding exceptional items) is defined as operating profit before exceptional items as a percentage of revenue

**Operating contribution is defined as operating profit as a percentage of revenue

***Excludes licence partner stores

Retail

Our retail channel comprises stores, concessions and e-commerce, providing a multichannel customer experience. We operate stores and concessions across the UK and Europe, North America, Asia and Africa and localised e-commerce sites in the UK, continental Europe, the US, Canada and Australia. We also operate e-commerce sites with some of our concession partners. Our unique stores showcase the Ted Baker brand and are key to the growth and success of our e-commerce business. Our relatively low number of own stores and higher number of concession locations allows us to maintain a flexible store business model.

Retail sales were up 1.1% (2.9% in constant currency¹) to £220.1m (2017: £217.7m). Performance was impacted by unseasonable weather across the UK and Europe and North America in the early part of the period, a very hot summer across the UK and Europe, and challenging external trading conditions, particularly in the UK. The growth was driven by continued investment across the retail channel in new stores and our e-commerce platforms. We are pleased with our e-commerce performance, where sales grew 24.1% (25.7% in constant currency¹) to £53.0m (2017: £42.7m) and represented 24.1% (2017: 19.6%) of total retail sales.

The total growth in retail sales of 1.1% (2.9% in constant currency¹) compares to an increase in average retail square footage of 5.5% to 422,343 sq ft (2017: 400,313 sq ft). Retail sales per square foot (excluding e-commerce) decreased 9.4% (decrease of 7.8% in constant currency¹) to £396 (2017: £437) demonstrating the challenging external trading conditions together with changing customer behaviour with customers shopping both online and in store.

The retail gross margin decreased to 64.2% (2017: 65.6%) as a result of a measured increase in promotional activity in response to the challenging external trading conditions.

Retail operating costs increased by 2.2% (4.2% in constant currency¹) to £116.5m (2017: £114.0m), and as a percentage of retail sales increased to 52.9% (2017: 52.4%).

Wholesale

Our wholesale business in the UK serves countries across the world, particularly in the UK and Europe, as well as supplying products to stores operated by our territorial licence partners. In addition, we operate a wholesale business in North America serving the US and Canada.

Wholesale sales increased by 10.1% (12.8% in constant currency¹) to £85.9m (2017: £78.0m) reflecting a good performance from our UK business, a strong result from our North American business and the earlier timing of deliveries.

The wholesale gross margin increased to 43.4% (2017: 40.2%). This was as a result of a greater proportion of wholesale sales to our trustee partners which carry a higher margin than sales to our retail licence partners and some foreign exchange benefit in the current year.

Licence Income

We operate both territorial and product licences. Our territorial licences cover selected countries in Europe, North America, the Middle East, Asia, Australasia and Africa, where our partners operate licensed retail stores and concessions and, in some territories, wholesale operations. Our product licences cover Bedding, Childrenswear, Crockery, Eyewear, Footwear, Fragrance and Skinwear, Gifting and Stationery, Jewellery, Lingerie and Sleepwear, Luggage, Neckwear, Rugs, Suiting, Technical Accessories, Tiles and Watches.

Licence income was up 11.7% to £10.9m (2017: £9.7m) with both product and territorial licences performing well. There were notable performances from our product licensees in Childrenswear, Eyewear, Fragrance and Skinwear and Suiting.

Collections

We are pleased with the positive reactions to our Ted Baker Womenswear collection with sales up 7.8% to £191.3m (2017: £177.4m). Womenswear represented 62.5% (2017: 60.0%) of total sales in part due to the increased proportion of e-commerce sales where we experience a higher proportion of Womenswear sales.

Ted Baker Menswear sales were down 3.0% to £114.7m (2017: £118.3m). Sales were impacted by the challenging trading conditions within our UK business. Menswear represented 37.5% of total sales (2017: 40.0%).

Geographic Performance

United Kingdom and Europe

	28 weeks ended 11 August 2018	28 weeks ended 12 August 2017	Variance	Constant currency variance ¹
Total retail revenue	£147.1m	£145.6m	1.0%	0.7%
E-commerce revenue	£42.6m	£34.7m	22.8%	22.9%
Average square footage*	264,393	252,484	4.7%	-
Closing square footage*	274,170	256,419	6.9%	-
Sales per square foot including e-commerce sales	£556	£577	(3.6%)	(3.8%)
Sales per square foot excluding e-commerce sales	£395	£439	(10.0%)	(10.4%)
Wholesale revenue	£54.9m	£50.0m	9.8%	9.8%
Own stores	40	37	3	-
Concessions	252	242	10	-
Outlets	19	16	3	-
Partner stores / concessions	6	5	1	-
Total	317	300	17	-

*Excludes licence partner stores

Retail sales in the period in the UK and Europe increased 1.0% (0.7% in constant currency¹) to £147.1m (2017: £145.6m) despite challenging trading conditions, particularly in our concession business with House of Fraser in the lead up to its administration in August 2018. Performance was also impacted by unseasonable weather across the period.

E-commerce sales increased by 22.8% (22.9% in constant currency¹) to £42.6m (2017: £34.7m) demonstrating how e-commerce sales are an integral part of the retail proposition in the UK and European markets. As a percentage of UK and Europe retail sales, e-commerce sales represented 29.0% (2017: 23.8%).

Sales per square foot excluding e-commerce sales decreased 10.4% in constant currency¹, however, our stores remain key to the success of the e-commerce business through initiatives such as order in store, click and collect, as well as showcasing the brand.

During the period, we opened one store in London Bridge, one in London Luton Airport and one in Barcelona Airport, together with three outlets; one in Lyon, France and one in each of Neumunster and Weirtheim, Germany. We closed one store in

France. We opened further concessions with premium department stores in France, Germany, the UK and Spain. We also opened our first licence partner store in Ukraine. We are pleased with the performance of our new stores and remain positive about longer term growth opportunities for our brand.

Sales from our UK wholesale business increased 9.8% to £54.9m (2017: £50.0m). This reflected a good performance from sales to trustees, particularly those with a strong online customer proposition, and our growing European export business.

North America

	28 weeks ended 11 August 2018	28 weeks ended 12 August 2017	Variance	Constant currency variance ¹
Total retail revenue	£61.8m	£60.7m	1.8%	8.1%
E-commerce revenue	£8.7m	£6.9m	26.1%	35.8%
Average square footage*	127,599	117,776	8.3%	-
Closing square footage*	133,106	120,499	10.5%	-
Sales per square foot including e-commerce sales	£484	£516	(6.2%)	(0.2%)
Sales per square foot excluding e-commerce sales	£416	£457	(9.0%)	(3.5%)
Wholesale revenue	£31.0m	£28.0m	10.7%	18.0%
Own stores	35	32	3	-
Concessions	61	55	6	-
Outlets	12	11	1	-
Partner stores / concessions	21	21	-	-
Total	129	119	10	-

*Excludes licence partner stores

We remain confident that the Ted Baker brand is becoming more established and continuing to gain recognition in this territory.

Sales from our retail division increased by 1.8% (8.1% in constant currency¹) to £61.8m (2017: £60.7m) driven by our continued expansion and sales per square foot excluding e-commerce sales decreased 3.5% in constant currency¹.

In the period, we opened new stores in Austin, Orlando and San Francisco and further concessions across North America. In addition, we opened a further licence partner store in Mexico.

Our e-commerce business delivered a strong performance with sales increasing by 26.1% (35.8% constant currency¹) to £8.7m (2017: £6.9m). As a percentage of North America retail sales, e-commerce sales represented 14.1% (2017: 11.4%).

Sales from our North American wholesale business increased by 10.7% (18.0% in constant currency¹), to £31.0m (2017: £28.0m) reflecting a strengthening relationship with key trustees that attract domestic customers across North America. This further demonstrates increasing brand recognition in this territory.

Rest of the World

	28 weeks ended 11 August 2018	28 weeks ended 12 August 2017	Variance	Constant currency variance ¹
Total retail revenue	£11.2m	£11.4m	(1.8%)	1.8%
E-commerce revenue	£1.7m	£1.1m	54.5%	50.4%
Average square footage*	30,351	30,053	1.0%	-
Closing square footage*	26,190	32,552	(19.5%)	-
Sales per square foot including e-commerce sales	£369	£379	(2.6%)	0.8%
Sales per square foot excluding e-commerce sales	£313	£341	(8.2%)	(4.4%)
Own stores	10	10	-	-
Concessions	12	16	(4)	-
Outlets	1	3	(2)	-
Partner stores / concessions	75	63	12	-
Total	98	92	6	-

*Excludes licence partner stores

We continue to develop the Ted Baker brand across the Middle East, Asia, Africa and Australasia through our retail and licensing channels.

In Asia, sales decreased 1.8% (increased 1.8% in constant currency¹) to £11.2m (2017: £11.4m) and sales per square foot excluding e-commerce sales decreased 4.4% in constant currency¹. We continue to refine and develop our strategy for success in Asia. In China we closed one store, one concession and one outlet and in Hong Kong we closed one store.

Our e-commerce concession businesses in China and Japan performed well with sales of £1.7m (2017: £1.1m) which as a percentage of Asian retail sales represented 15.2% (2017: 9.6%).

Our licensed stores across the Middle East, Asia and Africa continued to perform well. Our existing licence partners opened new stores in India, Kazakhstan, Malaysia, Singapore and Taiwan. As at 11 August 2018, we operated a total of 66 partner stores (2017: 53).

The joint venture with our Australian licence partner, Flair Industries Pty Ltd, continues to perform well. As at 11 August 2018, we operated 9 stores in Australasia (2017: 10 stores).

Current Trading and Outlook

Global markets have continued to see challenging external trading conditions which have impacted performance. In the UK, Europe and the East Coast of America, trade has also been affected by the unseasonably hot weather in September. In addition, trading in the UK has been impacted by the well-publicised challenges facing some of our trading partners.

Our Autumn / Winter collections have been well received and we are confident that we remain well positioned to continue the brand's momentum and long term development.

Retail

In the UK and Europe, we have continued our measured and controlled expansion with our first outlet opening in Italy and further concession openings in Germany and Spain. We plan to open a new outlet in London later this year. We will continue to invest in our e-commerce sites to enhance the customer experience.

In North America, we have continued our expansion with a new store in Chicago and will continue to develop our presence with plans to open a store in San Diego later this year.

In the Rest of the World, we remain focused on building brand awareness, as we are still in the relatively early stages of investment in these markets.

Wholesale

In our wholesale business, we anticipate reporting mid to high single-digit sales growth (in constant currency¹) for the full year.

Licence Income

Our product and territorial licences continue to perform well. Since the period end, our licence partners have opened stores in Saudi Arabia and Thailand with further licence partner store openings planned in Dubai, India and Saudi Arabia. We also plan to open licence partner stores in new territories, including our first store in Kosovo.

Outlook

We have a very clear strategy for the continued expansion of Ted Baker as a global lifestyle brand across both established and newer markets. Our flexible business model ensures that our customers have multiple channels to engage with the brand. Our growing e-commerce business, underpinned by stores that showcase the brand, mean that we are well positioned to deal with the structural changes in an evolving retail environment and continue Ted Baker's long-term development.

The board is mindful of the uncertainties in its markets over the second half of the year, but remains focussed on making further progress for the full year. We intend to make our next trading update, covering the period since the start of the second half of the financial year, in early December.

David Bernstein CBE
Non-Executive Chairman
4 October 2018

NOTES:

¹ Constant currency comparatives are obtained by applying the exchange rates that were applicable for the 28 weeks ended 12 August 2017 to the financial results in overseas subsidiaries for the 28 weeks ended 11 August 2018 to remove the impact of exchange rate fluctuations.

² Profit before tax and exceptional items is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Note 3 of the Financial Statements.

³ Adjusted basic earnings per share is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Note 3 of the Financial Statements.

⁴ Operating contribution (excluding exceptional items) is a non-GAAP measure. For further information about this measure, and the reasons why we believe it is important for an understanding of the performance of the business, please refer to Note 3 of the Financial Statements.

Condensed Group Income Statement

For the 28 weeks ended 11 August 2018

		Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	Note	£'000	£'000	£'000
Revenue	2	305,988	295,726	591,670
Cost of sales		<u>(127,535)</u>	<u>(121,673)</u>	<u>(230,865)</u>
Gross profit		178,453	174,053	360,805
Distribution costs		(121,608)	(117,817)	(231,996)
Distribution costs before exceptional items		(121,051)	(117,817)	(231,996)
Exceptional items	3	(557)	-	-
Administrative expenses		(41,608)	(40,353)	(80,160)
Administrative expenses before exceptional items		(41,608)	(41,461)	(75,484)
Exceptional items	3	-	1,108	(4,676)
Licence income		10,868	9,726	21,443
Other operating income		40	680	635
Operating profit		26,145	26,289	70,727
Finance income	4	548	484	802
Finance expense	4	(2,504)	(1,666)	(3,314)
Share of profit of jointly controlled entity, net of tax		296	191	574
Profit before tax		24,485	25,298	68,789
Profit before tax and exceptional items		25,042	24,190	73,465
Exceptional items	3	(557)	1,108	(4,676)
Income tax expense	7	(5,436)	(6,021)	(16,045)
Income tax expense before exceptional items		(5,529)	(5,757)	(16,868)
Income tax relating to exceptional items		93	(264)	823
Profit for the period		19,049	19,277	52,744
Earnings per share				
Basic	5	42.8p	43.6p	119.0p
Diluted	5	42.7p	43.1p	118.3p

Condensed Group Statement of Comprehensive Income

For the 28 weeks ended 11 August 2018

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	£'000	£'000	£'000
Profit for the period	19,049	19,277	52,744
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to the income statement:			
Net effective portion of changes in fair value of cash flow hedges	3,148	(5,088)	(9,738)
Net exchange rate movement	7,938	(1,050)	(7,926)
Other comprehensive income / (expense) for the period, net of tax	11,086	(6,138)	(17,664)
Total comprehensive income for the period	30,135	13,139	35,080

Condensed Group Statement of Changes in Equity - Unaudited

For the 28 weeks ended 11 August 2018

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity attributable to equity shareholders of the parent
Balance at 27 January 2018	2,224	10,487	(3,002)	(35)	214,376	224,050
Comprehensive income for the period						
Profit for the period	-	-	-	-	19,049	19,049
Exchange differences on translation of foreign operations	-	-	-	9,840	-	9,840
Current tax on foreign currency translation	-	-	-	(1,902)	-	(1,902)
Effective portion of changes in fair value of cash flow hedges	-	-	4,058	-	-	4,058
Deferred tax associated with movement in hedging reserve	-	-	(910)	-	-	(910)
Total comprehensive income for the period	-	-	3,148	7,938	19,049	30,135
Net change in fair value of cash flow hedges transferred to cost of inventory	-	-	616	-	-	616
Increase in issued share capital	4	37	-	-	-	41
Share-based payment charges / (credit)	-	-	-	-	(6)	(6)
Movement on current and deferred tax on share-based payments	-	-	-	-	(605)	(605)
Dividends paid	-	-	-	-	(19,377)	(19,377)
Total	4	37	616	-	(19,988)	(19,331)
Balance at 11 August 2018	2,228	10,524	762	7,903	213,437	234,854

Condensed Group Statement of Changes in Equity - Unaudited

For the 28 weeks ended 12 August 2017

	Share capital	Share premium	Cash flow hedging reserve	Translation reserve	Retained earnings	Total equity attributable to equity shareholders of the parent
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 28 January 2017	2,208	9,935	6,736	7,891	183,774	210,544
Comprehensive income for the period						
Profit for the period	-	-	-	-	19,277	19,277
Exchange differences on translation of foreign operations	-	-	-	(1,400)	-	(1,400)
Current tax on foreign currency translation	-	-	-	350	-	350
Effective portion of changes in fair value of cash flow hedges	-	-	(3,077)	-	-	(3,077)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	(3,205)	-	-	(3,205)
Deferred tax associated with movement in hedging reserve	-	-	1,194	-	-	1,194
Total comprehensive income for the period	-	-	(5,088)	(1,050)	19,277	13,139
Transactions with owners recorded directly in equity						
Increase in issued share capital	8	474	-	-	-	482
Share-based payment charges	-	-	-	-	943	943
Movement on current and deferred tax on share-based payments	-	-	-	-	(167)	(167)
Dividends paid	-	-	-	-	(17,176)	(17,176)
Total transactions with owners	8	474	(-)	-	(16,400)	(15,918)
Balance at 12 August 2017	2,216	10,409	1,648	6,841	186,651	207,765

Condensed Group Statement of Changes in Equity - Audited

For the 52 weeks ended 27 January 2018

	Share capital	Share premium	Cashflow hedging reserve	Translation reserve	Retained earnings	Total equity attributable to equity shareholders of the parent
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 28 January 2017	2,208	9,935	6,736	7,891	183,774	210,544
Comprehensive income for the period						
Profit for the period	-	-	-	-	52,744	52,744
Exchange differences on translation of foreign operations	-	-	-	(9,889)	-	(9,889)
Current tax on foreign currency translation	-	-	-	1,963	-	1,963
Effective portion of changes in fair value of cash flow hedges	-	-	(7,423)	-	-	(7,423)
Net change in fair value of cash flow hedges transferred to profit or loss	-	-	(4,599)	-	-	(4,599)
Deferred tax associated with movement in hedging reserve	-	-	2,284	-	-	2,284
Total comprehensive income for the period	-	-	(9,738)	(7,926)	52,744	35,080
Transactions with owners recorded directly in equity						
Increase in issued share capital	16	552	-	-	-	568
Share-based payment charges	-	-	-	-	1,876	1,876
Movement on current and deferred tax on share-based payments	-	-	-	-	535	535
Dividends paid	-	-	-	-	(24,553)	(24,553)
Total transactions with owners	16	552	-	-	(22,142)	(21,574)
Balance at 27 January 2018	2,224	10,487	(3,002)	(35)	214,376	224,050

Condensed Group Balance Sheet

At 11 August 2018

	Note	Unaudited 11 August 2018 £'000	Unaudited 12 August 2017 £'000	Audited 27 January 2018 £'000
Non-current assets				
Intangible assets	10	37,206	29,765	34,373
Property, plant and equipment	11	145,302	145,312	139,075
Investment in equity accounted investee		2,189	2,088	1,893
Deferred tax assets		4,407	4,444	4,114
Prepayments		857	395	353
		189,961	182,004	179,808
Current assets				
Inventories		208,154	176,435	187,227
Trade and other receivables		65,377	65,934	64,273
Amount due from equity accounted investee		482	597	666
Derivative financial assets	12	1,268	3,575	478
Cash and cash equivalents	9	19,153	18,030	16,712
		294,434	264,571	269,356
Current liabilities				
Trade and other payables		(85,315)	(85,510)	(82,858)
Bank overdraft	9	(102,366)	(85,388)	(76,043)
Term loan		(4,500)	(6,000)	(5,500)
Income tax payable		(9,035)	(9,171)	(8,522)
Provisions for liabilities and charges		-	(756)	-
Derivative financial liabilities	12	-	(718)	(3,918)
		(201,216)	(187,543)	(176,841)
Non-current liabilities				
Deferred tax liabilities		(3,325)	(1,767)	(1,273)
Term loan		(45,000)	(49,500)	(47,000)
		(48,325)	(51,267)	(48,273)
Net assets				
		234,854	207,765	224,050
Equity				
Share capital		2,228	2,216	2,224
Share premium		10,524	10,409	10,487
Other reserves		762	1,648	(3,002)
Translation reserve		7,903	6,841	(35)
Retained earnings		213,437	186,651	214,376
Total equity		234,854	207,765	224,050

Condensed Group Cash Flow Statement

For the 28 weeks ended 11 August 2018

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	£'000	£'000	£'000
Cash generated from operations			
Profit for the period	19,049	19,277	52,744
Adjusted for:			
Income tax expense	5,436	6,021	16,045
Depreciation and amortisation	12,941	12,285	23,238
Impairments	-	-	4,533
Loss on disposal of property, plant & equipment	9	2	166
Share-based payments	(6)	943	1,876
Net finance expense	1,956	1,182	2,512
Net change in derivative financial assets and liabilities carried at fair value	(802)	(758)	1,517
Share of profit in joint venture	(296)	(191)	(574)
(Increase) / Decrease in non-current prepayments	(491)	33	63
Increase in inventory	(15,009)	(18,906)	(34,067)
Decrease / (Increase) in trade and other receivables	1,094	(6,541)	(6,779)
(Decrease) / Increase in trade and other payables	(23)	4,842	2,845
Decrease in provisions for liabilities and charges	-	(2,161)	(2,917)
Interest paid	(1,792)	(1,548)	(3,341)
Income taxes paid	(5,683)	(6,346)	(13,975)
Net cash generated from operating activities	16,383	8,134	43,886
Cash flow from investing activities			
Purchases of property, plant & equipment and intangibles	(18,508)	(19,101)	(36,562)
Proceeds from sale of property, plant & equipment	-	-	115
Interest received	54	25	61
Dividends received from joint venture	-	-	578
Net cash from investing activities	(18,454)	(19,076)	(35,808)
Cash flow from financing activities			
Repayment of term loan	(3,000)	(3,000)	(6,000)
Dividends paid	(19,377)	(17,176)	(24,553)
Proceeds from issue of shares	41	482	568
Net cash from financing activities	(22,336)	(19,694)	(29,985)
Net decrease in cash and cash equivalents	(24,407)	(30,636)	(21,907)
Cash and cash equivalents at the beginning of the period	(59,331)	(36,673)	(36,673)
Exchange rate movement	525	(49)	(751)
Net cash and cash equivalents at the end of the period	(83,213)	(67,358)	(59,331)
Cash and cash equivalents at the end of the period	19,153	18,030	16,712
Bank overdraft at the end of the period	(102,366)	(85,388)	(76,043)
Net cash and cash equivalents at the end of the period	(83,213)	(67,358)	(59,331)

Notes to the Condensed Interim Financial Statements

For the 28 weeks ended 11 August 2018

1. Basis of preparation

a. Reporting entity

Ted Baker Plc (“the Company”) is a company domiciled in the United Kingdom. The condensed interim financial statements (“interim financial statements”) of Ted Baker Plc as at, and for the 28 weeks ended 11 August 2018 comprise the Company and its subsidiaries (together referred to as the “Group”).

The Group financial statements as at, and for the 52 weeks ended 27 January 2018 are available upon request from the Company’s registered office at Ted Baker Plc, The Ugly Brown Building, 6a St. Pancras Way, London NW1 0TB and at www.tedbakerplc.com.

b. Statement of compliance

These interim financial statements have 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 27 January 2018. These interim financial statements were approved by the Board of Directors on 4 October 2018.

The comparative figures for the 52 weeks ended 27 January 2018 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the Company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified; (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report; and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006. These sections address whether proper accounting records have been kept, whether the Company’s accounts are in agreement with these records and whether the auditor has 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 auditor in accordance with the Auditing Practices Board guidance on Review of Interim Financial Information.

c. Going concern

The Group financial statements for the 52 weeks ended 27 January 2018, approved by the Board on 22 March 2018, included information on the business environment in which the Group operates, including the factors that are likely to impact the future prospects of the Group, together with the principal risks and uncertainties that the Group faces. In addition, the notes to the consolidated financial statements set out the Group's objectives, policies and processes for managing its financial and capital risk and its exposures to credit, market and liquidity risk. Many of the risks and uncertainties reported are such that their potential to impact the Group's operations are inherent and remain valid as regards to their potential impact during the second half of the financial year ending 26 January 2019.

The directors have prepared trading and cash flow forecasts for a period of one year from the date of approval of these interim financial statements. The directors have a reasonable expectation that the Group has adequate cash headroom and expects to meet all banking covenant requirements. Accordingly, they continue to adopt a going concern basis in preparing the financial statements of the Group.

d. Significant accounting policies

This is the first set of the Group financial statements, where IFRS 15 and IFRS 9 have been applied. There was no impact on the previously reported numbers from application of IFRS 15. Changes to significant accounting policies from application of IFRS 9 are disclosed below.

The adoption of IFRS 9 has no material impact on the Group’s financial statements. Under IAS 39, the cash flow hedge reserve relating to cash flow hedges of foreign currency risk associated with forecast inventory purchases were subsequently reclassified to inventory and the amount was presented within the Group Statement of Comprehensive Income. Under IFRS 9, the amounts accumulated in the cash flow hedge reserve are instead included directly in the initial cost of the

inventory item when it is recognised and are no longer presented within the Group Statement of Comprehensive Income. Prior year balances have not been restated.

IFRS 16 replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases - Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

Thus far, the most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases of stores. As at 27 January 2018, the Group's future minimum lease payments under non-cancellable operating leases amounted to £266,691,000 on an undiscounted basis.

2. Segment information

Segment revenue and segment result

Unaudited - 28 weeks ended 11 August 2018	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	220,106	85,882	-	305,988
Cost of sales	(78,906)	(48,629)	-	(127,535)
Gross profit	141,200	37,253	-	178,453
Operating costs	(116,478)	-	-	(116,478)
Operating contribution	24,722	37,253	-	61,975
Licence income	-	-	10,868	10,868
Segment result	24,722	37,253	10,868	72,843
Reconciliation of segment result to profit before tax				
Segment result	24,722	37,253	10,868	72,843
Other operating costs	-	-	-	(46,181)
Exceptional items	-	-	-	(557)
Other operating income	-	-	-	40
Operating profit	-	-	-	26,145
Net finance expense	-	-	-	(1,956)
Share of profit of jointly controlled entity, net of tax	-	-	-	296
Profit before tax	-	-	-	24,485
Capital expenditure	10,289	316	-	10,605
Unallocated capital expenditure	-	-	-	8,103
Total capital expenditure	-	-	-	18,708
Depreciation and amortisation	8,628	256	-	8,884
Unallocated depreciation and amortisation	-	-	-	4,057
Total depreciation and amortisation	-	-	-	12,941
Segment assets	256,740	105,741	-	362,481
Deferred tax assets	-	-	-	4,407
Derivative financial assets	-	-	-	1,268
Intangible assets – head office	-	-	-	32,021
Plant, property and equipment – head office	-	-	-	80,690
Other assets	-	-	-	3,528
Total assets	-	-	-	484,395
Segment liabilities	(136,725)	(50,956)	-	(187,681)
Income tax payable	-	-	-	(9,035)
Term loan	-	-	-	(49,500)
Other liabilities	-	-	-	(3,325)
Total liabilities	-	-	-	(249,541)
Net assets	-	-	-	234,854

Unaudited - 28 weeks ended 12 August 2017	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	217,696	78,030	-	295,726
Cost of sales	(74,974)	(46,699)	-	(121,673)
Gross profit	142,722	31,331	-	174,053
Operating costs	(114,013)	-	-	(114,013)
Operating contribution	28,709	31,331	-	60,040
Licence income	-	-	9,726	9,726
Segment result	28,709	31,331	9,726	69,766
Reconciliation of segment result to profit before tax				
Segment result	28,709	31,331	9,726	69,766
Other operating costs	-	-	-	(45,265)
Exceptional items	-	-	-	1,108
Other operating income	-	-	-	680
Operating profit	-	-	-	26,289
Net finance expense	-	-	-	(1,182)
Share of profit of jointly controlled entity, net of tax	-	-	-	191
Profit before tax	-	-	-	25,298
Capital expenditure	11,515	433	-	11,948
Unallocated capital expenditure	-	-	-	7,415
Total capital expenditure				19,363
Depreciation and amortisation	8,810	261	-	9,071
Unallocated depreciation and amortisation	-	-	-	3,214
Total depreciation and amortisation				12,285
Segment assets	238,485	93,789	-	332,274
Deferred tax assets	-	-	-	4,444
Derivative financial assets	-	-	-	3,575
Intangible assets – head office	-	-	-	25,601
Plant, property and equipment – head office	-	-	-	77,601
Other assets	-	-	-	3,080
Total assets				446,575
Segment liabilities	(125,805)	(45,093)	-	(170,898)
Income tax payable	-	-	-	(9,171)
Provisions for liabilities and charges	-	-	-	(756)
Term loan	-	-	-	(55,500)
Other liabilities	-	-	-	(2,485)
Total liabilities				(238,810)
Net assets				207,765

Audited 52 weeks ended 27 January 2018	Retail	Wholesale	Licensing	Total
	£'000	£'000	£'000	£'000
Revenue	442,451	149,219	-	591,670
Cost of sales	(146,230)	(84,635)	-	(230,865)
Gross profit	296,221	64,584	-	360,805
Operating costs	(225,224)	-	-	(225,224)
Operating contribution	70,997	64,584	-	135,581
Licence income	-	-	21,443	21,443
Segment result	70,997	64,584	21,443	157,024
Reconciliation of segment result to profit before tax				
Segment result	70,997	64,584	21,443	157,024
Other operating costs	-	-	-	(82,256)
Exceptional items	-	-	-	(4,676)
Other operating income	-	-	-	635
Operating profit	-	-	-	70,727
Net finance expense	-	-	-	(2,512)
Share of profit of jointly controlled entity, net of tax	-	-	-	574
Profit before tax	-	-	-	68,789
Capital expenditure	21,621	396	-	22,017
Unallocated capital expenditure	-	-	-	14,821
Total capital expenditure	-	-	-	36,838
Depreciation and amortisation	16,386	455	-	16,841
Unallocated depreciation and amortisation	-	-	-	6,397
Total depreciation and amortisation	-	-	-	23,238
Segment assets	241,427	92,343	-	333,770
Deferred tax assets	-	-	-	4,114
Derivative financial assets	-	-	-	478
Intangible assets – head office	-	-	-	28,611
Property, plant and equipment – head office	-	-	-	79,279
Other assets	-	-	-	2,912
Total assets	-	-	-	449,164
Segment liabilities	(117,940)	(40,961)	-	(158,901)
Income tax payable	-	-	-	(8,522)
Provisions for liabilities and charges	-	-	-	-
Term loan	-	-	-	(52,500)
Other liabilities	-	-	-	(5,191)
Total liabilities	-	-	-	(225,114)
Net assets	-	-	-	224,050

3. Exceptional items

Exceptional items are those items which, in the opinion of the Directors, should be excluded in order to provide a consistent and comparable view of the underlying performance of the Group's ongoing business. Generally, exceptional items include those items that do not occur often and are material.

The Directors believe that the profit before tax and exceptional items, operating contribution (excluding exceptional items) and the adjusted earnings per share measures provide useful information for shareholders on the underlying performance of the business. These measures are also consistent with how underlying business performance is measured internally. The profit before tax and exceptional items measure is not a recognised profit measure under IFRS and may not be directly comparable with adjusted profit measures used by other companies.

Exceptional costs in the 28 weeks ended 11 August 2018 of £0.6m related to debtor balances owed by House of Fraser which are not expected to be recovered following its entry into administration.

Exceptional income in the 28 weeks ended 12 August 2017 of £1.1m related to the release of the provision for the Group's legacy warehouses following assignment of the leases.

Exceptional costs in the 52 weeks ended 27 January 2018 amounted to £4.7m and comprised the impairment of retail assets, relating to three stores in the US and one store in Europe of £4.5m, and restructuring costs of £1.3m, partially offset by income of £1.1m related to the release of the provision for the Group's legacy warehouses following assignment of the leases.

Reconciliation of profit before tax to profit before tax and exceptional items

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	£'000	£'000	£'000
Profit before tax	24,485	25,298	68,789
Provision for specific trade and other receivables	557	-	-
Impairment of retail assets, relating to three stores in the US and one store in Europe	-	-	4,533
Restructuring costs	-	-	1,251
Movement in provisions related to the Group's legacy warehouses	-	(1,108)	(1,108)
Exceptional items	557	(1,108)	4,676
Profit before tax and exceptional items	25,042	24,190	73,465

4. Finance income and expenses

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	£'000	£'000	£'000
Finance income			
- Interest receivable	54	25	61
- Foreign exchange gains	494	459	741
	<u>548</u>	<u>484</u>	<u>802</u>
Finance expenses			
- Interest payable	(1,925)	(1,656)	(3,301)
- Foreign exchange losses	(579)	(10)	(13)
	<u>(2,504)</u>	<u>(1,666)</u>	<u>(3,314)</u>

5. Earnings per share

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	No.	No.	No.
Number of shares:			
Weighted number of ordinary shares outstanding	44,509,556	44,226,509	44,306,134
Effect of dilutive options	82,576	501,764	289,241
Weighted number of ordinary shares outstanding – diluted	<u>44,592,132</u>	<u>44,728,273</u>	<u>44,595,375</u>
Earnings:		£'000	£'000
Profit for the period – basic and diluted	19,049	19,277	52,744
Profit for the period – adjusted*	19,513	18,433	56,597
Basic earnings per share	42.8p	43.6p	119.0p
Adjusted earnings per share*	43.8p	41.7p	127.7p
Diluted earnings per share	42.7p	43.1p	118.3p
Adjusted diluted earnings per share*	43.8p	41.2p	126.9p

Diluted earnings per share and adjusted diluted earnings per share have been calculated using additional ordinary shares of 5p each available under the Ted Baker Sharesave Scheme and the Ted Baker Long-Term Plc Incentive Plan 2013.

**Adjusted profit for the period and adjusted earnings per share are shown before exceptional costs (net of tax) of £0.5m (28 weeks ended 12 August 2017: exceptional income of £0.8m, 52 weeks ended 27 January 2018: exceptional costs of £3.9m).*

6. Dividends per share

	Unaudited 28 weeks ended 11 August 2018	Unaudited 28 weeks ended 12 August 2017	Audited 52 weeks ended 27 January 2018
	£'000	£'000	£'000
Final dividend paid for the prior year of 43.5p per ordinary share (2017: 38.8p)	19,377	17,176	17,176
Interim dividend paid 2018: £nil (2017: £nil)	-	-	7,377
	<u>19,377</u>	<u>17,176</u>	<u>24,553</u>

The Board has declared an interim dividend of 17.9p per share (2017:16.6p) payable on 23 November 2018 to shareholders on the register at 12 October 2018.

7. Income tax expense

The Group's full year forecast effective tax rate in respect of continuing operations for the 28 weeks ended 11 August 2018 is 22.2% (28 weeks ended 12 August 2017: 23.8%; 52 weeks ended 27 January 2018: 23.3%).

This effective tax rate is higher than the UK corporation tax rate for the period of 19% due to higher overseas tax rates and the non-recognition of losses in overseas territories where the businesses are still in their development phase.

There will be a further reduction in the UK corporation tax rate to 17% from 1 April 2020.

Our future effective tax rate is expected to remain above the UK tax rate as a result of a growing proportion of overseas profits arising in jurisdictions with higher tax rates than the UK.

8. Long-Term Incentive Plan

Share awards are made in the form of nil-cost options over the Ordinary shares in Ted Baker Plc under the Long-Term Incentive Plan 2013 ("LTIP 2013"), which was approved by the shareholders at the general meeting held on 20 June 2013. The options are exercisable three years after the date of grant subject to the satisfaction of profit before tax per share and share price performance targets, each measured over a three year period. The profit before tax per share target is calibrated so that the percentage of awards that vests is linked to the level of profit growth achieved. A fifth award of options was granted under the LTIP 2013 on 3 April 2018.

The terms and conditions of the LTIP 2013 awards made during the 28 weeks ended 11 August 2018 are as follows:

Grant date	Type of award	Number of shares	Vesting conditions	Vesting period
3 April 2018	LTIP 2013	251,786	Adjusted profit before tax per share growth of 10-15% per annum and 10% share price growth over the vesting period	Up to 100% after three years

The credit to the income statement for the 28 weeks ended 11 August 2018 for LTIP 2013 awards amounted to £229,248 (28 weeks ended 12 August 2017: charge of £743,402, 52 weeks ended 27 January 2018: charge of £1,494,000). Included in the credit for the period is an amount in respect of R S Kelvin, who is employed by the Company, amounting to £37,371 (28 weeks ended 12 August 2017: charge of £97,234, 52 weeks ended 27 January 2018: charge of £185,000).

The Monte-Carlo valuation methodology has been used as the basis of measuring fair value of awards made under the LTIP 2013. The range of inputs into the Monte-Carlo model was as follows:

Share price at grant	2,364.0p - 2,855.0p
Share price at grant (based on 3-6 month average) for share price performance condition	2,385.0p - 2,809.0p
Risk free interest rate	0.18% - 0.87%
Expected life of options	3 years
Share price volatility	29.0% - 33.18%
Dividend yield	1.41% - 2.27%

9. Reconciliation of cash and cash equivalents per balance sheet to the cash flow statement

	Unaudited 11 August 2018	Unaudited 12 August 2017	Audited 27 January 2018
	£'000	£'000	£'000
Cash and cash equivalents per balance sheet	19,153	18,030	16,712
Bank overdraft per balance sheet	<u>(102,366)</u>	<u>(85,388)</u>	<u>(76,043)</u>
Cash and cash equivalents per cash flow statement	<u>(83,213)</u>	<u>(67,358)</u>	<u>(59,331)</u>

10. Intangible assets

Intangible asset additions during the period were £4.9m (12 August 2017: £7.0m, 27 January 2018: £13.3m) in relation to the Microsoft Dynamics AX system, further development of our e-commerce platforms and investment in other business wide systems to support the long term development of the business.

11. Property, plant and equipment

Property, plant and equipment asset additions during the period were £13.8m (12 August 2017: £12.4m, 27 January 2018: £23.5m) primarily in relation to store refurbishments, openings and our distribution centre in the UK and North America to support our continued growth.

12. Financial Instruments

The Group held certain financial instruments at fair value at 11 August 2018. The definitions and valuation techniques employed for these as at 11 August 2018 are consistent with those used at 27 January 2018 and disclosed in Note 23 on pages 118 to 125 of the 2018 Annual Report:

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

Valuation of all financial assets and liabilities carried at fair value by the Group is based on hierarchy Level 2.

While the carrying values of assets and liabilities at fair value have changed since 27 January 2018, the Group does not consider the movements in value to be significant, and the categorisation of these assets and liabilities in accordance with the disclosure requirements of IFRS 7 has not materially changed.

Level 2 assets and liabilities are shown as:

	Unaudited 11 August 2018 £'000	Unaudited 12 August 2017 £'000	Audited 27 January 2018 £'000
Assets at fair value:			
Currency derivatives	1,147	3,575	334
Interest rate swap	121	-	144
Liabilities at fair value:			
Currency derivatives	-	(418)	(3,918)
Interest rate swap	-	(300)	-

13. Related parties

The Group considers its Executive and Non-Executive Directors as key management and therefore has a related party relationship with them.

Directors of the Company and their immediate relatives control 35.1% (12 August 2017: 35.3%) of the voting shares of the Company.

At 11 August 2018, the main trading company owed the parent company £36,601,000 (12 August 2017: £37,013,000). The main trading company was owed £164,297,000 (12 August 2017: £142,141,000) from other subsidiaries within the Group.

Transactions between subsidiaries and between the parent and subsidiaries were priced on an arm's length basis.

The Group has a 50% interest in the ordinary share capital of No Ordinary Retail Company Pty, a company incorporated in Australia. As at 11 August 2018, the joint venture owed £482,000 to the main trading company (12 August 2017: £596,000). The value of sales made to the joint venture by the Group in the period was £1,308,000 (12 August 2017: £1,465,000).

14. Principal risks and uncertainties

The principal risks and uncertainties affecting the Group were identified as part of the Group Strategic Report, set out on pages 22 to 26 of the Ted Baker Annual Report and Accounts for the 52 weeks ended 27 January 2018, a copy of which is available on the Group's investor relations website at www.tedbakerplc.com.

The Group has established a structured approach to identify, assess and manage these risks and this is regularly monitored and updated by the Risk Committee. The following list highlights some of the principal risks, which are unchanged from the prior year end and remain relevant for the second half of the financial year:

Strategic Risks

- Brand and reputational risk as a result of our actions or those of our partners or supply chain;
- Failure in the development of the Group's international business through franchise operations, licensees and e-commerce;
- Risk that our offer will not satisfy the needs of our customers or that we fail to correctly identify trends;
- Significant external events that may occur which may affect the global, economic and financial environment in which we operate; and
- The increased level of economic and consumer uncertainty arising from the UK's decision to leave the European Union.

Operational Risks

- Failure in our supply chain affecting our ability to deliver our offer to customers and/or partners;
- Outlook in the retail sector remains uncertain with increasing pressures on the Group's customers;
- Operational problems affecting the infrastructure of our business;
- Failure to operate in a sustainable and responsible manner;
- Cybersecurity or IT breach and unauthorised data access or loss;
- Poorly managed implementation or take-up of new systems, leading to business disruptions;
- Loss of key individuals;
- Non-compliance with applicable legislation and regulations; and
- Unauthorised use of our designs, trademarks and other intellectual property rights.

Financial Risks

- Currency, interest and credit risks; and
- Fluctuations in foreign currencies.

Responsibility statement of the directors in respect of the interim financial statements

The directors confirm that to the best of their knowledge:

- the condensed financial statements have been prepared in accordance with IAS 34, *Interim Financial Reporting* as adopted by the EU;
- 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 28 weeks of the financial year and their impact on the condensed financial statements, and a description of the principal risks and uncertainties for the remaining 24 weeks of the financial year; and
 - (b) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first 28 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 Ted Baker Plc are listed on page 36 of the Annual Report and Accounts as at, and for, the 52 weeks ended 27 January 2018. A list of current directors is maintained on the Ted Baker Plc website, at: www.tedbakerplc.com

By order of the Board

R S Kelvin CBE
Founder and Chief Executive
4 October 2018

L D Page
Chief Operating Officer and Group Finance Director
4 October 2018

Cautionary statement regarding forward-looking statements

This announcement contains certain forward-looking statements. These forward-looking statements include matters that are not historical facts or are statements regarding the Group's intentions, beliefs or current expectations concerning, among other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies, and the industries in which the Group operates. Forward-looking statements are based on the information available to the directors at the time of preparation of this announcement, and will not be updated during the year. The directors can give no assurance that these expectations will prove to have been correct. Due to inherent uncertainties, including both economic and business risk factors underlying such forward looking information, actual results may differ materially from those expressed or implied by these forward-looking statements.

INDEPENDENT REVIEW REPORT TO TED BAKER PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 28 weeks ended 11 August 2018 which comprises the Condensed Group Income Statement, the Condensed Group Statement of Comprehensive Income, the Condensed Group Statement of Changes in Equity, the Condensed Group Balance Sheet, the Condensed Group Cash Flow Statement and the related explanatory notes.

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 28 weeks ended 11 August 2018 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

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 Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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.

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 DTR of the UK FCA.

As disclosed in Note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

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.

The purpose of our review work and to whom we owe our responsibilities

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 reached.

Lourens de Villiers
for and on behalf of KPMG LLP
Chartered Accountants
15 Canada Square
London
E14 5GL
4 October 2018