

10 April 2019

ASOS plc
Global Online Fashion Destination

Interim Results for the six months to 28 February 2019

Summary financial results

£m ¹	Six months to 28 February 2019	Six months to 28 February 2018	Change	CCY ² Change
Group revenues ³	1,314.5	1,158.1	14%	12%
Retail sales	1,281.3	1,131.3	13%	11%
UK retail sales	481.5	414.5	16%	16%
International retail sales	799.8	716.8	12%	9%
Gross profit	639.9	569.4	12%	
Retail gross margin	47.4%	48.0%	(60bps)	
Gross margin	48.7%	49.2%	(50bps)	
Profit before tax	4.0	29.9	(87%)	
Diluted earnings per share	3.6p	29.2p	(88%)	
Net (debt)/cash	(37.9)	37.7	(201%)	

¹All numbers subject to rounding throughout this document; ²Constant currency is calculated to take account of hedged rate movements on hedged sales and spot rate movements on unhedged sales; ³Includes retail sales, delivery receipts and third-party revenues

Results summary

- Total sales grew at +14%
- UK sales rose by +16%, and international sales by +12%
- ASOS Design +5%, now annualising c.£1 billion; 3rd party brand revenues +18%,
- Retail gross margin down 60bps
- PBT £4m, after c.£24m (H118: c.£11m) temporary transition costs
- Customer engagement: active customers⁴ +16%, average basket value -2%, order frequency⁵ +4%
- Total orders placed 34.4m, +15% year on year
- US Hub operations stabilised
- Net debt position of £37.9m, enhanced RCF facility of £220m

Guidance

- No change to FY19 reported sales, EBIT guidance; c.15% and c.2% EBIT margin respectively
- No change to FY19 capex c.£200m, guiding to c.£150m in FY20
- Year end net debt of c.£50m, returning to free cash flow positive in FY20

Nick Beighton, CEO, commented:

"We grew sales by 14% despite a more competitive market. ASOS is capable of a lot more. We have identified a number of things we can do better and are taking action accordingly. We are confident of an improved performance in the second half and are not changing our guidance for the year.

We are nearing the end of a major capex programme. Whilst this has inevitably involved significant disruption and transition costs, the global capability it now provides us gives us increased confidence in our ability to continue to capture market share whilst restoring profitability and accelerating free cash flow generation.

Global online fashion is a growing, £220bn+ market. We now have the tech platform, the infrastructure, a constant conversation with our growing customer base who love our own great product and the constantly evolving edit of brands we present to them. We believe that ultimately there will only be a handful of companies with truly global scale in this market. We are determined that ASOS will be one of them"

⁴ Defined as having shopped in the last twelve months as at 28 February; ⁵ Calculated as last twelve months' total orders divided by active customers

Investor and analyst meeting:

There will be a meeting for analysts that will take place at 9.30am today, 10 April 2019, at Numis Securities, 10 Paternoster Row, London EC4M 7LT. Photo ID and security checks will be required so please ensure prompt arrival. A webcast of the meeting will be available both live and following the meeting at www.asosplc.com. Please register your attendance in advance with Tom Berger at Instinctif Partners on either 020 7457 2834 or tom.berger@instinctif.com.

For further information:

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Forward looking statements

This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Background on ASOS

ASOS is a global fashion destination for 20-somethings, selling all the freshest styles complemented by exclusive content, making ASOS.com the hub of a thriving fashion community and giving our audience the confidence to be whoever they want to be. ASOS sells over 85,000 branded and ASOS Brand products through localised app and mobile/desktop web experiences, delivering from fulfilment centres in the UK, US and Europe. ASOS curates a mix of our in-house designed labels, ASOS DESIGN, ASOS EDITION, ASOS WHITE, ASOS 4505 and Collusion with global and local brands sold through our own channels to deliver a locally relevant offer. Our ground-breaking propositions help bring our amazing products to almost every country in the world and we serve customers globally with increasingly tailored local experiences: relevant languages, payment methods and delivery and return options. You can currently shop ASOS in over 200 markets, in eight languages, using an ever greater number of different payment methods, with hundreds of local deliveries and returns options from pick up and drop off networks to Next-Day Delivery. We aim to give all our global customers a truly frictionless experience.

ASOS's websites attracted 171.6m visits during February 2019 (February 2018¹: 148.0m) and as at 28 February 2019 had 19.2m active customers² (28 February 2018: 16.5m), of which 6.2m were located in the UK and 13.0m were located in international territories (28 February 2018: 5.5m in the UK and 11.0m internationally).

¹Restated visits, previously reported number 156.9 million, ²Defined as having shopped in the last twelve months as at 28 February

ASOS plc ("the Group")

Global Online Fashion Destination

Interim Results for the six months to 28 February 2019

Overview

ASOS achieved total sales growth of 14% to £1,314.5m (H1 2018: £1,158.1m) and retail sales growth of 13% to £1,281.3m (H1 2018: £1,131.3m). Retail gross margin decreased by 60bps to 47.4% (H1 2018: 48.0%). Total operating costs to revenue increased by 170bps to 48.3% (H1 2018: 46.6%) of which 90bps related to transition costs largely relating to our new warehouse capacity. Consequently, reported profit before tax fell by 87% to £4.0m (H1 2018: £29.9m).

Our performance across H1 has been disappointing and we are capable of achieving more. Whilst delivered against a challenging market backdrop, our performance was undoubtedly impacted by the large scale transformational projects we have been undertaking and some of the choices we made on short term pricing, marketing and inventory to manage the business through this period. These decisions, combined with disruption from the scale and pace of change, temporarily compromised our customer proposition, notably "newness", the competitiveness of our product and our engagement with our customers. We have already taken corrective action to address these issues and are also taking a broader look at how to better serve our customers and strengthen the ASOS proposition. We are confident of delivering a stronger performance in the second half.

We are nearing the end of this record period of investment in both our technology platforms and our logistical infrastructure, the benefits of which will begin to be realised in the second half and increasingly thereafter. Capital expenditure was £103.2m during the period (H1 2018: £107.7m). Work has continued at pace in our Euro Hub distribution centre to raise its efficiency levels towards those we achieve at our UK Hub in Barnsley. We have provided additional disclosure on our technology investment, splitting our investments between "lights on", efficiency, transformation and growth in the section on Technology.

We are now through the peak of this heavy investment phase: capital expenditure guidance for the current year is maintained at c.£200m (FY18: £242m) and will reduce further to c.£150m in the next financial year. The investments we are making, particularly in the EU and US, will improve our capability, customer experience and productivity. As we conclude the current phase of investment we will have even stronger, more efficient and better localised operational capabilities within our three key markets - the UK, Europe and the US - positioning us well for the next stage of our growth.

Net debt at the end of the period was £37.9m, within our enhanced RCF facility of £220m. We retain a significant liquidity buffer and remain confident of returning to a free cash flow position in FY20 as our current period of intense capital expenditure comes to a close.

Whilst we focus on improving and sustaining the level of our top line growth and free cash flow generation, we are also determined to restore profitability. We can achieve this through efficiencies across delivery, staffing and warehousing in each of our three key locations as current temporary transition costs fall away, underpinning our long term goal of reducing warehouse costs to c.8% of revenue.

The opportunity for ASOS in global online 20-something fashion remains as attractive as ever and we remain as determined to capture it. Our overarching strategy is unchanged, and our management team is energised and focussed on the tasks we have identified to put ASOS back on its growth track. These include restoring our product newness, realigning our creative presentation, reducing prices in a number of key territories, restoring Search Engine Optimisation ("SEO") and an upweighted and refreshed marketing strategy. To give our investors and other stakeholders a better insight into the actions we are taking, this statement is more detailed than usual.

Financial summary

Retail gross margin fell 60bps in the half with the substantial decline of -160bps in Q1 due to the high level of discounting and promotional activity across the market being partially offset by stronger performance of +40bps for Q2. We retain our unchanged FY guidance of c.-150bps. This reflects the recent US warehouse launch (and the subsequent freight and duty cost that this will entail) as well as the recently deployed EU price investments to ensure our products are more competitive and retain some further flexibility to invest deeper if appropriate.

The operating expenses to sales ratio increased by 170bps to 48.3%. The main elements of deleverage were within our warehousing and depreciation cost lines. As noted above, 90bps of this movement was down to temporary transition costs and 30bps was due to rising depreciation tracking accelerated Capex over recent periods.

In H2 and thereafter we anticipate leverage across warehousing, distribution and staff cost lines to offset a lower gross margin and the increase in depreciation. Warehouse costs will reduce as a % of sales as the Euro Hub transition costs begin to drop away as automation goes live in this facility. Relative distribution costs will be lower than both H1 19 and FY18 as the benefits of shipping US orders from our US warehouse begins to flow through. Finally, we will see leverage in our staffing and payroll costs.

Performance by market

The UK had a strong six months delivering sales growth of +16% which has been underpinned by improving behaviour from existing customers. Order growth was 20% from a 4% increase in traffic, supported by an 11% increase in frequency and a 70bps increase in conversion. Active customer growth was strong at +13% year on year, driven by the strong customer acquisition in H2 18. The rate of acquisition was behind our expectations in the first half of this year. This was felt primarily in slower acquisition of younger customers which we are actively working to improve through our product, presentation and engagement which we deal with in more detail under Product. Nevertheless, we once again continued to grow market share in our home market.

EU sales grew 10% in constant currency, behind our initial plans, largely due to weakness in the German and French markets. The performance of the other EU countries was more encouraging at +22%. A planned reduction in marketing in H2 18 to manage demand (see more detail below) impacted both traffic and customer acquisition. EU active customers increased by 17% to 7.4m year on year, however we added 0.3m customers in H1, compared to 0.6m in H1 18. Performance in this segment was also impacted by pricing, evidenced by a 10bps reduction in conversion and a 4% decline in frequency. We are now picking up the pace of our marketing activity and have lowered pricing in some of our key European territories. We retain the flexibility within gross margin to invest further if required.

Within the US, constant currency sales growth was behind plan at 4% (Q1: +11%, Q2: -3%). As our Atlanta warehouse went fully online in early February, demand far exceeded our expectations (billed sales increased c.80% over the first three day period) and the warehouse was not staffed to cope. More detail can be found under Logistics. Whilst encouraging for the longer term, this caused a significant short-term despatch back log which we have now cleared. These delayed shipments will be recognised in H2 and US trading is now restabilising.

ROW sales grew 9% in constant currency with a much improved trajectory in Q2 with particularly strong performances in Russia and the Middle East. Russia benefited from the rephasing of cyber week activity into Q2 driving sales growth of +50% in the quarter to become our fifth largest sales country. Visits growth was strong during the half and promotional activity in the period drove encouraging levels of new customer acquisition.

Customers & Brand

During H1 visits were 1,085.4m, up 11% on H1 2018 whilst orders were up 15%. Active customers increased to 19.2m, up 16% year on year. However, active customer growth in the first half slowed with 0.8m active customers added in the first half compared with 1.1m in the prior year. France and Germany were the primary cause of this with first half active customer growth slowing from +9% to +2%.

Whilst improvements in conversion and frequency have partially offset slower customer acquisition, growth in both active customers and traffic has been behind our plans. There have been a number of contributing factors, which we are currently addressing as detailed below.

We reduced performance marketing in the second half of FY18 to manage down demand and protect profitability whilst the Euro Hub was operating on a manual basis. However, the impact has been felt to a greater extent than anticipated into the current financial year, with softness in organic traffic and new customer growth, primarily through Direct and SEO. There has been a clear correlation with awareness and consideration, we have seen declines across several of our key markets, most notably in France and Germany. This, in conjunction with a more competitive environment and a softer market has contributed to lower organic new customer acquisition and has weighed on our top line performance overall.

In response to this we have not only restored but begun to upweight our digital marketing activity. This has begun to improve new customer acquisition and has gone some way to offsetting the softness in organic acquisition. Organic customer acquisition via our brand channels remains a priority for us and we have renewed our focus on activity to drive reach, traffic and awareness amongst our target audience. This has begun with our recent ASOS Design campaign which focussed on increasing awareness of our exclusive and limited runs of ASOS Design product. This will continue during the year with our Summer of Festivals programme in the US, which will be a six month campaign driven by influencer activations at a series of top music festivals across the US. It will include ASOS as the exclusive retail sponsor of the Life

is Beautiful festival in Las Vegas and will kick off with a launch party in Los Angeles in April. This represents some of our refreshed strategy around influencer engagement, where we will significantly upweight our activity year on year.

Traffic was further impacted by some instability in SEO performance, which led to a decline in Search Engine Ranking Positions ("SERPs"). This was caused by multiple customer navigation changes to our websites and our release of 200 local web experiences, which whilst strategically the right thing to do, had an impact on SEO rankings in the short term. We have been working hard to rectify this and are now seeing early signs of recovery in our key SERPs.

Our student and premier programmes continue to build loyal customers. In the UK we saw a shift from (the now closed) A-List to Premier and we now have 1.3m Premier customers, up 26% year on year.

Instagram, Facebook, and YouTube continue to be valuable platforms of engagement with our target audience, with new features such as longer form Instagram TV providing increased visibility and engagement. These platforms will all continue to roll-out advanced shopping features which we will continue to test in partnership with them.

We saw a 2% decline in Average Basket Value in H1 year on year, driven mainly by average selling price (-3%) which reflects the growth in lower price point high street brands and the elevated promotional environment. As the promotional environment eased through the half the underlying trend improved moving from -6% in Q1 to -1% in Q2.

Across H1, we continued to see growth in frequency, up 4% year on year, as the UK and US showed healthy increases. Combined with broadly flat items per basket (+1%) this demonstrates the strength of the ASOS offer rather than a shift towards smaller, more frequent orders. The increase in frequency also reflects the role existing customers have had in underpinning our sales growth in H1. We saw a reduction in churn across all territories and a corresponding increase in average lifetime value.

Challenges in H1 aside, ASOS has built a very strong brand with great customer engagement. We have 19.2 million active customers and 23 million social media followers globally. Our market leading apps are actively installed on over 16.9 million devices across the world and our platforms were visited over 2 billion times over the course of the last year.

Product

Within overall retail sales growth of 13% in H1, third party brand ("3PB") performance was +18% whilst ASOS Design had a more challenging season, trading +5% year on year. Within this, Menswear (+1%) was more challenging than Womenswear (+7%) and as a result, the ASOS Design mix reduced to 36%, down 3% year on year. The ASOS Design mix excludes Collusion and our venture brands, which would add a further c.2% to the mix. We have looked closely at this weaker performance in ASOS Design and there are a number of areas where we have already taken action, particularly with regard to restoring the level of newness, refreshing our presentation and reviewing our price points.

We continue to see encouraging performance from our category development. Collusion has been the most successful brand launch ever on ASOS, selling 1.5m units in H1 and firmly establishing itself as a top 10 brand with full price sell through above the group average. Within the UK Collusion is the most searched brand on ASOS. Globally our Face + Body category continued to grow strongly, +47% year on year, albeit from a low base. We launched 30 new brands in this category during the half including 4 from Estee Lauder group as Tommy Hilfiger, Aveda, Estee Lauder and Kilian launched. From a standing start 18 months ago, this category has reached annual sales of c.£60m, gaining us traction in a multi-billion-pound market giving us high hopes for both the category and further launches in the future. ASOS 4505 continued to perform well within our Activewear category, with sales in the period up almost 100% compared to H2 18 having launched in early 2018.

Considering product in more detail, a few of our categories performed behind our expectations in the first half and we are now clear on where some ranges were not quite right. Menswear performance across tailoring, accessories and footwear was soft but we had success with key trends including oversized tops and animal prints. In womenswear, 'Going Out' was softer than planned and we continue to see a decline in lace and embellished dresses. Overall, evening dresses, accessories and swimwear were disappointing. However, performance in day dresses, casual bottoms, skirts and jersey tops was strong and with full price sell through up over 25% in some categories. Slower sales of cold weather product, reflecting the unseasonably warm autumn winter in Europe, was also unhelpful with the category trading down 5% and against a very strong prior year comparison.

We have already taken action to strengthen our product ranges, we have increased trading into shorter lead time sourcing, allowing for an even faster fashion response. We have reviewed how our product is presented and reshot across both customer segments and key trends (Neon, Safari, Utility) and are already seeing strong uplifts as a result.

Within 3PB, high street brands continue to perform well (+36%) whilst premium brand performance slowed year on year. We continually review and update our branded portfolio to ensure it remains exciting and relevant. Over the half we exited over 280 brands and added over 190 new ones. Some more established premium brands don't currently appeal to our 20-something customers and we have exited these, onboarding others that resonate better. This has impacted Average Selling Price and hence our Average Basket Value, something we believe should improve with the onboarding during H2 of several exciting new brands such as Opening Ceremony and Margiela MM6. We have also secured a mix of smaller, fresher up-and-coming brands alongside more established brands such as &Other Stories, which will be going live across this spring summer and into autumn winter, as we continue to focus on sharpening the relevance of our product offering.

During H1 we also reviewed our approach to the presentation of our product both on site and on social channels, alongside the velocity of our conversations with customers. We are currently working to improve our creative representation to ensure our look and feel strikes the correct balance between being inspirational and at the same time accessible to all our customers. We have identified that some of our creative content had drifted too far from our mainstream fashion loving audience and we are restoring a focus on presenting product in the fun and glamorous way many of our customers want to see it styled. We are super aware of the value our customers place on breadth of offer and choice from ASOS and delivering this is a day to day priority around the business.

Our retail strategy in H1 had prioritised availability at the expense of breadth, increasing average line buy to ensure availability in all sizes across our growing warehouse footprint as we transitioned to our new US Hub and continued to build inventory at Euro Hub. We also prioritised maximising full price sell-through and entering spring summer with a clean stock position. As a result, we presented our customers with a reduction in choice. Intake options were down slightly year on year as the available SKU count reduced to 85,000 from 87,000 which had a greater than expected impact on demand.

We have already moved to address this and intake for spring summer is planned to be up year on year ahead of the intake growth we saw in the first half with a particular focus on ASOS Design. Our retail strategy is focussed on increasing both the range of options and the frequency of drops across the season to restore the consistent levels of newness that excite our customers.

As a part of our change in clearance strategy we took a more localised territory approach to sale launch which resulted in an improved finish to the period, generating a higher full price mix alongside tighter stock across all warehouses. We believe we are entering spring summer in a stronger position, with a cleaner stock profile, enhanced newness, a renewed focus on ASOS design and what appeals to our 20 something fashion loving customer.

The ASOS Design brand is now a c.£1 billion p.a. business, supported by a strong internal design team of over 100. Additionally, we have built strong relationships with over 800 brands and counting, globally. More want to engage with us. We have built the facilities and the capabilities in London to style and shoot over 5,000 new items of product every week. We have worked relentlessly to scale our capacity efficiently within production without compromising on presenting our product in beautiful ways that really inspire our fashion loving customers.

Logistics

FY19 is the culmination of several years of transformational change for ASOS as we develop our logistics infrastructure and expand our global reach, whilst driving warehouse efficiency and reducing delivery costs through greater levels of local fulfilment.

USA

During February we made the 'web to warehouse' switch to our Atlanta facility, which pointed the US website solely to this warehouse and the US specific stock pool that had been built up over the course of the half for the first time. Following this switch, we saw a dramatic spike in US conversion, increasing from 3% to 4% vs. the prior week accompanied by a significant increase in traffic which exceeded our forecasts. This drove a corresponding increase in billed sales of almost 80% YoY over the initial three day period. The surge in traffic and demand surpassed our forecasts as we had not increased marketing activity or altered the customer proposition at this stage. Customers and shopping ads were seeing improved availability and new brands in the US segregated stock pool and we had underestimated the impact this would have.

We therefore had not staffed Atlanta adequately to cope (869 staff prior to launch) with this level of demand and a substantial backlog of orders built very quickly. As a result, the delivery proposition had to be extended, initially adding 2 days to service promises and subsequently further extending to plus 4 days.

In order to help clear the backlog of orders, the US website was pointed back to Barnsley before local fulfilment from Atlanta could be gradually stepped back up. The issues experienced within our US warehouse were caused by staffing

levels rather than systems. Staff levels at the facility have been nearly doubled (to 1,532) and during the week commencing 25 March we restored our service delivery promise and full local fulfilment from Atlanta. We acknowledge we have disappointed a number of our customers and we have acted fast to rebuild their trust via targeted outreach.

Having restored operations, we are now looking to make customer facing improvements in proposition. During H2 we will begin to deploy clustering in the US for delivery propositions. This will allow us to tailor delivery based on customer location and for the first time, offering next day delivery to some of our customers. Looking forward, we see a substantial opportunity ahead of us in the US.

Continental Europe

Testing of automation continues to progress well at our Euro Hub warehouse at Berlin in advance of planned go live later this month.

Automation go live will raise the throughput speed in this warehouse closer to levels achieved at our Barnsley distribution centre, in turn allowing us to improve our next day delivery ordering cut off times across Germany. Next day delivery is already available to customers across the EU and is a competitive proposition to our customers. The increase in throughput speed will therefore allow greater volume to be routed via road freight, generating further delivery cost efficiencies alongside the reduction in labour cost per unit.

UK and ROW

Within our UK and ROW facilities, Barnsley continued to operate very efficiently, comfortably handling the step up in despatch volumes over peak. Maximum achieved daily output from the facility increased by another 10% year on year. Focus at this site is now on driving further efficiencies and maximising throughput. As part of this, H1 saw the installation of a dynamic buffer, representing a further step in warehouse automation. This technology predicts demand throughout the day, having these items picked and brought closer to the packing bench in advance, further reducing processing time as well as generating efficiencies in re-picking items from returns.

Dealing with returns, our new facility in Doncaster is now fully operational as a UK and ROW facing site, increasing processing capability alongside the existing Selby operation. ASOS now has 7 sites processing returns across 5 different countries. A new returns processing system is currently being implemented across our facilities which will improve productivity by c.10% and remove the requirement for additional returns facilities in the medium term.

Following completion of the current investment programme, we will have built world class automated facilities to our own specific needs in three regions to support sales growth for the next two to three years. From here we will focus on optimising efficiency across the global warehouse footprint we have built.

We have the capacity to despatch nearly 10 million units a week as well as the capacity to process over 3.5 million returns a week. We are servicing over 60,000 pick-up drop-off ("PUDO") locations globally and have built relationships with over 35 carriers shipping to over 230 territories. The power and reach of our infrastructure gives us confidence in our ability to achieve our growth ambitions.

Technology

Technology investment totalled £55.1m during the half (H1 2018: £57.1m). Our technology teams have delivered a wide range of projects across "lights on", efficiency, transformation and growth.

Investment in "lights on" capex covers spend on initiatives required to support our business day to day, but are not specifically targeted at driving additional incremental growth alone. Within H1 this totalled 15% of the spend and covered upgrades to our finance system, infrastructure and security.

17% of our technology spend was directed at improving efficiency across the business, with the majority directed towards logistics. We developed the new software that will improve processing and efficiency within our returns facilities which we are now rolling out across all locations and we have added new carrier management software for outbound operations which gives us greater commercial and operational flexibility into the future.

Transformation accounted for 26% of H1 spend, the majority of which was on our Truly Global Retail (TGR) programme and our major Supply Chain programmes. TGR covers the implementation of an entirely new buying and merchandising system. This multi-year project is critical to the next stage of our growth and our ability to trade as a global retailer from different locations, in foreign currencies whilst optimising our stock management across multiple warehouses. TGR will also improve efficiencies across our retail teams through the removal of manual processes. Our tech team also worked on

our Supply Chain including the integration of our central systems with the warehouse management systems in our Atlanta warehouse. We are also continuing work on the integration and testing of the new warehouse management systems and automation in our Euro Hub facility.

Growth and customer experience focussed developments represented 42% of Tech capex spend which was split across our e-commerce and data platforms including product, sizing, recommendations and personalisation. Highlights include the roll-out of improved fit analytics to our apps, further development of recommendations on product and category pages, bag abandonment and back in stock notifications, and the new 'Boards' feature for saved items in our app. This allows customers to curate their own saved items in any way they choose, with suggestions for outfits or occasions. This development has landed very well with customers with 3 million boards already created and now averaging 130k new boards a week, driving improved levels of customer engagement.

Growth through international specific investment saw the roll-out of gift vouchers in all our currencies to sit alongside our GBP offering, as well as four new currencies and two new payment methods in Australia and Russia. US sales tax at check-out also went live in February, providing the functionality to pass sales tax on to customers as appropriate on a state by state basis.

Looking forward into H2, the capex split will be broadly consistent and highlights from Tech's growth initiatives will include progress on Polish and Danish local language websites which we plan to switch on early next financial year, premier renewal improvements, greater visibility and communications to our customers of order and refund status, changes in our refund policies, delivery promise clustering by region plus a new payment method for our US customers and a number of customer journey/conversion optimisation opportunities which we are testing.

The state of the art technology platform we have built over the past five years delivers micro-service architecture with fully native mobile experience in android and iOS apps. The platform allows for significantly greater transaction volume at enhanced levels of stability, capable of handling anticipated future peak volumes. A critical benefit of the new platform is the increased ability to deliver technical change and innovation at pace: it is capable of delivering many more customer enhancements, new payment methods, new language sites and stronger customer engagement. ASOS currently has 10 country specific websites and apps with localised experiences in 200 territories. The technology platform we have built and will continue to extend is a potent tool in our determination to be one of the world's leading online fashion retailers.

People

At the end of February 2019, ASOS employed 4,767 people, year on year growth of 11% and up 9% since the end of FY18. Of the 490 heads added year on year, over half of these were within customer care following the continuation of our ongoing programme to insource local language customer care. Since the end of August 2018, headcount within head office is broadly flat.

We are pleased to confirm that Mathew Dunn will formally assume his role and join the PLC Board on 23 April and we look forward to welcoming both Mat's experience and fresh perspectives to the Company.

We recognise that with the considerable growth of the past years, we need to keep scaling our senior management bench strength. We appointed Mark Holland as Chief Operating Officer in December 2018 and expect to further strengthen our management team.

Capex & cash flow

In allocating capital across ASOS, investments are selected to support the growth trajectory of the business and generate a superior return, either from an efficiency cost saving perspective or in unlocking future growth potential. We invested £103m in capex during the period, a reduction of c.£5m on H1 last year, with two thirds of capex deployed into transformational projects such as TGR and Euro hub automation, with the balance in physical infrastructure, technology and our head office upgrade.

Our investment in Euro Hub automation will increase sales throughput and capacity and is also a key driver of operational efficiency, significantly reducing the logistics cost of European orders and delivering a return on investment well above our cost of capital. Completion of Euro Hub automation, the opening of our US hub and subsequent automation will bring the current phase of our infrastructure investment programme to a conclusion. We do not foresee further significant new infrastructure capital investment in the near future.

We employ a number of metrics to measure “pay back” when planning technology investment, such as expected improvement to key customer metrics like conversion, basket size or net promoter scores. For customer facing technology investments such as new language websites, payment methods or back in stock notifications, we review the actual return on investment and improvement to related KPIs. Supply chain investments such as in-house development of returns processing or carrier management software are assessed on clear operational cost savings. For other enabling capex such as transitioning technology to the cloud or security we consider this the essential cost of securing our business resilience.

We are confident in the benefits that will flow from the investments we are currently making and that they are positioning ASOS well for the next stage of growth. Whilst our FY19 guidance for c.£200m capex spend remains unchanged, we expect capex to reduce in absolute terms for FY20 to closer to £150m, as our current major infrastructure programme draws to a close.

Turning to cash flow, due to the significant level of investment we saw a free cash outflow in the first half with a net debt position of £37.9m, down from a cash balance of £42.7m at prior year end. Overall we expect this year to be the final year of negative cash flow, with a further small cash outflow in the second half, before returning to being free cash flow positive in FY20.

We have a £220m revolving credit facility in place until the end of this year which then remains at £150m from the start of next year until May 2021. This provides more than sufficient financial flexibility during both our peak drawdown this year and for our medium term planning assumptions which see the group returning free cash flow positive in FY20.

Outlook

Although our H1 performance was disappointing, a number of the specific challenges we faced reflect the impact of our major investment programme, the impact of which was greater than we expected. In light of this and the tougher market backdrop, we have taken a critical look at all operating aspects of our business. We have learnt important lessons and are taking action accordingly. Consequently we are confident of a stronger performance in H2 and are leaving FY guidance unchanged.

Key actions we are taking to support an improved performance include restoring our product newness, realigning our creative presentation, reducing prices in a number of key territories, restoring SEO optimisation and an upweighted and refreshed marketing strategy.

Our Atlanta operations have returned to plan and we are progressing with the next phase of proposition enhancements there. Our Euro Hub automation is close to going live. Shortly we will have three state of the art distribution centres serving our major regions. This will generate significant improvements in both throughput speed and cost efficiencies across our operations.

Looking to the medium term, with this phase of our capital investment in our warehouses and transformation technology nearing completion, we are confident in our ability to continue to capture market share globally, allowing us to maintain top line performance, restore EBIT margin and accelerate positive free cash flow.

The global online apparel market is already worth over £220 billion p.a. with online penetration forecast to increase across every major territory. Our determination to continue to grow our share of this market remains undiminished. We have the tech platform, the infrastructure, a constant conversation with our growing customer base who love our own great product and the constantly evolving curated edit of brands we present to them. We believe that ultimately there will only be a handful of companies with truly global scale in this market. We are determined that ASOS will be one of them.

Nick Beighton

Chief Executive Officer

Financial review

Revenue

Six months to 28 February 2019 £m	Group total	UK	EU	US	RoW	International total
Retail sales	1,281.3	481.5	402.2	161.6	236.0	799.8
<i>Growth</i>	13%	16%	15%	8%	8%	12%
<i>Growth at constant exchange rate</i>	11%	16%	10%	4%	9%	9%
Delivery receipts	29.5	12.8	7.5	5.3	3.9	16.7
<i>Growth</i>	23%	39%	6%	43%	–	14%
Third party revenues	3.7	3.6	0.1	–	–	0.1
<i>Growth</i>	28%	29%	100%	(100%)	–	–
Total revenues	1,314.5	497.9	409.8	166.9	239.9	816.6
<i>Growth</i>	14%	17%	15%	9%	8%	12%
<i>Growth at constant exchange rate</i>	12%	17%	10%	5%	9%	9%

Group revenue increased 14% in the period, with retail sales growth of 13%. This was split between the UK which grew at 16% and international territories which grew at 12% (9% in constant currency). International retail sales accounted for 62% (H1 2018: 63%) of total retail sales.

UK retail sales grew by 16%, continuing to outperform in our home market. This was driven by an increase in order frequency from the existing customer base, as well as significantly improved conversion. ASOS retained its first place position for unique visitors to apparel retailers in the 15-34 age range (Comscore, February 2019).

EU retail sales grew by 15% (10% in constant currency) driven by a challenging performance across our two largest markets of France and Germany at 11% (7% in constant currency) as customer growth slowed year on year, customers bought into lower priced products and demand continued to be managed ahead of automation go-live in the second half. However, we have seen a more encouraging performance across the remaining EU countries, particularly those in which we have recently launched more localised experiences such as local websites in Sweden and Netherlands and a new Rest of Europe website, which grew in total at 22% (16% in constant currency).

US retail sales grew by 8% (4% in constant currency) which fell short of expectations in the period. As our Atlanta warehouse went fully online, demand exceeded expectations causing a significant short-term despatch backlog. Whilst disappointing in the short term, this is an encouraging sign for future growth as conversion improved once we were able to sell US brands to our US customers including Nike, New Balance and Polo Ralph Lauren.

RoW retail sales grew by 8% (9% in constant currency), despite a tough trading performance in the first quarter of -3% (-2% in constant currency) as we reduced our promotional activity. This was largely recovered by a strong second quarter +20% (21% in constant currency) with Russia now becoming our fifth largest country. Launch of local currencies in Israel, Saudi Arabia and United Arab Emirates as well as new payment methods in Australia (Afterpay) and Russia (Yandex) were some of the key proposition improvements in the period.

Delivery receipts increased by 23%, more than retail sales growth, as customers took advantage of paid faster shipping options such as next day delivery. The number of premier customers increased by 26% to 1.3m.

Customer engagement

ASOS has seen an increase in active customers¹, finishing February with 19.2m, up 16% on last year. The average basket value has decreased by 2% mainly due to increased promotional activity which reduced the average selling price by 3%, partly offset by a higher average basket size of 1%.

	Six months to 28 February 2019	Six months to 28 February 2018	Change
Active customers ¹ (m)	19.2	16.5	16%
Average basket value (including VAT)	£70.70	£72.35	(2%)
Average units per basket	2.90	2.86	1%
Average selling price per unit (including VAT)	£24.42	£25.28	(3%)
Average order frequency ²	3.55	3.41	4%
Total orders (m)	34.4	29.9	15%
Total visits (m) ³	1,085.4	980.9	11%
Conversion ⁴	3.2%	3.0%	+20bps
Mobile device visits	80.5%	76.0%	+450bps

¹Defined as having shopped during the last twelve months as at 28 February, ²Calculated as last twelve months' total orders divided by active customers, ³Restated visits, previously reported number 1,005.0 million, ⁴Calculated as total orders divided by total visits

Gross profitability

Six months to 28 February 2019	Group total	UK	EU	US	RoW	International total
Gross profit (£m)	639.9	216.0	207.4	97.5	119.0	423.9
Growth	12%	14%	20%	9%	3%	12%
Retail gross margin	47.4%	41.5%	49.7%	57.1%	48.8%	50.9%
Growth	(60bps)	(150bps)	210bps	(60bps)	(240bps)	10bps
Gross margin	48.7%	43.4%	50.6%	58.4%	49.6%	51.9%
Growth	(50bps)	(120bps)	190bps	(40bps)	(250bps)	10bps

Group retail gross margin decreased by 60bps to 47.4% versus last year (H1 2018: 48.0%) due to slower growth in the US which operates at a higher margin rate, and a continued increase in branded sales mix. Gross margin of 48.7% (H1 2018: 49.2%) was up 10bps on retail gross margin as customers mixed into paid faster shipping options.

Operating expenses

The Group increased its investment in operating resources by 18% to £635.4m, with the total operating costs to revenue ratio increasing by 170bps to 48.3% (H1 2018: 46.6%).

£m	Six months to 28 February 2019	% of sales	Six months to 28 February 2018	% of sales	Change in % of sales (bps)
Distribution costs	(204.9)	15.6%	(178.5)	15.4%	(20bps)
Payroll and staff costs ¹	(103.9)	7.9%	(92.8)	8.0%	10bps
Warehousing	(144.2)	11.0%	(113.5)	9.8%	(120bps)
Marketing	(64.4)	4.9%	(57.3)	5.0%	10bps
Production	(3.1)	0.2%	(3.6)	0.3%	10bps
Technology costs	(29.1)	2.2%	(21.3)	1.8%	(40bps)
Other operating costs	(53.4)	4.0%	(47.8)	4.1%	10bps
Depreciation and amortisation	(32.4)	2.5%	(24.9)	2.2%	(30bps)
Total operating costs	(635.4)	48.3%	(539.7)	46.6%	(170bps)

¹Inclusive of non-cash share-based payment charges

Distribution costs increased by 20bps to 15.6% of sales as customers mixed into more express delivery options, offsetting the increase in Delivery Receipts.

Payroll and staff costs decreased by 10bps to 7.9% of sales as headcount grew at a slower rate than sales.

Warehousing costs increased by 120bps to 11.0% of sales due to higher transitional costs as we build out our supply chain capacity, as well as increased fulfilment mix from Euro hub and US Atlanta hub which are manual operations.

Marketing costs decreased by 10bps to 4.9% of sales as a result of marketing campaign phasing.

Technology costs increased by 40bps to 2.2% of sales as we introduced new customer experience capabilities.

Other operating costs decreased by 10bps to 4.0% of sales and included a one-off rebate of £3.1m in the period.

Depreciation and amortisation increased by 30bps to 2.5% of sales in line with increased capital expenditure investment over recent periods.

Income statement

The Group generated profit before tax of £4.0m, down 87% compared to last year due to gross margin deterioration of 50bps and a 170bps investment in operating costs.

£m	Six months to 28 February 2019	Six months to 28 February 2018
Revenue	1,314.5	1,158.1
Cost of sales	(674.6)	(588.7)
Gross profit	639.9	569.4
Distribution expenses	(204.9)	(178.5)
Administrative expenses	(430.5)	(361.2)
Operating profit	4.5	29.7
Net finance (expense)/income	(0.5)	0.2
Profit before tax	4.0	29.9
Income tax expense	(1.0)	(5.4)
Profit after tax	3.0	24.5
Effective tax rate	25.0%	18.1%

Taxation

The effective tax rate increased by 690bps to 25.0% (H1 2018: 18.1%). This arose mainly due to the relative growth of depreciation not qualifying for capital allowances giving rise to an increased permanent disallowable given the reduction in profit. Additionally, the decrease in the share price since the December 2018 trading statement substantially reduced the deferred tax asset for share based payments and increased related permanent disallowables.

Earnings per share

Basic and diluted earnings per share decreased by 88% to 3.6p and 3.6p respectively (H1 2018: 29.4p and 29.2p). This was driven by the decrease in profit after tax during the period.

Statement of financial position

The Group's financial position remains solid with movements reflecting the current accelerated level of investment. The increase in net assets of £34.2m to £473.0m during the period (31 August 2018: £438.8m) was largely seen in higher capital expenditure. As capital expenditure exceeded EBITDA during the period, the net cash position at 31 August 2018 moved to a net debt position of £37.9m, after taking into account the drawdown from the facility of £60.0m (detailed more fully on page 14).

There was an improvement of £39.4m in the fair value of the net position of outstanding forward contracts since 31 August 2018 as exchange rates relating to the outstanding forward contracts, as at 28 February 2019, have improved on average from the rates that existed when the contracts were entered into. The deferred tax movement of £7.8m is due to the increase in the net derivative financial asset position as at 28 February 2019. The summary statement of financial position is shown below:

£m	At 28 February 2019	At 31 August 2018
Goodwill and other intangible assets	291.9	258.0
Property, plant and equipment	278.5	241.6
Derivative financial assets	18.3	3.8
Non-current assets	588.7	503.4
Inventories	443.3	407.6
Net current payables	(533.8)	(507.1)
Net (debt)/cash	(37.9)	42.7
Derivative financial assets	28.3	3.4
Current tax asset/(liability)	0.4	(3.0)
Deferred tax liability	(16.0)	(8.2)
Net assets	473.0	438.8

Statement of cash flows

The Group's cash position decreased from £42.7m at 31 August 2018 to a net debt position of £37.9m¹. This decrease was the result of capital expenditure cash outflow of £120.4m, partly offset by EBITDA of £36.9m and favourable working capital of £8.0m.

£m	Six months to 28 February 2019	Six months to 28 February 2018
Operating profit	4.5	29.7
Depreciation and amortisation	32.4	24.9
Losses on disposal of assets	-	0.4
Investment write off	-	0.1
Working capital	8.0	(82.5)
Share-based payments charge	0.5	4.8
Other non-cash items	(1.4)	1.3
Tax paid	(3.7)	(6.5)
Cash inflow/(outflow) from operating activities	40.3	(27.8)
Capital expenditure	(120.4)	(95.4)
Net finance (expense paid)/income received	(0.6)	0.2
Net cash inflow relating to Employee Benefit Trust ²	0.4	0.9
Proceeds from borrowings	60.0	-
Total cash outflow	(20.3)	(122.1)
Opening cash and cash equivalents	42.7	160.3
Effect of exchange rates on cash and cash equivalents	(0.3)	(0.5)
Closing cash and cash equivalents	22.1	37.7

¹The net debt position of £37.9m is the cash balance of £22.1m less the drawdown from the facility of £60.0m

²Employee Benefit Trust and Link Trust

Fixed asset additions

£m	Six months to 28 February 2019	Six months to 28 February 2018
Technology	55.1	57.1
Warehouse	35.0	41.9
Office fixtures and fit out	13.1	8.7
Total	103.2	107.7

ASOS continues to invest in warehousing and technology infrastructure to support future growth ambitions. Technology spend was allocated to TGR (our global retail planning system) as well as continued investment in innovation and capability through our technology platforms. Our warehouse additions were mostly Euro hub automation. The office fixtures and fit out spend was mainly on our Camden Head Office refurbishment. The capital expenditure outflow of £120.4m is driven by the increased investment activity of £103.2m and the usual capital creditors payments phasing.

CONSOLIDATED UNAUDITED STATEMENT OF TOTAL COMPREHENSIVE INCOME
Interim Results for the six months to 28 February 2019

	Six months to 28 February 2019 (unaudited) £m	Six months to 28 February 2018 (unaudited) £m	Year to 31 August 2018 (audited) £m
Revenue	1,314.5	1,158.1	2,417.3
Cost of sales	(674.6)	(588.7)	(1,180.2)
Gross profit	639.9	569.4	1,237.1
Distribution expenses	(204.9)	(178.5)	(380.8)
Administrative expenses	(430.5)	(361.2)	(754.4)
Operating profit	4.5	29.7	101.9
Finance income	-	0.2	0.3
Finance expense	(0.5)	-	(0.2)
Profit before tax	4.0	29.9	102.0
Income tax expense	(1.0)	(5.4)	(19.6)
Profit for the period	3.0	24.5	82.4
Profit for the period attributable to owners of the parent company	3.0	24.5	82.4
Net translation movements offset in reserves	0.5	1.1	0.3
Net fair value gains on derivative financial assets	36.9	67.8	67.7
Income tax relating to these items	(7.3)	(13.2)	(12.8)
Other comprehensive income for the period¹	30.1	55.7	55.2
Total comprehensive income for the period attributable to owners of the parent company	33.1	80.2	137.6
Earnings per share (Note 4)			
Basic	3.6p	29.4p	98.9p
Diluted	3.6p	29.2p	98.0p

¹ All items of other comprehensive income will subsequently be reclassified to profit or loss

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY
Interim Results for the six months to 28 February 2019

	Called up share capital £m	Share premium £m	Retained earnings ¹ £m	Employee Benefit Trust reserve ² £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2018	2.9	6.9	422.1	1.0	7.5	(1.6)	438.8
Profit for the period	–	–	3.0	–	–	–	3.0
Other comprehensive income for the period	–	–	–	–	29.7	0.4	30.1
Total comprehensive income for the period	–	–	3.0	–	29.7	0.4	33.1
Net cash received on exercise of shares from EBT²	–	–	–	0.4	–	–	0.4
Transfer of shares from EBT² on exercise	–	–	0.1	(0.1)	–	–	–
Share-based payments charge	–	–	0.8	–	–	–	0.8
Tax relating to share option scheme	–	–	(0.1)	–	–	–	(0.1)
Balance as at 28 February 2019	2.9	6.9	425.9	1.3	37.2	(1.2)	473.0
	Called up share capital £m	Share premium £m	Retained earnings ¹ £m	Employee Benefit Trust reserve ² £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2017	2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1
Profit for the period	–	–	24.5	–	–	–	24.5
Other comprehensive income for the period	–	–	–	–	54.9	0.8	55.7
Total comprehensive income for the period	–	–	24.5	–	54.9	0.8	80.2
Net cash received on exercise of shares from EBT²	–	–	–	0.9	–	–	0.9
Share-based payments charge	–	–	4.8	–	–	–	4.8
Tax relating to share option scheme	–	–	1.0	–	–	–	1.0
Balance as at 28 February 2018	2.9	6.9	357.5	0.3	7.4	(1.0)	374.0

¹Retained earnings includes the share-based payments reserve

²Employee Benefit Trust and Link Trust

	Called up share capital £m	Share premium £m	Retained earnings ¹ £m	Employee Benefit Trust reserve ² £m	Hedging reserve £m	Translation reserve £m	Total equity £m
At 1 September 2017	2.9	6.9	327.2	(0.6)	(47.5)	(1.8)	287.1
Profit for the year	–	–	82.4	–	–	–	82.4
Other comprehensive income for the year	–	–	–	–	55.0	0.2	55.2
Total comprehensive income for the year	–	–	82.4	–	55.0	0.2	137.6
Net cash received on exercise of shares from EBT ²	–	–	–	1.7	–	–	1.7
Transfer of shares from EBT ² on exercise	–	–	0.1	(0.1)	–	–	–
Share-based payments charge	–	–	10.4	–	–	–	10.4
Tax relating to share option scheme	–	–	2.0	–	–	–	2.0
Balance as at 31 August 2018	2.9	6.9	422.1	1.0	7.5	(1.6)	438.8

¹Retained earnings includes the share-based payments reserve

²Employee Benefit Trust and Link Trust

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
Interim Results for the six months to 28 February 2019

	At 28 February 2019 (unaudited) £m	At 28 February 2018 (unaudited) £m	At 31 August 2018 (audited) £m
Non-current assets			
Goodwill	1.1	1.1	1.1
Other intangible assets	290.8	204.4	256.9
Property, plant and equipment	278.5	192.3	241.6
Derivative financial assets	18.3	8.0	3.8
	588.7	405.8	503.4
Current assets			
Inventories	443.3	370.0	407.6
Trade and other receivables	48.8	25.2	42.6
Derivative financial assets	37.2	12.5	10.7
Cash and cash equivalents	22.1	37.7	42.7
Current tax asset	0.4	–	–
	551.8	445.4	503.6
Current liabilities			
Trade and other payables	(582.6)	(457.4)	(549.7)
Borrowings	(60.0)	–	–
Derivative financial liabilities	(8.1)	(12.4)	(5.3)
Current tax liability	–	(2.3)	(3.0)
Deferred tax liability	–	(3.9)	–
	(650.7)	(476.0)	(558.0)
Net current liabilities	(98.9)	(30.6)	(54.4)
Non-current liabilities			
Deferred tax liability	(16.0)	–	(8.2)
Derivative financial liabilities	(0.8)	(1.2)	(2.0)
	(16.8)	(1.2)	(10.2)
Net assets	473.0	374.0	438.8
Equity attributable to owners of the parent			
Called up share capital	2.9	2.9	2.9
Share premium	6.9	6.9	6.9
Employee Benefit Trust reserve	1.3	0.3	1.0
Hedging reserve	37.2	7.4	7.5
Translation reserve	(1.2)	(1.0)	(1.6)
Retained earnings	425.9	357.5	422.1
Total equity	473.0	374.0	438.8

CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
Interim Results for the six months to 28 February 2019

	Six months to 28 February 2019 (unaudited) £m	Six months to 28 February 2018 (unaudited) £m	Year to 31 August 2018 (audited) £m
Operating profit	4.5	29.7	101.9
Adjusted for:			
Depreciation of property, plant and equipment	11.9	7.8	17.0
Amortisation of intangible assets	20.5	17.1	37.6
Loss on disposal of non-current assets	—	0.4	0.8
Investment write off	—	0.1	—
Fixed asset impairment	—	—	2.7
Increase in inventories	(35.7)	(46.7)	(84.3)
(Increase)/decrease in trade and other receivables	(6.2)	3.5	(14.0)
Increase/(decrease) in trade and other payables	49.9	(39.3)	35.9
Share based payments charge	0.5	4.8	8.9
Other non-cash items	(1.4)	1.3	0.5
Income tax paid	(3.7)	(6.5)	(13.1)
Net cash inflow/(outflow) from operating activities	40.3	(27.8)	93.9
Investing activities			
Payments to acquire other intangible assets	(66.3)	(48.8)	(107.4)
Payments to acquire property, plant and equipment	(54.1)	(46.6)	(105.6)
Finance income	—	0.2	0.3
Net cash used in investing activities	(120.4)	(95.2)	(212.7)
Financing activities			
Net cash inflow relating to EBT ¹	0.4	0.9	1.7
Finance expense	(0.6)	—	(0.2)
Proceeds from borrowings	60.0	—	—
Net cash generated from financing activities	59.8	0.9	1.5
Net decrease in cash and cash equivalents	(20.3)	(122.1)	(117.3)
Opening cash and cash equivalents	42.7	160.3	160.3
Effect of exchange rates on cash and cash equivalents	(0.3)	(0.5)	(0.3)
Closing cash and cash equivalents	22.1	37.7	42.7

¹Employee Benefit Trust and Link Trust

NOTES TO THE FINANCIAL INFORMATION

Interim Results for the six months to 28 February 2019

1. Preparation of the consolidated financial information

a) General information

ASOS Plc ('the Company') and its subsidiaries (together, 'the Group') is a global fashion retailer. The Group sells products across the world and has websites targeting the UK, US, Australia, France, Germany, Spain, Italy, the Netherlands, Russia, and Sweden. The Company is a public limited company which is listed on the Alternative Investment Market (AIM) and is incorporated and domiciled in the UK. The address of its registered office is Greater London House, Hampstead Road, London, NW1 7FB.

The interim financial statements have been reviewed, not audited, and were approved by the Board of Directors on 9 April 2019.

b) Basis of preparation

The interim financial statements for the six months ended 28 February 2019 have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union and the AIM Rules for Companies. The interim financial statements should be read in conjunction with the Group's Annual Report and Accounts for the year ended 31 August 2018, which was prepared in accordance with IFRSs as adopted by the European Union.

The interim financial statements have been reviewed, not audited, and do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Annual Report and Accounts for the year ended 31 August 2018 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under s498 of the Companies Act 2006.

The Group's business activities together with the factors that are likely to affect its future developments, performance and position are set out on pages 3 to 9. The Financial Review on pages 10 to 14 describes the Group's financial position and cash flows.

Going concern

The Directors have reviewed current performance and cash flow forecasts, and are satisfied that the Group's forecasts and projections, taking account of potential changes in trading performance, show that the Group will be able to operate within the level of its available facilities for the foreseeable future. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, the interim financial statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the AIM Rules for Companies, and that the interim management report includes a fair review of the information required.

Accounting policies

The interim financial statements have been prepared in accordance with the accounting policies set out in the Annual Report and Accounts for the year ended 31 August 2018, with the exception of the new accounting standards that were adopted during the period. These are:

- IFRS 9 'Financial Instruments' replaced IAS 39 'Financial Instruments Recognition and Measurement'. The standard is effective for accounting periods beginning on or after 1 January 2018 and was therefore implemented with effect from 1 September 2018. The Group has completed an assessment of IFRS 9 and adoption has not had a material impact on the results or financial position of the Group. Additional disclosures required under the new standard will be made in the annual report and financial statements for the year ending 31 August 2019.
- IFRS 15 'Revenue from Contracts with Customers' is effective for periods beginning on or after 1 January 2018 and therefore has been implemented with effect from 1 September 2018. The core principle of the standard is to ensure that an entity recognises revenue once it has fulfilled its performance obligations, which are met through transferring control of a product or service to a customer, at an amount that reflects the consideration to which the entity expects to be entitled.

It has been concluded that the adoption of IFRS 15 does not have a material impact on revenue recognition for any of the Group's revenue streams. Therefore, no adjustment for first time adoption has been made to either comparative figures or opening reserves in the statement of financial position.

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

Changes to accounting standards

Changes to IFRS which have been issued, but that are not yet effective, have been disclosed in the Group's Annual Report and Accounts for the year ended 31 August 2018.

2. Principal risks and uncertainties

The Board considers the principal risks and uncertainties which could impact the Group over the remaining six months of the financial year to 31 August 2019 to be unchanged from those set out in the Annual Report and Accounts for the year ended 31 August 2018, summarised as follows:

- Market risks, including:
 - disruption to marketing dynamics as we face increasing competition from a variety of e-commerce players and new challenges arising out of the current geopolitical uncertainty,
 - operating with an insufficiently global mindset as we structure our increasingly international business,
 - poorly engaging digital experience and failure to adhere to product quality or ethical trading standards, leading to a damaged reputation among customers, and
 - failure or inability to support and protect our brand, trademarks and domain names
- Financial risks, including managing exposure to changes in foreign exchange rates
- Technological and infrastructure risks including the threat from cyber-crime to both the security of customer data and the business as a whole, transformation projects failing to deliver their intended positive outcomes smoothly and on time and disruption to our business-critical operations caused either by:
 - failure on a suppliers' part or from an over dependency on one supplier, or
 - due to warehouse issues or from insufficient warehouse capacity
- People risks, including preserving our entrepreneurial culture as we continue to grow

These are set out in detail on pages 48 to 56 of the Group's Annual Report and Accounts for the year ended 31 August 2018, a copy of which is available on the Group's website, www.asosplc.com. Information on financial risk management is also detailed on pages 112 to 115 of the Annual Report.

3. Segmental analysis

IFRS 8 'Operating Segments' requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker. The Chief Operating Decision Maker has been determined to be the Executive Board who receive information on the basis of the Group's operations in key geographical territories, based on the Group's management and internal reporting structure. The Executive Board assesses the performance of each segment based on revenue and gross profit after distribution expenses, which excludes administrative expenses.

	Six months to 28 February 2019 (unaudited)				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£m
Retail sales	481.5	402.2	161.6	236.0	1,281.3
Delivery receipts	12.8	7.5	5.3	3.9	29.5
Third party revenues	3.6	0.1	–	–	3.7
Total revenue	497.9	409.8	166.9	239.9	1,314.5
Cost of sales	(281.9)	(202.4)	(69.4)	(120.9)	(674.6)
Gross profit	216.0	207.4	97.5	119.0	639.9
Distribution expenses	(57.9)	(63.0)	(39.7)	(44.3)	(204.9)
Segment result	158.1	144.4	57.8	74.7	435.0
Administrative expenses					(430.5)
Operating profit					4.5
Finance expense					(0.5)
Profit before tax					4.0

	Six months to 28 February 2018 (unaudited)				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£m
Retail sales	414.5	349.1	149.0	218.7	1,131.3
Delivery receipts	9.2	7.1	3.7	3.9	23.9
Third party revenues	2.8	–	0.1	–	2.9
Total revenue	426.5	356.2	152.8	222.6	1,158.1
Cost of sales	(236.2)	(182.8)	(63.0)	(106.7)	(588.7)
Gross profit	190.3	173.4	89.8	115.9	569.4
Distribution expenses	(50.6)	(47.8)	(37.9)	(42.2)	(178.5)
Segment result	139.7	125.6	51.9	73.7	390.9
Administrative expenses					(361.2)
Operating profit					29.7
Finance income					0.2
Profit before tax					29.9

	Year to 31 August 2018 (audited)				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£m
Retail sales	861.3	739.1	311.6	443.2	2,355.2
Delivery receipts	22.3	15.3	9.0	7.8	54.4
Third party revenues	7.4	0.1	0.2	–	7.7
Total revenue	891.0	754.5	320.8	451.0	2,417.3
Cost of sales	(479.9)	(363.6)	(127.9)	(208.8)	(1,180.2)
Gross profit	411.1	390.9	192.9	242.2	1,237.1
Distribution expenses	(108.0)	(104.9)	(79.6)	(88.3)	(380.8)
Segment result	303.1	286.0	113.3	153.9	856.3
Administrative expenses					(754.4)
Operating profit					101.9
Finance income					0.3
Finance expense					(0.2)
Profit before tax					102.0

Due to the nature of its activities, the Group is not reliant on any individual major customers. No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly management accounts. Therefore, no measure of segment assets or liabilities is disclosed in this note. The total amount of non-current assets located in the UK is £413.4m (31 August 2018: £380.8m), EU: £110.2m (31 August 2018: £75.2m), US: £45.7m (31 August 2018: £42.5m) and RoW: £nil (31 August 2018: £nil).

4. Earnings per Share

Basic earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the period. Own shares held by the Employee Benefit Trust and Link Trust are eliminated from the weighted average number of ordinary shares.

Diluted earnings per share is calculated by dividing the profit attributable to the owners of the parent company by the weighted average number of ordinary shares in issue during the period, adjusted for the effects of potentially dilutive share options.

	Six months to 28 February 2019 (unaudited)	Six months to 28 February 2018 (unaudited)	Year to 31 August 2018 (audited)
	No. of shares	No. of shares	No. of shares
Weighted average share capital			
Weighted average shares in issue for basic earnings per share	83,522,184	83,243,758	83,290,514
Weighted average effect of dilutive options	267,700	658,025	781,491
Weighted average shares in issue for diluted earnings per share	83,789,884	83,901,783	84,072,005
Earnings (£m)			
Underlying earnings attributable to owners of the parent	3.0	24.5	82.4
Basic earnings per share:	3.6p	29.4p	98.9p
Diluted earnings per share:	3.6p	29.2p	98.0p

5. Capital expenditure and commitments

During the period, the Group capitalised property, plant and equipment of £48.8m and intangible assets of £54.4m. Disposals were £nil. At the period end capital commitments contracted, but not provided for by the Group, amounted to £40.4m.

6. Reconciliation of cash and cash equivalents

	Six months to 28 February 2019 (unaudited) £m	Six months to 28 February 2018 (unaudited) £m	Year to 31 August 2018 (audited) £m
Net movement in cash and cash equivalents	(20.3)	(122.1)	(117.3)
Opening cash and cash equivalents	42.7	160.3	160.3
Effect of exchange rates on cash and cash equivalents	(0.3)	(0.5)	(0.3)
Closing cash and cash equivalents	22.1	37.7	42.7

During the period, the Group extended its Revolving Credit Facility ("RCF") by £70.0m to £220.0m, effective for the period to 31 August 2019 and thereafter at £150.0m until 24 May 2021. As at 28 February, the Group had drawn down £60.0m from the facility.

7. Contingent liabilities

From time to time, the Group is subject to various legal proceedings and claims that arise in the ordinary course of business, which due to the fast-growing nature of the Group and its ecommerce base, may concern the Group's brand and trading name or its product designs. All such cases brought against the Group are robustly defended and a liability is recorded only when it is probable that the case will result in a future economic outflow which can be reliably measured.

At 28 February 2019, there were no pending claims or proceedings against the Group which were expected to have a material adverse effect on its liquidity or operations. The Group had contingent liabilities of £19.9m (H1 2018: £18.1m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. The likelihood of a cash outflow in relation to these contingent liabilities is considered to be low.

8. Financial instruments

	Six months to 28 February 2019 (unaudited) £m	Six months to 28 February 2018 (unaudited) £m	Year to 31 August 2018 (audited) £m
Financial assets			
Derivative assets used for hedging at fair value	55.5	20.5	14.5
Amortised cost ¹	54.1	49.6	70.8
Financial liabilities			
Derivative liabilities used for hedging at fair value	(8.9)	(13.6)	(7.3)
Amortised cost ²	(633.1)	(444.8)	(537.5)

¹Included in financial assets at amortised cost are trade and other receivables and cash and cash equivalents, and excludes prepayments

²Included in financial liabilities at amortised cost are trade payables, accruals, borrowings and other payables

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in US dollars and Euros. The Group's policy is to mitigate foreign currency transaction exposures where possible and the Group uses financial instruments in the form of forward foreign exchange contracts to hedge future highly probable foreign currency cash flows.

These forward foreign exchange contracts are classified above as derivative financial liabilities and are classified as Level 2 financial instruments under IFRS 13, "Fair Value Measurement." They have been fair valued at 28 February 2019 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. All forward foreign exchange contracts were assessed to be highly effective during the period to 28 February 2019 and a net unrealised gain of £36.9m (H1 2018: gain of £67.8m) was recognised in equity. All derivative financial liabilities at 28 February 2019 mature within two years based on the related contractual arrangements.

9. Related parties

The Group's related party transactions are with the Employee Benefit Trust, Link Trust, key management personnel and other related parties as disclosed in the Group's Annual Report and Accounts for the year ended 31 August 2018. There have been no material changes to the Group's related party transactions during the six months to 28 February 2019.

INDEPENDENT REVIEW REPORT TO ASOS PLC

REPORT ON THE INTERIM FINANCIAL STATEMENTS

Our conclusion

We have reviewed ASOS Plc's interim financial statements (the "interim financial statements") in the interim results of ASOS Plc for the six month period ended 28 February 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

What we have reviewed

The interim financial statements comprise:

- the consolidated unaudited statement of financial position as at 28 February 2019;
- the consolidated unaudited statement of total comprehensive income for the period then ended;
- the consolidated unaudited statement of cash flows for the period then ended;
- the consolidated unaudited statement of changes in equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the AIM Rules for Companies.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

RESPONSIBILITIES FOR THE INTERIM FINANCIAL STATEMENTS AND THE REVIEW

Our responsibilities and those of the directors

The interim results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the interim results in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements.

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

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

PricewaterhouseCoopers LLP
Chartered Accountants
St Albans
10 April 2019