

14 October 2020

ASOS plc
Global Online Fashion Destination

Final Results for the year to 31 August 2020

Strong FY20 operational and financial performance
Well positioned to progress as one of the few truly global leaders in fashion retail

Summary financial results

£m¹	Year to 31 August 2020	Year to 31 August 2019	Change	CCY² Change
Group revenues ³	3,263.5	2,733.5	19%	19%
Retail sales	3,171.0	2,657.7	19%	19%
<i>UK retail sales</i>	1,175.9	993.4	18%	18%
<i>International retail sales</i>	1,995.1	1,664.3	20%	19%
Gross profit	1,547.4	1,334.3	16%	
<i>Retail gross margin</i>	45.9%	47.4%	(150bps)	
<i>Gross margin</i>	47.4%	48.8%	(140bps)	
Profit before tax	142.1	33.1	329%	
Diluted earnings per share	125.6p	29.4p	327%	
Net cash/(debt) ⁴	407.5	(90.5)		

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; ⁴Net cash/(debt) is the cash and cash equivalents less borrowings

Results Summary

- Strong sales growth group-wide; UK +18%, EU +22%, US +18%, ROW +18%
- Active customer base up 3.1m to 23.4m demonstrating momentum in customer acquisition and high levels of engagement
- PBT of £142.1m reflecting underlying improvements in profitability and net Covid-19 tailwind (c.£45m with incremental costs offset by favourable return rates)
- Cash generation of £258.6m driven by strong operational performance and favourable working capital due to later peak stock build (c.£89m benefit which will be re-phased into FY21)
- Solid P4 performance in context of normalising customer returns rates and continued reduced demand for occasion wear; growth of 15% on underlying basis adjusting for Covid-19 returns behaviour

Strategic & Operational Highlights

- Delivered against FY20 priorities to strengthen our foundations for future growth
- Operational agility and resilience demonstrated across warehousing and supply chain despite the significant challenges presented by Covid-19
- Strong product performance across the year with a dynamic reshaping of offer in the second half to match customer demand in lockdown categories; continued opportunity to further develop ASOS brands and offer in Face + Body and activewear
- Substantial removal of non-strategic cost (c.£50m) drove sustainable improvements to profitability this year; confident of further progress

Outlook

- Positioned to capture the global opportunity despite significant short-term uncertainty through continued development of the ASOS brands, the ASOS platform and the ASOS customer experience
- Continue to improve the capability, resilience and agility of our business
- Well-set for peak trading; warehousing capacity operating at normal levels whilst maintaining social distancing and greater diversity planned into product mix
- Solid start to the year but retaining caution on outlook for consumer demand whilst economic prospects and lifestyles of 20-somethings remain disrupted
- Continued investment in technology and infrastructure including new fulfilment centre to support continued strong UK growth and deliver capacity well ahead of planned requirements for peak FY23
- Expecting to deliver continued improvement in underlying profit (excl. Covid-19 tailwind)

Nick Beighton, CEO, commented:

"After a record first half which saw us make progress in addressing the performance issues of the previous financial year, the second half will always be defined by our response to Covid-19. I am proud of the way ASOS met this challenge head on, putting our duty to act as a responsible business at the heart of our approach and working to balance our performance in that context. As well as protecting staff, suppliers and customers, we've driven efficiency and have emerged a stronger, more resilient and agile business whilst delivering strong profit and cash generation.

I am pleased by the improvements we have made this year but there is still more for us to do to continue our progress. Whilst life for our 20-something customers is unlikely to return to normal for quite some time, ASOS will continue to engage, respond and adapt as one of the few truly global leaders in online fashion retail."

Investor and analyst meeting:

There will be a webcast for investors and analysts that will take place at 8.30am, 14 October 2020. To access live please join the following link <https://asos.register-me.uk/full-year-results-2020> or dial +44 20 3787 4277, and use conference call ID: 325 893 558#. The webcast will be available both live and following the meeting at www.asosplc.com.

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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 note

ASOS is an online retailer for fashion-loving 20-somethings around the world, with a purpose to give its customers the confidence to be whoever they want to be. Through its market-leading app and mobile/desktop web experience, available in ten languages and in over 200 markets, ASOS customers can shop a curated edit of 85,000 products, sourced from 850 of the best global and local third-party brands and its mix of fashion-led in-house labels – ASOS Design, ASOS Edition, ASOS 4505 and Collusion. ASOS aims to give all of its customers a truly frictionless experience, with an ever-greater number of different payment methods and hundreds of local deliveries and returns options, including Next-Day and Same-Day Delivery, dispatched from state-of-the-art fulfilment centres in the UK, US and Germany.

ASOS's websites attracted 233.4m visits during August 2020 (August 2019: 187.4m) and as at 31 August 2020 had 23.4m active customers¹ (31 August 2019: 20.3m), of which 7.1m were located in the UK and 16.3m were located in international territories (31 August 2019: 6.4m in the UK and 13.9m internationally).

¹ Defined as having shopped in the last 12 months as at 31 August

ASOS plc ("the Group")
Global Online Fashion Destination
Final Results for the year to 31 August 2020

Overview

ASOS delivered a strong performance across the year as we navigated the unprecedented challenges that arose as a result of the Coronavirus-19 pandemic ("Covid-19"). Total sales grew by 19% to £3,263.5m and profit before tax increased to £142.1m, an increase of £109.0m on the previous year. We entered this financial year with a clear focus on rebuilding momentum and executing consistently. Last October, we set out the key priorities to help us achieve this; restoring the strength of our customer facing offer and ensuring we had the right internal capabilities and financial strength to continue pursuing our global growth ambitions. Notwithstanding the backdrop, we made solid progress against each of the priorities which has strengthened the foundations of our business. There is still a lot more work for us to do but we are pleased with the improvements we have made this year.

This progress, combined with an increased operational grip and more rigorous performance management, enabled us to steer the business through the challenges caused by the pandemic. The business showed great agility, adapting to significant operational change, disruption across our supply chain, a dramatic shift in consumer demand and an uncertain and fast changing landscape. From our perspective, Covid-19 initially presented itself as a challenge to product supply as suppliers managed lockdown constraints and freight was disrupted. As we moved into April, the challenge we faced shifted to uncertain demand. Whilst demand for certain types of product, particularly occasion and formal-wear, remained constrained, we saw strong growth in casualwear and other lockdown relevant products. However, this polarisation in demand in turn drove further supply constraints exacerbated by the reduction in product produced globally this year given the restrictions most businesses are operating under.

Throughout this period, our primary focus was on continuing to do the right thing - ensuring the health and safety of people across our operations, our customers and our wider supply chain. Initially we had to restrict our business to protect our people and give us the space to reshape every element of how we work to ensure that we were able to slowly increase our capacity in a Covid-19 secure manner. The amount of change we undertook to reshape every element of our business was unprecedented – we learnt much and many of the processes we developed are and will remain the way we do business. As we progressed we were increasingly able to capitalise on opportunities for customer acquisition and growth as they arose.

As these results demonstrate, we have emerged from this financial year as a stronger, more resilient and agile business, having progressed with our priorities as planned, but also having taken many learnings from the challenges and disruption the pandemic has presented. This positions us well as we consider the uncertain landscape ahead. We continue to foresee headwinds to consumer demand, which will not abate until lifestyles and financial stability normalise for our 20-something customer and we expect the disruption to global product supply will be felt into 2021. However, we have built greater diversity into our product mix and have proven how operationally flexible our business can be. This gives us confidence that we will be able to navigate the year ahead and continue to progress as one of the few truly global leaders in fashion retail. To help us achieve our ambition to be a truly global fashion retailer, we have set out today our clear focus on continuing to develop the three key strategic pillars of our model: the ASOS brands, the ASOS platform and the ASOS customer experience. All of which will be underpinned by an increasingly efficient, effective and sustainable operating model.

Financial Performance

The business has delivered an exceptionally strong financial performance this year including record levels of profit and cash generation. EBIT increased £116.0m to £151.1m and equated to a margin of 4.6%, up 330bps year on year. Whilst this strong growth in profit was assisted by unusually low customer returns rates through lockdown, a strong operational grip, greater discipline around investment, the removal of non-strategic cost and leverage from the transformational investments we have made are driving sustainable underlying profit growth.

Covid-19 had a substantial impact on the shape of the P&L this financial year. We experienced material incremental costs from disruption, however the mitigating action taken across the business, combined with the significant reduction in returns rates, generated a profit tailwind for the business this year of c.£45m.

The incremental Covid-19 costs we incurred were primarily driven by: the increased safety measures we implemented in our warehouse operations (which increased support costs and reduced efficiencies); higher airfreight rates; and additional customer facing investment to stimulate demand on 'going out' product. However, these were more than offset by two main cost benefits that we would not expect to repeat. Warehouse and distribution costs benefited from a significant reduction in returns rates, as customers moved into lower returns rate categories and exhibited more deliberate purchasing behaviour, which drove lower processing costs through our network. Secondly, we reduced our marketing spend significantly in P3 to avoid stimulating demand we could not service as we managed capacity restrictions in our warehouses, implemented for social distancing purposes.

Beyond this, we made good progress in removing non-strategic costs across the business and saw substantial improvements in efficiency from the transformational investments we have made in automation, more detail of which can be found in this statement under our corresponding key priorities.

We closed the financial year in a strong net cash position of £407.5m, up from a net debt position of £90.5m at the start of the year. This inflow has been driven by a combination of the proactive capital raise we undertook in April (net cash proceeds of £239.4m), a significant increase in EBITDA and improved working capital discipline. In addition, the year end position has been enhanced by a later than usual stock build for peak trading due to Covid-19, which is phased into the first half of FY21. Excluding this tailwind of c.£89m, we expect to be cash generative in the year ahead.

Capital expenditure of £115.6m was invested this year across our technology platforms and warehouse infrastructure. This was lower than our initial expectations as we delayed implementation of our TGR programme due to lockdown restrictions, which will be rephased into FY21. We plan to invest £170m-£180m in capital expenditure in FY21. This includes the conclusion of the £5m investment we made to ensure our warehouses go well beyond government guidelines with respect to Covid-19 secure sites. We will also commence investment into our fourth fulfilment centre. Leveraging learnings from the recent investments we have made, investment work will begin this year to allow for a gradual ramp up ahead of the capacity requirements for peak in FY23. This incremental capacity will be situated in the UK and will support the continuing high growth we have seen in our home market and, also allows for maximum flexibility and resilience to service demand across our global network. We have learnt a lot from our recent investment programme and are confident that the implementation timeframe, as well as our ability to bring the centre on-stream in a measured way to enhance the capacity we already have around the Group, should help in the implementation of this project.

Strengthening Organisational Capabilities

We have made good progress this year in building out the breadth and depth of experience in our executive team. During the year, three new executives have joined the business, Robert Birge as Chief Growth Officer, Jo Butler as Chief People Officer and Patrik Silén as Chief Strategy Officer. We will announce our fourth and final appointment to our new executive team shortly. The Chief Commercial Officer, will take end-to-end ownership of product, from design and buying through to presentation. This new executive team will allow us to drive greater end-to-end ownership and accountability of product and customers as well as ensuring we have the right capabilities as ASOS continues to grow in terms of scale and complexity. We have also reshaped our organisation beyond the executive team building new structures, processes and ways of working. This has enabled us to improve our operational execution whilst managing significant organisational change and building out our strategic framework to support our future growth ambitions. As we look forward there is still much for us to do to improve our organisation but we have made significant progress this year and have set the foundations for the future.

Removing Non-Strategic Cost

As we set out this year, we had identified a multi-year opportunity to drive greater efficiency across our business allowing us to maximise the benefit of our investment whilst making sure we do that at minimum cost. This opportunity is apparent in many areas across the business, from the way we invest into the customer experience and the return generated from marketing, to the way our teams are structured and our commercial partner agreements. Whilst the opportunity is potentially significant, this has been a new challenge for us and we were rightly cautious about how long it would take to capture this opportunity. However, our progress in removing c.£50m of non-strategic costs has exceeded our initial expectations this year, owing to the tenacity and adaptability of our people, alongside the greater rigour instilled in our financial discipline and operational performance management processes. We further leveraged the opportunity presented by the disruption and operational change required by Covid-19 to test and further understand the return associated with spend in a number of areas and took action accordingly. Looking forward, there is further opportunity but having taken these large initial steps it will be more challenging to access the next set of efficiencies. We are clear what they are and what it will take, but remain cautious about our rate and speed of progress. However, we are confident that this opportunity will support continuing improvements in profitability as well as allowing for disciplined reinvestment into the business.

Further Increasing Product Choice, Availability & Newness

We started the year well, backing our first half trading plan with good availability and a 13% year on year increase in newness. This resonated well with customers and was reflected in our strong first half sales performance. The shape of customer demand, and hence what resonated as the most relevant product, shifted dramatically from March onwards as Covid-19 related lockdowns impacted customers' lifestyle and shopping habits. Product designed for 'going out', especially dresses, have always been central to our product offer and a point of customer differentiation. Whilst demand for 'going out' product has been severely impacted by lifestyle restrictions, the strength of our brand here remains a strategic advantage for us in the medium-term and we have maintained our resource levels in this area. We have adapted our product mix to match this shift in 20-something lifestyle, increasing our mix of casualwear, activewear and Face + Body, but will not lose focus on our core 20-something fashion audience and the 'going out' product customers love ASOS for.

This year, we have continued to build momentum with our 13 strong family of ASOS brands, a business that delivered sales of over £1bn in the year. Collusion and ASOS 4505 both delivered great growth this year, supported by how well the product resonated with customers through lockdown. ASOS 4505 grew 89%, whilst Collusion grew 44% and firmly established itself as a top 10 brand on site.

ASOS Luxe and Dark Future were launched as we developed further choice for our 'glam girl' and 'alpha male' customer segments. Both brands had good success with initial launch ranges, but we have taken the opportunity over the summer to further develop customer engagement, increasing choice in the range and backing the brands with influencer led campaigns.

September saw us launch our 'ASOS Must Haves', key trend pieces of the season at market leading price points to ensure we are competitively positioned with our younger customers. The initial collection resonated well, with a focus on logos, pastels, utility and checks, and two further collections will launch in the coming months.

Face + Body and activewear are two strategic categories that we have entered in a meaningful way within the last few years. Both of these categories have seen extremely strong customer demand through lockdown and we have capitalised on the opportunity to accelerate our ambitions in these categories.

We have approached our Face + Body category through a different lens and in a way that resonates with our 20-something customer, differentiating our positioning and authority within the market. We have consistently grown our offering of the most relevant brands over the last two years, highlights from the brands added this year include Charlotte Tilbury and Urban Decay. Whilst Face + Body compliments our core fashion offering well, customer shopping behaviour and expectations from this category differ and we have therefore built out a team of specialists to support our plans to triple our sales over the next three years.

Sportswear is a huge market globally, and we see clear opportunity to continue increasing our share in this category. Growth has been particularly strong this year driven by lockdown, up c.50%, and we believe our focus on curating and presenting the best edit of sports lifestyle and activewear product for our 20-something customer, from the most globally relevant sports brands, will further support our penetration in this category.

Continuing To Improve Presentation & Social Media Engagement

This year we made consistent progress on further improving our product presentation and social media engagement, with a particular focus on developing video content that feels native and organic to app channels. The year had started well ahead of peak trading and we maintained this momentum through the second half by successfully pivoting our content to reflect the realities of lockdown lifestyles for our customers. This translated into over 79m engagements across social channels during the year, with over 200m video views and over 275m story views.

We have continued to experiment with different social media channels this year, developing the most engaging content and ensuring our presence is strong on the platforms most relevant to our customers. Our first major TikTok campaign, "AySauceChallenge", used a combination of ASOS and creator commissioned content to drive ASOS brand recognition and awareness to great success. The challenge hashtag generated over 1.6bn views, and made ASOS the only European fashion brand to break a billion views over the campaign period in 2020. We have also begun to experiment with content on Twitch, the live streaming platform for gamers, and are excited by the prospects for reaching our target customers on new and different channels.

Highlights from our influencer collaborations this year have included Lottie Tomlinson and Wes Nelson fronting the first drop of our 'ASOS Must Haves' collection, a campaign which generated engaging content for multiple channels and saw

over 8.7m video views. Sarah Ashcroft and Luke Trotman acted as ambassadors for our latest ASOS Luxe and Dark Future collections. The content produced here resonated extremely well with the influencer led activity generating over 10m engagements with a social reach of almost 34m.

Optimising Approach To Customer Acquisition & Retention

We built strong customer momentum through the year increasing our active customer base by 3.1m to 23.4m. This momentum has been supported by the improvements we have made in restoring our compelling customer proposition, across our product, presentation, social media content and dynamic trading stance, but it has been amplified by progress in refining our approach to the allocation of consumer-facing investment.

We have deployed a more scientific approach to testing to deepen our understanding of customer behaviour and to ensure we are driving the right return from all investment. During the year we have experimented with geo-targeting, prospecting, retargeting, new social media channels and deepened our understanding of PPC. This drove efficiency through our marketing spend, and a clearer understanding of the incrementality generated by investment through different channels allowing us to redirect our investment as appropriate. We continue to view our promotional calendar and activations as an effective mechanism for customer acquisition, retention and to maximise the frequency with which customers engage with ASOS. We adopted a more dynamic approach this year – with shorter, sharper, more targeted events. This has allowed us to improve the return on these events, drive incremental traffic from our existing consumers, as well as increased levels of customer acquisition.

Looking forward, we will continue with further experimentation and a data-led approach to ensure we are continually optimising and building greater agility into the way we deploy spend.

Leveraging Benefits From Transformational Investments To Drive Efficiency And Enhance Customer Propositions

Logistics

Covid-19 caused significant disruption to operations and efficiency across our network as we re-engineered our processes and made structural changes to ensure our warehouses were compliant with best practice social distancing requirements. Perspex shielding was built to separate the 680 pack benches across our facilities, additional sheltered space was created outside to facilitate break times, sanitation and temperature checking equipment was installed as well as regulating the way staff entered, exited and moved during their shift across site. This was delivered whilst continuing to keep our warehouses operational, although it did require a significant reduction in capacity as we implemented this magnitude of change. We have nearly concluded an incremental £5m of investment this year to ensure that our warehouses are compliant with best practice social distancing on a permanent basis. This includes improving ventilation, increasing turnstiles and structural changes to support the one way systems in place.

On an underlying basis we have driven a significant step change in warehouse efficiency, most notably through the pick and pack KPIs in Euro Hub following implementation of automation last year. Pick units per man hour improved by 57% whilst pack improved by 14%. We also saw further efficiency in both our UK and US hubs which drove improvements in our network wide KPIs. This efficiency has enabled us to keep investing into our delivery proposition. Next day delivery is now available to over 99% of US customers and we reduced our Canadian standard delivery proposition from 14 to 6 days. Evening next day delivery is available with a midnight cut off across urban Germany and we were able to support the addition of many other customer delivery options including further pick up drop off points and more specific delivery windows.

This year will see commencement of investment into our fourth fulfilment centre, based in the UK to further support growth in our home market, but also provide flexibility for fulfilment globally. This facility will be operational in the next financial year but allows for a gradual ramp up and testing ahead of the capacity requirement for peak trade in 2023.

Tech

Investment in our technology platforms has been central to delivery of an ever improving ASOS customer experience. Whilst we delayed implementation of our TGR programme to FY21, to ensure we were not taking undue execution risk through lockdown, progress has continued across all our platforms despite the disruption and uncertainty in outlook Covid-19 created.

Multiple releases across the year supported in driving and enhancing efficiency through our outbound delivery and returns operations. Highlights include rollout of paperless online returns to the UK, US and Germany, logic and functionality to support parcel consolidation and development of flexible fulfilment across our network of warehouses. Flexible fulfilment unlocks the ability to service customers with brands and product from across our warehouse network if not available in the regional warehouse.

This October saw the release of customer product reviews on site, which should support in customer engagement and also unlocks greater potential for strategic growth in Face + Body. Further payment methods have been rolled out across the UK, US, Germany and Australia and we have made changes to optimise our payment acquiring, improving our transaction costs and our local acceptance rates. We have also delivered further domain consolidation to enhance our SEO and improved our page speed downloads across the core customer journey to help support conversion.

Performance by Market

UK

Retail sales grew by 18% to £1,175.9m during the year as we continued to take share in our home market. The customer facing improvements we made in product and customer engagement have resonated well and proven the appeal of the ASOS proposition. We now have over 7m active customers in the UK and saw growth of over 30% in Premier subscriptions this year. UK customers showed a pronounced shift towards more deliberate purchasing during lockdown, and when adjusting for this change in underlying returns rate, we delivered consistent sales growth across this year despite the reduction in demand for the 'going out' product we are best known for.

EU

We delivered a consistently strong performance across the course of the year as we rebuilt customer momentum following disruption from the go-live of our Euro Hub warehouse automation last year. Retail sales growth for the year was 22% as our active customer base grew 18%. This year our EU customers saw a much-improved stock pool with greater choice and availability and benefited from a more dynamic trading stance. The enhancements to delivery proposition unlocked by automation have also supported performance in this region, as we have rolled out later cut off times across standard and next day delivery in France and in Germany where our delivery proposition is now industry-leading. France performed particularly well during lockdown with lower relative online penetration generating further opportunity for customer acquisition during the year.

Our model is resonating well with fashion focused 20-somethings in Europe, and we have taken share through the year. We are targeting further improvements to continue enhancing our competitive positioning and customer proposition including investment into localised pricing on ASOS Design.

US

Performance in the US started the year well and reflected the improvements we made to the stock profile in our Atlanta warehouse. We added 0.3m customers in the first half and sales growth of 25% was supported by better conversion and strong order growth.

Performance in the second half slowed as this region experienced the most severe disruption from Covid-19. We saw a significant reduction in consumer demand, and recovery did not come through at the same speed as we saw in other markets. This has been driven by a combination of market and ASOS specific factors. The US 20-something consumer has not benefited from the same support measures for financial security as European consumers, and the degree to which consumer lifestyles have normalised also remains behind Europe. In addition to this, we have also experienced challenges with our stock pool in the US. The reduction in commercial flights inhibited our ability to airfreight product into the US at a time when this developing stock pool still requires distribution from our other facilities. Whilst our product offer is much enhanced, we still have further opportunity to build out our localised stock offer, branded relationships and in-country sourcing, which will continue to be a focus in FY21.

Rest of World

Retail sales in our ROW territory grew 18% in the year. This region is still fulfilled from our UK Hub in Barnsley and the global restrictions on airfreight caused significant disruption to our proposition for these countries. We managed the impact through changes to delivery thresholds to ensure we balanced basket profitability with the customer experience. The

changes we made to thresholds supported growth in our ABV in the region through an increase in items per basket. Australia pleasingly grew at over 20% this year despite the disruption from bush fires and the challenges we experienced with fulfilment owing to airfreight restrictions. The MENA region continued to perform extremely well during the year, with Saudi Arabia the standout country growing over 50%. Growth was supported by a more locally relevant promotional calendar as well as strong activity through Ramadan which resonated well. Within Russia performance was more constrained driven by a challenging promotional environment. However, our core proposition continues to resonate and we grew our active customer base by 28%, which was ahead of our sales growth.

Strategic Focus and Execution

Our vision is to become the number one destination for fashion-loving 20-somethings worldwide and we began our journey towards becoming a truly global retailer some years ago. Initially this was through building a strong product portfolio for global markets. More recently we have deployed fulfilment centres in the US and Europe, to enhance our proposition and set the physical foundations for the next stage of the journey. We have made good progress and have learnt a lot. This year we needed to build on our physical infrastructure to ensure we had the right processes and ways of working appropriate for a business of global scale and complexity. The focus on our six key priorities in this financial year has allowed us to do this and ensure we have the right capabilities and financial strength for us to begin the next phase of our growth.

We know that to make our vision a reality we need to meet all the fashion needs of 20-somethings in a way that inspires, excites and engages. The next stage of our journey will require us to continue building towards becoming a truly global retailer supported by three key strategic pillars:

- Further develop the range of unique design only we offer to grow the ASOS brands which are already a £1bn business
- Develop the ASOS platform, enhancing our category breadth and flexibility to ensure we have more of the products 20-somethings want whenever they want it
- Improve the ASOS customer experience to make it more inspiring, exciting, personalised and friction free

These will be enabled by an efficient, effective and sustainable model.

These pillars and priorities will serve us well for the next stage of growth, providing the strategic framework as our initiatives evolve each year.

In the current fiscal year, we will take a further leap forward in becoming a truly global retailer with the deployment of our TGR programme – which will give us the enhanced buying, merchandising, planning and stock management capabilities we need to underpin our global growth aspirations. These capabilities will enable our retail teams to deliver a more consistent product experience to our consumers across the globe.

Within the ASOS brands, our focus for the year will be to continue to enhance the range of our core ASOS Design product whilst we further develop our ranges in Dark Future, ASOS Luxe, Collusion and ASOS 4505. We will also launch a new brand, AsYou, at a typically lower price point which will stay true to our ethos and design-led approach. This will take time to build out but will broaden our appeal to a wider range of consumers and meet a gap in our portfolio for lower-priced fashion-forward product.

The priorities for the ASOS platform will be to further enhance the customer offer broadening its appeal in the strategic growth categories of activewear and Face + Body. We made much progress in FY20 but there is much more opportunity for us to build these categories. We will also start to use a more flexible approach to fulfilment, increasing both range and availability by giving consumers access to product from across the ASOS warehouse network. We will begin this, starting in the US in the first half of the year. This will start to enhance our offering and we will work with key brand partners to build the capability to deliver to our consumers directly from their warehouses in the coming years.

In terms of the ASOS customer experience, we will continue to improve the range and flexibility of our customer offer, giving them a compelling reason to shop with us more frequently by making our offer more differentiated by geography and consumer type. We will also enhance our on-site experience, with the recently introduced customer reviews capability being the first enhancement. We will also continue to develop our payment and delivery propositions, particularly in Europe and the US. As part of this, we will look to leverage the warehouse investments we have already made, looking to push cut-off times later as we build scale and increasing the range of ways consumers can receive and return products.

With the top team now in place and much work done to develop our core processes and ways of working, our focus will shift to building out the depth of our organisational capabilities whilst looking for further efficiencies across our business. This will involve a particular focus on enhancing our geographical capabilities, building out our category teams and improving our sourcing capabilities, whilst enhancing our consumer interaction by a broader range of marketing skills. Results will not be immediate, but we are confident that we will continue to evolve our model to make it more global and with a greater range and depth of subject matter expertise.

This level of change will require a more robust model for delivering strategic change at ASOS and we are building a newly formed cross-functional team to coordinate change and projects across the business. This will support in driving alignment and momentum on the many initiatives we have in-flight and to support our next stage of growth.

Outlook

Looking ahead, we remain well positioned to capture the global opportunity through the continued development of the ASOS brands, the ASOS platform and the ASOS customer experience. We have demonstrated and enhanced our operational flexibility this year, and are emerging a stronger, more resilient and agile business.

However, whilst we are well positioned for peak trading and the year ahead, we are cautious on the outlook for consumer demand, and will remain so until lifestyles and financial stability for our 20-something customers start to normalise. Timelines for containment of the virus and a vaccine still look uncertain and a number of our major territories are facing into the prospect of a second wave of cases and increasing lockdown measures. It is clear that a normal pattern of social events is not going to resume in the short term so whilst we have confidence in our ability to continue growing our market share globally, we are cognisant of the economic impact this crisis is having on our 20-something customers and the pressure on their disposable incomes.

The rigorous performance management and operational grip demonstrated over the last 12 months gives us confidence in our ability to navigate the uncertain year ahead. Excluding the favourable Covid-19 related cost and cash impacts experienced this year, we expect to continue to grow our profitability whilst sustaining positive cash generation. However, we remain conscious of the potential financial consequences associated with Brexit and whilst we are comfortable with our business readiness and the precautions taken, the scale and nature of the impact remains outside of our control. Despite the uncertainty ahead, the operational rigour and flexibility proven in our model and the strong customer momentum we have built will support our progression as one of the few truly global leaders in fashion retail.

Nick Beighton
Chief Executive Officer

Mathew Dunn
Chief Financial Officer

Financial review

Overview

	Year to 31 August 2020				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£m
Retail sales	1,175.9	1,005.3	401.9	587.9	3,171.0
Delivery receipts	32.1	24.9	13.3	16.0	86.3
Third party revenues	6.1	–	0.1	–	6.2
Total revenue	1,214.1	1,030.2	415.3	603.9	3,263.5
Cost of sales					(1,716.1)
Gross profit					1,547.4
Distribution expenses					(444.6)
Administrative expenses					(951.7)
Operating profit					151.1
Net finance expense					(9.0)
Profit before tax					142.1

	Year to 31 August 2020	Year to 31 August 2019	Change
Active customers ¹ (m)	23.4	20.3	15%
Average basket value (including VAT)	£71.92	£71.29	1%
Average units per basket	3.18	3.05	4%
Average selling price per unit (including VAT)	£22.63	£23.34	(3%)
Average order frequency ²	3.43	3.56	(4%)
Total orders (m)	80.2	72.3	11%
Total visits (m)	2,691.2	2,266.5	19%
Conversion ³	3.0%	3.2%	-20bps
Mobile device visits	85.5%	81.9%	+360bps
Net Promoter Score ⁴	-2	-4	

¹Defined as having shopped in the last 12 months as at 31 August ²Calculated as last 12 months' total orders divided by active customers ³Calculated as total orders divided by total visits ⁴Net Promoter Score is based on a customer pulse survey and this represents the movement in the average score in the 12-month period ended 31 August

Retail sales grew 19% on the previous year as we navigated the many ways Covid-19 impacted the business. Following a strong first half we saw a strong initial impact from the pandemic and associated lockdown restrictions but as we progressed through the second half, we saw improvements in underlying demand, as well as the continuation of a beneficial returns profile.

This changing dynamic is perhaps best reflected in the relationship between visits and orders. Visits grew 19% on the previous year whilst orders increased 11% to 80.2m, reflecting a shift to more deliberate purchasing through Covid-19 lockdown, which impacted conversion on-site but had a lower associated returns profile. Whilst ABV improved 1% on the year, ABV declined in the second half as customers mixed into lower ASP product categories such as loungewear. The reduction in ABV in the second half was partially mitigated by changes in delivery thresholds following significant increases in airfreight costs following Covid-19.

Our active customer base grew by 3.1m to 23.4m active customers, up 15% from the previous year. We saw particularly strong growth in the EU as we focused on rebuilding customer momentum following disruption in the prior year. Equally as pleasing, ROW active customer base grew by 18% on the year, underpinned by strong growth in Russia and Australia.

Profit before tax increased by 329% to £142.1m. A significant proportion of this increase is due, as previously mentioned, to the focus on removing non-strategic costs from the business. This was the single biggest underlying driver of improved profitability on the year. Alongside this we have annualised efficiency benefits from Euro Hub automation, reversing a significant proportion of the transition costs experienced in prior years, partially offset by a full year of fixed costs and manual operations in Atlanta.

To truly understand our profit delivery, particularly in H2, two more impacts are especially relevant. Firstly, without remedial action, both a reduction in sales volume post lockdown as well as new incremental costs as a result of Covid-19, would have significantly impacted profitability in the second half. We pivoted quickly to mitigate potential profit drags and realised savings in occupancy, payroll costs and through our supply chain. Secondly, it is more efficient to deliver sales growth from fewer orders and fewer associated returns as we saw during the pandemic. Where we saw intentional purchasing post lockdown, the impact this had on the profile of returns and sales provided a one-off profit benefit which more than offset other one-off Covid-19 cost drags resulting in a net positive impact of c.£45m. Although return rates trended back towards expectation at the end of the period, the impact on the second half of the year was significant.

UK performance

UK KPIs	Year to 31 August 2020
Retail Sales	+18%
Visits	+17%
Orders	+10%
Conversion	-30bps
ABV	Flat
Active Customers	7.1m (+11%)

UK retail sales grew 18% in the year, particularly pleasing in light of the prolonged Covid-19 demand impact, demonstrating the resilience of our model, appeal of our proposition and ability to pivot in response to changing demand. Our performance was supported by improvements in product, presentation and social media engagement which were key focus areas this year. We have grown the total UK customer base to over 7m, up 11% on the year.

ABV remained flat on the year, with the pronounced skew towards lower ASP lockdown category mix in the second half offsetting the ABV growth achieved in the first half.

EU performance

EU KPIs	Year to 31 August 2020
Retail Sales	+22% (22% CC)
Visits	+20%
Orders	+14%
Conversion	-20bps
ABV	(1%)
Active Customers	9.2m (+18%)

EU retail sales grew 22% (22% in constant currency) and represented a consistent improvement in performance following last year's warehouse disruption and stock availability issues. The improved delivery proposition and a more dynamic trading stance unlocked by automation supported this strong sales performance. EU also saw a less pronounced lockdown impact on customer behaviour and purchasing behaviour began to return to more normal levels ahead of the UK and US.

Active customer growth of 18%, with 1.4m customers added to the base, demonstrates the progress made in rebuilding customer momentum. New customer acquisition was particularly strong in the second half, notably across territories with lower levels of online penetration including Italy and France, with 'Lockdown' product a particular appeal for these new customers. Traffic growth was strong at 20% and ahead of orders growth of 14% as conversion stepped back 20bps due to a greater mix of mobile web visitors with lower initial conversion.

US performance

US KPIs	Year to 31 August 2020
Retail Sales	+18% (16% CC)
Visits	+19%
Orders	+9%
Conversion	-20bps
ABV	(2%)
Active Customers	3.2m (+14%)

US retail sales grew by 18% (16% in constant currency). We made a strong start to the year in the first half, with growth of 25% supported by better stock availability driving stronger order growth and conversion. Performance slowed in the second half as we experienced significant disruption from Covid-19. This was reflective of a divergent approach to lockdown restrictions in the US and the higher mix of occasion wear ASOS has in this market. The reduction in available airfreight also disrupted stock availability in the US in the second half.

Despite the challenges experienced, the US total active customer base grew at 14% in the year to 3.2m, with particularly strong new customer growth. Traffic growth of 19% was particularly pleasing, with the growth rate improving into the second half driven in part by increased performance marketing activity and a positive customer response to the launch of customer acquisition initiatives including increased student discount activity.

ROW performance

ROW KPIs	Year to 31 August 2020
Retail Sales	+18% (18% CC)
Visits	+19%
Orders	+5%
Conversion	-20bps
ABV	+12%
Active Customers	3.9m (+18%)

ROW retail sales grew by 18% (18% in constant currency) with particularly strong growth in Australia and the Middle East. Performance was underpinned by a positive response to changes in the rhythm of the trading calendar, more targeted promotional activity and a quicker return towards a more normalised product mix in the wake of Covid-19. Increased participation in Black Friday year on year and a great response to Ramadan events in the Middle East were particularly pleasing.

ABV increased 12% driven mainly by action taken to protect basket economics in response to a significant increase in airfreight costs, which drove a notable increase in items per basket. This also drove the reduction in conversion as customers placed larger more considered orders. Active customer growth of 18% was pleasing, driven by strong new customer acquisition.

Gross margin

Gross margin reduced by 140bps in the year driven by three principal factors: increased freight and duty costs reflecting the go-live in our US warehouse impacting the first part of the year (which is largely offset by savings in delivery costs), changes in product mix as customer demand shifted away from occasion wear into more casual product categories during lockdown and finally our planned investment into promotional activity to stimulate demand for occasion product during lockdown. These were partially offset by a significant improvement in our underlying buying margin.

Operating expenses

£m	Year to 31 August 2020	% of sales	Year to 31 August 2019	% of sales	Change
Distribution costs	(444.6)	13.6%	(415.6)	15.2%	(7%)
Warehousing	(313.5)	9.6%	(301.4)	11.0%	(4%)
Marketing	(119.4)	3.7%	(121.8)	4.4%	2%
Other operating costs	(401.4)	12.3%	(389.1)	14.3%	(3%)
Depreciation and amortisation	(117.4)	3.6%	(71.3)	2.6%	(65%)
Total operating costs	(1,396.3)	42.8%	(1,299.2)	47.5%	(7%)

Operating expenses increased 7% to £1.4bn and total operating costs decreased by 470bps as a percentage of sales. The year on year reduction in distribution costs was principally driven by the change to local fulfilment for the US market from our US warehouse and the benefit from lower returns rates driving lower return parcel volumes. The improvement in warehousing costs was driven by a reduction in returned items to be processed as well as increasing efficiency from Euro Hub automation and the IFRS 16 transition (see IFRS 16 note on page 13). These were partly offset by inefficiency due to capacity restrictions implemented during the lockdown period. Our US warehouse also continues to represent a cost drag year on year, with US orders now being processed on a manual basis from this facility rather than our automated UK warehouse. Payroll costs, within other operating costs, improved materially as a percentage of sales driven by ongoing work to improve the efficiency of our operational structure. Marketing costs also decreased by 70bps as a percentage of sales as we drove greater efficiency during the first half and reduced performance marketing spend in the third quarter to

ensure we weren't stimulating demand we couldn't effectively service whilst our warehouses worked at reduced capacity due to social distancing.

This decrease was partially offset by higher depreciation costs following the cycle of elevated capital investment in transformation over the last three years and the transition to IFRS 16.

Interest

Net interest costs rose to £9.0m in the year as we transitioned to IFRS 16 and also incurred costs from drawing down on our credit facility which supported our working capital cycle and capital investment in the period.

IFRS 16 Impact

£m	Year to 31 August 2020 (incl IFRS 16)	% of sales	IFRS 16 Impact	Year to 31 August 2020 (excl IFRS 16)	% of sales	Change
Warehousing	(313.5)	9.6%	14.1	(327.6)	10.0%	40bps
Other operating costs	(401.4)	12.3%	13.5	(414.9)	12.7%	40bps
Depreciation and amortisation	(117.4)	3.6%	(25.0)	(92.4)	2.8%	(80bps)
Finance expense	(9.0)	0.2%	(5.0)	(4.0)	0.2%	(0bps)
PBT	142.1	4.4%	(2.4)	144.5	4.4%	(0bps)
Taxation	(28.8)		0.5	(29.3)		
Profit after tax	113.3		(1.9)	115.2		
Diluted EPS	125.6p		(2.2p)	127.8p		

During the year we implemented IFRS 16, as required by International Financial Reporting Standards. As we adopted the simplified transition approach we have not restated any comparatives. To enable a year on year comparison we have demonstrated above the impact that this has on our current year profit; warehousing costs (mainly warehousing leases) reduced by 40bps, other operating costs (mainly office leases) by 40bps, offset by increased depreciation of 80bps resulting in a marginal reduction to overall profitability.

Taxation

The effective tax rate reduced by 540bps to 20.3% (2019: 25.7%), where FY19 one-off impacts were not repeated. Going forward, ASOS expects the effective tax rate to continue to be approximately 100bps higher than the prevailing rate of UK corporation tax due to permanently disallowable items.

Earnings per share

Basic and diluted earnings per share increased by 330% to 126.3p and by 327% to 125.6p respectively (2019: 29.4p and 29.4p). This was driven by the increase in profit before tax during the year.

Cash flow

There was a £498.0m increase in net cash (cash and cash equivalents less borrowings) in the year, including the net cash proceeds associated with the equity placing in April 2020 of £239.4m. This compares with a £133.2m increase in net debt in the previous year. The cash inflow in the year, excluding the equity raise, was driven by EBITDA of £268.5m and an improvement in working capital of £140.3m. Of this working capital inflow we benefited from Covid-19 related supply chain impacts causing the peak stock build to be later than usual. Capital expenditure of £115.6m is seen in cash capital expenditure of £116.6m and a capital creditor decrease of £1.0m associated with our FY20 investment.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME
For the year to 31 August 2020

	Year to 31 August 2020 £m	Year to 31 August 2019 £m
Revenue	3,263.5	2,733.5
Cost of sales	(1,716.1)	(1,399.2)
Gross profit	1,547.4	1,334.3
Distribution expenses	(444.6)	(415.6)
Administrative expenses	(951.7)	(883.6)
Operating profit	151.1	35.1
Finance income	0.5	-
Finance expense	(9.5)	(2.0)
Profit before tax	142.1	33.1
Income tax expense	(28.8)	(8.5)
Profit for the year	113.3	24.6
Profit for the year attributable to owners of the parent company	113.3	24.6
Net translation movements offset in reserves	0.1	(0.8)
Net fair value losses on derivative financial instruments	(13.9)	(14.9)
Income tax relating to these items	2.9	2.8
Other comprehensive income for the year¹	(10.9)	(12.9)
Total comprehensive income for the year attributable to owners of the parent company	102.4	11.7
Earnings per share (Note 3)		
Basic	126.3p	29.4p
Diluted	125.6p	29.4p

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year to 31 August 2020

	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 2019	2.9	6.9	449.5	1.3	(4.8)	(2.2)	453.6
Profit for the year	-	-	113.3	-	-	-	113.3
Other comprehensive loss for the year	-	-	-	-	(11.0)	0.1	(10.9)
Total comprehensive income/(loss) for the year	-	-	113.3	-	(11.0)	0.1	102.4
Proceeds from share issue, net of transaction costs	0.6	238.8	-	-	-	-	239.4
Net cash received on exercise of shares from Employee Benefit Trust	-	-	-	0.7	-	-	0.7
Share-based payments charge	-	-	12.9	-	-	-	12.9
Tax relating to share option scheme	-	-	1.3	-	-	-	1.3
Balance as at 31 August 2020	3.5	245.7	577.0	2.0	(15.8)	(2.1)	810.3
At 1 September 2018	2.9	6.9	422.1	1.0	7.5	(1.6)	438.8
Profit for the year	-	-	24.6	-	-	-	24.6
Other comprehensive loss for the year	-	-	-	-	(12.3)	(0.6)	(12.9)
Total comprehensive income/(loss) for the year	-	-	24.6	-	(12.3)	(0.6)	11.7
Net cash received on exercise of shares from Employee Benefit Trust	-	-	-	0.3	-	-	0.3
Share-based payments charge	-	-	3.4	-	-	-	3.4
Tax relating to share option scheme	-	-	(0.6)	-	-	-	(0.6)
Balance as at 31 August 2019	2.9	6.9	449.5	1.3	(4.8)	(2.2)	453.6

¹Retained earnings includes the share-based payments reserve

²Employee Benefit Trust and Link Trust

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 August 2020

	At 31 August 2020 £m	At 31 August 2019 £m
Non-current assets		
Goodwill	1.1	1.1
Other intangible assets	346.9	325.1
Property, plant and equipment	616.8	296.0
Derivative financial asset	4.8	0.1
	969.6	622.3
Current assets		
Inventories	532.4	536.8
Trade and other receivables	60.3	72.8
Derivative financial asset	19.6	11.0
Cash and cash equivalents	407.5	-
Current tax asset	-	2.6
	1,019.8	623.2
Current liabilities		
Trade and other payables	(806.1)	(669.0)
Bank overdraft	-	(15.5)
Borrowings	-	(75.0)
Lease liabilities	(22.3)	-
Derivative financial liability	(25.4)	(12.7)
Current tax liability	(0.3)	-
	(854.1)	(772.2)
Net current assets/(liabilities)	165.7	(149.0)
Non-current liabilities		
Lease liabilities	(290.8)	-
Deferred tax liability	(11.4)	(12.6)
Derivative financial liability	(22.8)	(7.1)
	(325.0)	(19.7)
Net assets	810.3	453.6
Equity attributable to owners of the parent		
Called up share capital	3.5	2.9
Share premium	245.7	6.9
Employee Benefit Trust reserve	2.0	1.3
Hedging reserve	(15.8)	(4.8)
Translation reserve	(2.1)	(2.2)
Retained earnings	577.0	449.5
Total equity	810.3	453.6

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year to 31 August 2020

	Year to 31 August 2020 £m	Year to 31 August 2019 £m
Operating profit	151.1	35.1
Adjusted for:		
Depreciation of property, plant and equipment	57.4	25.3
Amortisation of other intangible assets	60.0	46.0
Impairment of assets	4.1	1.4
Decrease/(increase) in inventories	4.4	(129.2)
Decrease/(increase) in trade and other receivables	6.5	(30.2)
Increase in trade and other payables	129.4	143.3
Share-based payments charge	10.9	2.5
Other non-cash items	-	0.7
Income tax paid	(20.5)	(5.2)
Net cash generated from operating activities	403.3	89.7
Investing activities		
Payments to acquire other intangible assets	(88.4)	(124.9)
Payments to acquire property, plant and equipment	(28.2)	(96.7)
Finance income	0.5	-
Net cash used in investing activities	(116.1)	(221.6)
Financing activities		
Proceeds from share issue, net of transaction costs	239.4	-
(Repayment of)/proceeds from borrowings	(75.0)	75.0
Principal portion of lease liabilities	(21.4)	-
Net cash inflow relating to Employee Benefit Trust	0.7	0.3
Finance expense	(8.0)	(1.4)
Net cash generated from financing activities	135.7	73.9
Net increase/(decrease) in cash and cash equivalents	422.9	(58.0)
Opening cash and cash equivalents	(15.5)	42.7
Effect of exchange rates on cash and cash equivalents	0.1	(0.2)
Closing cash and cash equivalents	407.5	(15.5)

NOTES TO THE FINANCIAL INFORMATION

For the year to 31 August 2020

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, Sweden, the Netherlands, Denmark, Poland and Russia. 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.

b) Basis of preparation

The condensed consolidated financial statements for the year to 31 August 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations, as adopted by the European Union (EU), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. As at the reporting date, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB) that have been endorsed by the EU.

The financial information contained within this preliminary announcement for the years to 31 August 2020 and 31 August 2019 does not comprise statutory financial statements within the meaning of section 434 of the Companies Act 2006. Statutory accounts for the year to 31 August 2019 have been filed with the Registrar of Companies and those for the year to 31 August 2020 will be filed following the Company's annual general meeting. The auditors' report on the statutory accounts for each of the years to 31 August 2020 and 31 August 2019 is unqualified, does not draw attention to any matters by way of emphasis, and does not contain any statement under section 498 of the Companies Act 2006.

Going concern and viability

The directors have a reasonable expectation that the Group have adequate resources to continue in operational existence for the foreseeable future. The going concern basis of accounting has therefore been adopted in preparing the financial statements. The directors have also assessed the prospects of the Company and the Group over a three-year period to 31 August 2023, and have a reasonable expectation that the Company and the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period under review.

The Group has conducted extensive stress-testing given the impacts of Covid-19 on customer demand and behaviours, none of which have resulted in a change to the assessment of the Group as a going concern. The Directors have therefore continued to adopt the going concern basis in preparing the Group's financial statements.

Accounting policies

IFRS 16

The group has adopted IFRS 16, "Leases", effective for accounting periods commencing 1 January 2019 and applied the simplified transition approach with the practical expedients for short-term and low value asset leases. Comparatives have not been restated and opening retained earnings have not been impacted, as a result of the transition approach.

The Group enters into leases for property, plant and equipment. The Group's lease portfolio is principally comprised of property leases of land and buildings in relation to ASOS fulfilment centres and office space. The leases typically run for terms between 7 and 20 years and may include break clauses or options to renew beyond the non-cancellable periods. The majority of the Group's lease payments are subject to market review, usually every 5-6 years, and some lease agreements include rental payments contingent on turnover or economic indices. These contingent lease payments are excluded from the calculation of lease liabilities under IFRS 16.

The right-of-use assets have been measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Statement of Financial Position immediately before the date of initial application. The value of the lease liabilities represents the total cash commitments under each

of the operating leases. The present value of the lease liabilities is discounted at ASOS' potential borrowing cost for a long-term liability and will be reviewed periodically.

The lease liability brought onto the balance sheet at transition is £339.3m, and the right of use asset is £352.1m. A £36.2m dilapidation provision has also been recognised separately, discounted using the same discount rate as the lease liability. There was an existing dilapidations provision of £5.4m held on the balance sheet for the year ended 31 August 2019, hence a £30.8m movement has been included in the table below showing the impact across the opening Statement of Financial Position:

	1 September 2019 £m
Non-current assets	
Right-of-use assets – property, plant & equipment	352.1
Current assets	
Prepayments	(5.0)
Current liabilities	
Financial liabilities – lease liabilities	(22.1)
Accruals	23.0
Non-current liabilities	
Financial liabilities – lease liabilities	(317.2)
Dilapidation provision	(30.8)
Total movement in retained earnings at 1 September 2019	-

Reconciliation of the lease liabilities at 1 September 2019 to the operating lease commitments at 31 August 2019:	£m
Operating lease commitments disclosed at 31 August 2019 under IAS17	388.9
Adjustments as a result of changes in management assumptions on exercising an option to terminate a lease and reflecting individual components of a contract	(12.7)
Discounted using the group's incremental borrowing rate at the date of initial application	(36.4)
Short-term leases excluded from lease liability	(0.5)
Lease liability recognised as at 1 September 2019	339.3

The effect of these changes has resulted in EBITDA increasing by £27.6m and depreciation increasing by £25.0m; therefore EBIT has increased by £2.6m for the year ended 31 August 2020. Net finance costs have increased by £5.0m and therefore profit before tax reduced by £2.4m.

Within the cash flow statement, while there is no additional impact on cash flows, there are changes in the classification of cash flows, with £21.4m of lease payments classified as financing cash flows and £5.0m as interest payments.

From 1st September 2019 the Group's lease policy is summarised as follows:

A right-of-use asset and lease liability is recognised at the lease commencement date. The right-of-use asset is initially recognised at cost, comprising the initial amount of the lease liability plus any initial direct cost incurred. An adjustment is made for the reclassification of prepaid lease expenses, dilapidation accruals less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The lease liability is initially measured as the present value of the lease payments at the commencement date, discounted using the incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest method and a subsequent finance charge recognised on the finance lease liability. A finance charge on the dilapidation provision is also recognised using the same effective borrowing rate. The finance lease liability is re-measured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group's assessment of whether it will exercise an extension or termination option. When the lease liability is re-measured, a corresponding adjustment is made to the right-of-use asset.

ASOS' activities as a lessor are not currently material.

All other accounting policies applied are consistent with those adopted and disclosed in the Group financial statements for the year to 31 August 2019.

2. 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 Committee which receives 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 Committee assesses the performance of each segment based on revenue and KPIs reflecting territory and customer performance.

	Year to 31 August 2020				
	UK £m	EU £m	US £m	RoW ¹ £m	Total £m
Retail sales	1,175.9	1,005.3	401.9	587.9	3,171.0
Delivery receipts	32.1	24.9	13.3	16.0	86.3
Third-party revenues	6.1	-	0.1	-	6.2
Total revenues	1,214.1	1,030.2	415.3	603.9	3,263.5
Cost of sales					(1,716.1)
Gross profit					1,547.4
Distribution expenses					(444.6)
Administrative expenses					(951.7)
Operating profit					151.1
Finance income					0.5
Finance expense					(9.5)
Profit before tax					142.1

	Year to 31 August 2019				
	UK £m	EU £m	US £m	RoW ¹ £m	Total £m
Retail sales	993.4	825.7	341.2	497.4	2,657.7
Delivery receipts	27.4	17.5	12.1	9.4	66.4
Third-party revenues	9.0	0.3	0.1	-	9.4
Total revenues	1,029.8	843.5	353.4	506.8	2,733.5
Cost of sales					(1,399.2)
Gross profit					1,334.3
Distribution expenses					(415.6)
Administrative expenses					(883.6)
Operating profit					35.1
Finance expense					(2.0)
Profit before tax					33.1

¹Rest of World

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. No measure of segmental assets or liabilities is therefore disclosed in this note.

The total amount of non-current assets located in the UK is £679.6m (2019: £463.4m), EU: £204.0m (2019: £113.0m), US: £80.1m (2019: £44.7m), and RoW: £nil (2019: £nil).

3. 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.

	Year to 31 August 2020 £m	Year to 31 August 2019 £m
Weighted average share capital		
Weighted average shares in issue for basic earnings per share (no. of shares)	89,697,034	83,565,283
Weighted average effect of dilutive options (no. of shares)	443,417	159,117
Weighted average shares in issue for diluted earnings per share (no. of shares)	90,140,451	83,724,400
Earnings (£m)		
Earnings attributable to owners of the parent company	113.3	24.6
Basic earnings per share	126.3p	29.4p
Diluted earnings per share	125.6p	29.4p

4. Reconciliation of cash and cash equivalents

(a) Cash and cash equivalents

	Year to 31 August 2020 £m	Year to 31 August 2019 £m
Net movement in cash and cash equivalents	422.9	(58.0)
Opening cash and cash equivalents	(15.5)	42.7
Effect of exchange rates on cash and cash equivalents	0.1	(0.2)
Closing cash and cash equivalents	407.5	(15.5)

Cash and cash equivalents comprise highly liquid funds which the Group can access without restriction.

(b) Borrowings

The Group has in place a £350m Revolving Credit Facility (RCF) available until July 2023 (with a one-year extension to July 2024 applicable subject to the agreement of all parties). At 31 August 2020 the Group had drawn down £nil (2019: £75.0m) of the RCF.

During the year, the Group also issued commercial paper to the value of £100.0m, as part of the government-backed Covid Corporate Financing Facility (CCFF). This was fully repaid on 28 August 2020.

5. 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 e-commerce 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 31 August 2020, the Group had contingent liabilities of £21.6m (2019: £21.6m) in relation to supplier standby letters of credit, rent deposit deeds and other bank guarantees. On 10 September 2020 the Group extended a supplier standby

letter of credit by £8.9m bringing the total to £30.5m. The likelihood of cash outflow in relation to these contingent liabilities is considered to be low.

6. Financial instruments

There are no changes to the categories of financial instruments held by the Group.

	Year to 31 August 2020 £m	Year to 31 August 2019 £m
Financial assets		
Derivative assets used for hedging at fair value	24.4	11.1
Amortised cost ¹	457.7	51.2
Financial liabilities		
Derivative liabilities used for hedging at fair value	(48.2)	(19.8)
Lease liabilities	(313.1)	-
Amortised cost ²	(794.4)	(750.4)

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 Euros, US dollars, Australian Dollars and Russian Roubles. 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 31 August 2020 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 year ended 31 August 2020 and a net unrealised loss of £13.9m (2019: loss of £14.9m) was recognised in equity. All derivative financial liabilities at 31 August 2020 mature within three years based on the related contractual arrangements.

7. Related parties

The Group's related party transactions are with the Employee Benefit Trust, Link Trust, key management personnel and other related parties. There have been no material changes to the Group's related party transactions during the year to 31 August 2020.