7 April 2020

ASOS plc
Global Online Fashion Destination

Interim Results for the six months to 29 February 2020

ASOS delivers record half year performance
Current trading impacted by COVID-19: actions taken to protect the short term and position ASOS for long-term growth

Summary financial results

£m[1]	Six months to 29 February 2020	Six months to 28 February 2019	Change	CCY[2] Change
Group revenues[3]	**1,596.8**	1,314.5	*21%*	*21%*
Retail sales	**1,551.4**	1,281.3	*21%*	*21%*
UK retail sales	***577.1***	*481.5*	*20%*	*20%*
International retail sales	***974.3***	*799.8*	*22%*	*22%*
Gross profit	**750.0**	639.9	*17%*	
Retail gross margin	***45.4%***	*47.4%*	*(200bps)*	
Gross margin	***47.0%***	*48.7%*	*(170bps)*	
Profit before tax[4]	**30.1**	4.0	*653%*	
Diluted earnings per share	**27.5p**	3.6p	*664%*	
Net debt	**(163.6)**	(37.9)	*(332%)*	

[1]All numbers subject to rounding throughout this document, [2]Constant currency is calculated to take account of hedged rate movements on hedged sales and spot rate movements on unhedged sales, [3]Includes retail sales, delivery receipts and third-party revenues, [4]Profit before tax for H120 includes impact of IFRS 16

HY Results summary
- Retail sales up 21% - strong trading from peak period continuing through the half
    - UK sales growth +20%, EU +21%, US +25% ROW +20%
- Improving underlying cash generation; EBITDA margin restored ahead of HY18 levels (H120 excluding IFRS 16 impact: 4.9%, H119: 2.8%, H118: 4.7%)
- Record H1 PBT of £30.1m, reflecting strong trading and good progress reducing non-strategic costs
- Total orders placed of 41.1m, +19% year on year; robust operational performance across all distribution centres
- Net debt of £163.6m reflecting seasonal peak

Good progress against FY20 Priorities
- Three new appointments to executive team; new leaders for brand, strategy and people
- Progress ahead of expectations in reducing non-strategic costs, further future opportunities identified
- Revitalised product and presentation has underpinned strong trading
- Full promotional calendar and upweighted social communications has driven strong customer acquisition and retention

COVID-19 has had a significant impact since the end of H1
- Demand has been significantly impacted since containment measures introduced; group sales down c.20%-25% in most recent three weeks of trading
- Most markets following pattern of demand shock before impact partially moderates
- Disruption to product sourcing from China is minimal; closely monitoring European sourcing

Action taken to support our people, customers and our business
- Priority is health and wellbeing of our people and customers
- All warehouses remain operational, but at lower capacity with effective social distancing measures in place
- Head office staff working from home where possible, but continuing to support our customers
- Discretionary costs and capex reduced; intake aligned to demand profile
- Appropriate use of government support including payment deferrals and job retention schemes where available
- Stress testing of scenarios indicates we have sufficient liquidity under our existing £350m RCF

Additional financing announced to further protect our business and position us for long-term growth
- Finalising discussions to secure a £60-80m 12-month extension to RCF with covenant adjustments to ensure additional operational flexibility through the crisis;
- Proposed placing of up to c.18.8% of issued share capital to protect against a prolonged downturn and to position business for long-term growth

Nick Beighton, CEO, commented:
"ASOS had a strong start to the year, making significant progress against the priorities we set out and delivering a better than anticipated first-half performance, driven by the operational improvements we are making to the business.

Along with other businesses, we have been significantly impacted by the COVID-19 outbreak. Our first priority was to quickly put in place the necessary measures to ensure the health and wellbeing of our people. I have been extremely impressed with the pace of change and the flexibility our teams have shown in adopting these new ways of working. I'd like to thank them all for the way they have responded.

Since then, we have been focused on keeping our business delivering for customers whilst implementing a series of actions to mitigate the sales impact we have been experiencing. At the same time we have been working to strengthen our financial position, including reaching agreement with our lenders to provide us with additional short-term financial flexibility.

The ASOS business model provides us with significant resilience and we are encouraged to have seen, across our markets, that where consumers are in lockdown, ASOS continues to be an important part of their lives. We have a global platform with the capacity and capability to drive our future growth as demand returns and against that backdrop we are looking to raise incremental equity capital to ensure we have sufficient resources to capitalise on the future whatever it may hold.

The COVID crisis is clearly going to continue to be tough for everyone and the short-term outlook remains highly uncertain, but the measures we have taken ensure we are able to be clearly focussed on making sure that ASOS emerges as a stronger and better business."

Investor and analyst meeting:
There will be a webcast for investors and analysts that will take place at 8.30am, 8 April 2020. To access live please join the following link https://event-webcast.com/JEu8FOkrqyaUAjZz. The webcast will be available both live and following the meeting at www.asosplc.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 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 215.4m visits during February 2020 (February 2019[1]: 170.9m) and as at 29 February 2020 had 22.3m active customers[2] (28 February 2019: 19.2m), of which 6.8m were located in the UK and 15.5m were located in international territories (28 February 2019: 6.2m in the UK and 13.0m internationally).

[1]Restated visits, previously reported number 171.6m, [2]Defined as having shopped in the last twelve months as at 29/28 February

ASOS plc ("the Group")
Global Online Fashion Destination
Interim Results for the six months to 29 February 2020

Overview of first-half performance

ASOS recorded a strong performance over the first half of the year. Our financial performance was ahead of our expectations; our operational performance remained robust and we made good progress against the six priorities we set out for the year.

Total sales grew by 21% to £1,597m as the strong momentum experienced over the peak period continued into January and February. A better than anticipated performance through the clearance period, combined with healthy growth in the active customer base, led to strong sales growth. Gross margin decreased by 170bps reflecting the cost of US duty and freight and some investment to support customer acquisition. PBT of £30.1m, our strongest ever H1 performance, not only reflected better than expected progress in reducing non-strategic costs, but also favourable underlying trading dynamics including higher Average Basket Values. Accordingly, EBITDA margin was restored ahead of HY18 levels further demonstrating the improving cash generation profile of the business. Our financial results were further underpinned by the progress we have made in enhancing our performance management processes and improving our operational and financial controls. The HY profit includes c.£19m (H1 2019: c.£24m) of transition costs. £5.8m of this was associated with ongoing restructuring within the business, and the remaining reduction year on year was largely due to improving efficiency in both our Euro and US Hubs. Operationally, all of our warehouses stepped up to handle record volumes without disruption.

COVID-19 update and planning

COVID-19 has had a profound impact on people, societies and of course businesses and ASOS is no exception. At the start of the outbreak, our initial focus was around the supply of product sourced in China. This has since returned to normal operating levels and we don't expect a material impact on our stock. We continue to monitor the European supply chain closely. At the time of writing, whilst we have seen some suppliers temporarily close and some capacity lost from those who remain open, the majority are operational and able to supply the product we need.

It is clear, however, that consumer demand in this uncertain environment is by far the biggest uncertainty facing our business. With most of our key territories in lockdown, we understand a little bit more about the demand impacts from the pandemic each day.

It remains too early to determine the extent of the impact on consumer demand, or to be clear on how long these conditions will persist, however, we have seen a clear impact on visitor traffic and conversion. And, although not completely transferable to other markets who are at different levels of development in terms of e-commerce, Italy has given a good indication to how other territories may perform. Our experience in Italy has shown an initial demand shock as consumers adjust to the reality of lockdown and prioritise spending elsewhere. Sales declines in the first week were driven by reductions in both traffic and conversion. Following this, we have seen the impact partially moderating, with traffic to ASOS.com particularly starting to improve. However, overall performance is still below our pre-COVID expectations. Whilst it is still early, we have seen similar trends in other markets that are following the same trajectory as Italy. What remains uncertain is the impact of an extended period of restrictions on consumers attitude to shopping and any reaction to a sustained period of economic contraction. We will continue to monitor these trends across key markets.

Notwithstanding overall demand being suppressed, we have found consumers respond positively to promotional activity. This activity has been supportive of new customer acquisition through the disruption and we foresee the possibility of new customer acquisition opportunities given the necessity of channel shift.

Whilst continuing to trade to support the longevity of our business for all stakeholders, the wellbeing of ASOSers remains our primary concern. We have taken significant precautionary measures across our offices and warehousing facilities, both to protect our colleagues' health and to minimise operational disruption. We have put in place appropriate contingencies and operational plans to ensure operational disruption is minimised if a case develops in any of our facilities. This includes plans in the event that one of our warehouses is required to shut for either a short or more extended period. However, with many operational impacts resulting from the COVID-19 situation it is impossible to guarantee that we will not experience operational impacts which may constrain our ability to service our market in full.

ASOS is uniquely designed to be an inspirational, relevant and engaging platform for the world's fashion focussed 20-somethings. That remains relevant even in this time of crisis. We continue to see consumers choosing to spend time on our platform and choosing us to meet their fashion needs even in such difficult and different circumstances. Our broad range of product categories has allowed us to cater to changing fashion needs with loungewear, beauty and lingerie having all shown strong growth year on year as customers mix out of dresses and tailoring. Our platforms and channels continue to see strong levels of engagement, supported by the launch of a new content franchise focused on #AtHomeWithASOS and live events including fitness sessions, beauty regimes and DJ sets with content creators, Insiders and influencers. We have had over 3.3m video views across Instagram Grid & IGTV between 12-25th March, representing growth of over 100% in comparison to the previous weeks.

Whilst this is a difficult time for everyone, we have confidence that our business is well set for the future following the actions we have taken. We have a global platform and the capacity and capability to drive our future growth. We have demonstrated through our H1 performance that our model is strong and resonates with consumers. In the short term, the outbreak of COVID-19 will undoubtedly have an impact on our financial performance. However, our model provides us with significant flexibility to weather the challenges ahead and to emerge as a strong and agile business. We continue to monitor closely the impact of the COVID-19 outbreak, ensuring that we look after customers and colleagues and take any additional steps required.

Stress testing and liquidity for COVID-19

Uncertainty around the scale, timing and impact of the coronavirus pandemic means it is impossible with any degree of precision to determine the impact on our performance particularly in the second half of the financial year. As a result we have analysed a broad range of potential scenarios, including the potential for trading to stay at current levels for an extended period, the possibility for temporary warehouse closures and the risk of longer duration recessionary impacts. We have modelled each of them in detail, including the offsetting impact of extending the mitigating actions we have already begun.

Whilst it is impossible to be precise as to all the impacts, we have stress tested our liquidity under these scenarios and are comfortable that with mitigating actions there is sufficient liquidity within our existing £350m facility. This is supported by the fact that we have a largely variable cost base, which allows the scale of the business to be altered on a 6-12 week time frame. In addition to this, we have already begun to take decisive action on rightsizing our intake, managing our stock risk profile and identifying a number of cash and cost mitigation measures across the business to support our ability to respond to these uncertainties. This includes the deferral of a number of capex projects, including Truly Global Retail (TGR), which will now be postponed until FY21.

However, given the high level of uncertainty, as precaution against even more severe outcomes, we are taking action to ensure maximum flexibility and headroom is available to us. We are in the final stages of putting in place an extension to our RCF facility of £60-80m, alongside the agreement from our lenders to adjust our net debt to EBITDA covenant test for the next 12 months. In addition to this, we have begun the process to confirm our eligibility and begin access to the Covid Corporate Financing Facility, launched by the Bank of England. These two sources of incremental debt funding provide additional headroom to deal with extensive disruption and associated working capital requirements ensuring we can continue to support our business, our employees and our partners.

Beyond this, we have today announced a placing to secure further equity capital via means of a placing, up to c.18.8% of issued share capital. The net proceeds from the Placing, combined with the extension to current banking facilities, will be used to provide sufficient liquidity and flexibility to manage the business through and beyond the period of expected and continuing disruption. These arrangements if completed would:

- put sufficient financing in place to weather no improvement in current trading for at least 18 months;

- enable ASOS to emerge from the current crisis in a stronger financial position to continue to invest in the growth of the business and to work supportively with our long-standing supplier base to mutual advantage as the industry recovers from the pandemic; and

- avoid necessitating decisions being made for short-term liquidity or cash management reasons that may cause detriment to ASOS' long term prospects, and give us the flexibility to restructure the business in the case of a prolonged downturn.

Progress against FY20 priorities

Whilst COVID-19 will clearly impact our short-term actions, our focus so far and for the remainder of the year remains unchanged – consistent execution and delivery against our six key FY20 priorities, as we build a business fit for the next stage of growth and global opportunity.

As we set out at our full-year results in October, we have identified six priorities for the year to help us deliver on the opportunity we have to be one of the few truly global leaders in retail. We have continued to make good progress against these in the first half of the year and, whilst there remains much to be done, we are already seeing early benefits.

Strengthen organisational capabilities

Strengthening the depth and breadth of our senior management team was a key priority to ensure that we are well set for the next phase of growth. Robert Birge joined us in early December in the newly created Chief Growth Officer role, taking end to end ownership for the customer journey, from engagement and acquisition through to customer care. In March we announced the appointment of

Jo Butler as Chief People Officer who will be key in supporting the transformation of our organisational design and people strategy. Patrik Silén will join us as Chief Strategy Officer later this year and brings a wealth of experience from his time at McKinsey.

We are pleased with the additional experience and capabilities these new hires represent for our organisation and are confident in the strength of the team we have built for the next stage of our global growth.

Further increase product choice, availability and newness

Our priority for the first half of the year was regaining customer momentum, and restoring the ASOS experience in the customers eyes, with regard to the best fashion choice, was a key part of this. Our analysis of FY19 performance reiterated the importance of availability and newness in our offer. We, therefore, backed our first half trading with good availability, which undoubtedly contributed to our strong sales growth across the first half. We increased our newness by 13% in H1 which is a key part of the ASOS customer appeal, demonstrated by our 'New In' page being the most visited category on site. Our focus is now on maintaining consistency in availability and newness, and therefore the customer experience, as we begin to annualise the improvements we made after P1 last year.

ASOS Design stepped up 1% in the mix year on year, as we had great success with key trends in blazers, embellished dresses and strong prints across womenswear and logomania, utility, high necks and plush fabrications across menswear. In addition, Collusion now represents 1% of our total mix, and continues to grow well year on year, resonating particularly well with our younger customers. ASOS 4505 continues to gain momentum and had a strong AW season, sales were up 67% YoY with our bold and fashion forward Ski range landing particularly well with customers.

We added over 100 new brands to our platform in the first half, with highlights including Topshop and Berghaus. Within the US we were pleased with the improvements in product width and have begun trialling flexible fulfilment from our European warehouses to further broaden the range of brands available to our US customers.

Our priorities for the second half will now reflect balancing appropriate levels of availability, newness and choice with uncertain levels of consumer demand across many of our key markets. Our supply chain remains flexible, with most ASOS Design product on lead times of 4-12 weeks, which will allow us to remain agile in the face of changing levels of consumer demand.

Continue to improve presentation and social media engagement

Our inspirational product presentation and social media engagement remain at the heart of the ASOS customer appeal. We have surpassed 10m followers on Instagram and see great levels of engagement through the channel. We demonstrated our ability to resonate in key trading moments over the Black Friday period. During this time, we generated 1.2bn potential organic impressions, landing considerably ahead of many of our peers. From 7am on the Thursday ahead of Black Friday #ASOSBlackFriday was trending worldwide driven by a surprise and delight activation that got customers talking about their purchases increasing impressions of our product.

We had great success with product collaborations and style edits with carefully selected influencers across the half. Highlights were a second collection from Ovie from Love Island, Delilah Bell and Emily Shak. We saw great engagement with the associated content with wide reaching organic impressions and great uplifts on the associated product.

Optimise approach to customer acquisition and retention

We were pleased with the customer momentum we achieved through the key acquisition period of the year. We added 2.0m to our active customer base taking it to 22.3m and visits of 1.3bn represented strong growth, up 22% year on year. Our focus from here is as much on engagement and retention of customers as it is on new customer acquisition as we work to further drive loyalty and frequency across our customer base.

During the period, we rebalanced some of our investment towards promotional activity, with a focus on designing promotional mechanics that resonate with our younger target market. Our data supports that customers we acquire or reactivate via promotional activity are on average of higher value and more likely to shop with ASOS again. During the half, relevant, targeted promotional activity was supportive of driving both visits and full price sales within the basket.

A step back in our rate of marketing investment year on year was driven by the rebalancing of investment towards promo, removal of non-working marketing spend and greater efficiencies in our direct marketing spend. We have insourced a larger portion of our PPC spend, increased the use of smart bidding and implemented a more structured approach to testing marketing activity.

November saw our first trial of out of home awareness activity in the US, utilising billboard space in Times Square alongside targeted subway route posters for the journeys our target customers travel most. This campaign alongside the introduction of always on 'New Customer' codes on our US sites supported pleasing new customer acquisition in the territory.

The implementation of GDPR drove large scale change in the way we communicate with our customers. This year we have reviewed and refreshed all our lifecycle customer communications, implementing more push notifications and contacts for re-engaging with customers who drop out during the purchase funnel to good success.

Leverage benefits from transformational investments to drive efficiency and enhance customer propositions

Having invested heavily into the platform and foundations of the business over the last few years, both in terms of physical infrastructure and technology, our focus for this year is to begin to leverage the benefits of these investments.

The transformational investments in warehousing, automating and doubling capacity at our Euro Hub and opening a new US fulfilment centre, gave us the ability to fully participate in the peak period free from capacity constraints. All our warehouses stepped up to handle record volumes, without disruption.

The Euro Hub delivered significant improvements in both pick and pack rates in the first half. Towards the end of the half, the pack KPI was in line with our Barnsley warehouse and we expect to see further improvements in our pick rate across the second half. This not only generated cost efficiency, reflected in the reduction of year on year transition costs, but also allowed improvements to our EU proposition. Our Standard Delivery promise has been reduced by one day and we have also gone live with 1 hour delivery slots in Germany.

Turning to the US Hub in Atlanta, operations were robust throughout the first half and it handled its first peak trading period without disruption. Whilst the facility represents a cost drag in comparison to Barnsley due to manual operations, it has allowed us to open a true Next Day Delivery (NDD) proposition across the US. NDD is now available to over 90% of US consumers, and it increased steadily as a share of mix through the half. Whilst it remains a customer paid proposition for the majority of the US, we have experimented with inclusion in ASOS Premier and free NDD basket thresholds during the half and expect to roll out enhancements later this year.

Steady progress continued across the first half with our TGR programme. TGR is a key component in supporting our global growth ambitions. It will enable better, faster decision making and improves our ability to give customers the best choice of product at the right price and to trade as a truly global retailer. Given the current backdrop and impact of COVID-19, we are reviewing the timing of a phased implementation and are planning to defer implementation until FY21.

Remove non-strategic cost

We have increased focus on our deployment of all cost and investment across the business, as well as the processes we use to manage our operational and financial performance. In the first half we have made good early progress, with the cost savings to date ahead of our initial expectations. This has been supported by favourable basket metrics which have been enhanced by a number of actions we have taken, including the adjustment of thresholds for certain types of delivery and the consolidation of orders where possible. In addition to cost savings, our priority has been to strengthen financial discipline to ensure we are taking the right decisions consistently across the business. We have made good progress, but we continue to see this as a medium-term opportunity as we work to embed these behaviours in our culture and ensure investment is allocated towards those areas that drive an appropriate return.

The first half saw increasing efficiency in our staff costs as we rationalised processes and management structures across the organisation and removed resource investment from non-strategic areas such as the ASOS Magazine. This saving was partially offset by the restructuring costs associated with making these changes.

We drove increasing efficiency from our marketing cost spend in the first half reflecting improvements in our use of performance marketing investment tools, including Google smart bidding, more rigorous customer segmentation and Facebook retargeting. Removal of non-working marketing spend also drove cost savings year on year.

Analysis of investment and efficiencies across our warehousing and fulfilment costs drove further savings year on year. Refining delivery thresholds has driven incremental savings and ensured we are investing in propositions in line with our strategic priorities and generating an appropriate return. This has been supportive of ABV in a number of territories, which in turn has driven efficiencies ahead of expectations. Our distribution costs also benefitted from local distribution in the US which have broadly offset additional costs incurred in gross margin for freight and duty. In our warehouses we drove further efficiencies by improving input and output KPIs associated with the capex investments made in FY19.

The work that has been done so far is part of a longer term objective to further improve operating margins going forward. In the second half we have more work to do on realising cost efficiencies and we will also begin work to set ourselves up to progress longer term cost restructuring and margin realisation.

Performance by market

UK

In the UK, our most mature market, the first half performance surpassed our expectations, particularly through the traditional clearance period in January and February. Traffic was consistently strong, up 18% in the half, and our active customer base was up 10% year on year, driven by both new customer acquisition and reactivations. This was reflective of the improvements we made across product, presentation and customer engagement during the half. We evolved our trading stance to ensure we were reflecting developments in what resonates and stimulates demand and engagement. This was successfully executed throughout the half but with most pleasing results seen during the Black Friday period where we gained market share year on year. Further to this, we continued to develop our UK payment proposition in line with the way customers are increasingly keen to pay with the introduction of two new instalment payment methods. 'Klarna Pay in 3' and 'Clearpay Pay in 4' were added in December and were supportive of new customer growth and ABV. Overall this performance translated into good growth in frequency +6%, and ABV +6% as the increase in items per basket was also aided by a small overall increase in ASP.

EU

Performance within Europe was much improved this half at +21% as last year's warehouse transition and stock availability issues were resolved ahead of peak period. During the first half we focussed on acquiring and reactivating customers which was supported by a more dynamic promotional trading calendar. Greater use of smart bidding also helped drive traffic +26% and in the acquisition of new customers ahead of Black Friday. Our EU active customer base increased by 0.9m in the first six months of the year. Conversion stepped back slightly -10bps reflecting a mix shift towards mobile web, which has a higher mix of new visitors, with lower initial conversion rates.

Turning to individual country performance, France and Germany responded particularly well to our trading stance around Black Friday, showing great growth year on year following a disappointing performance through the peak period last year. We made investment in the half into better availability in dresses, which was particularly supportive of performance in Germany where they typically over index in that category. Poland and Denmark saw the launch of local language sites at the start of the year delivering localised merchandising for customers and allowing us to optimise performance marketing channels. We have seen a step up in visits and new customer growth since the launch and are pleased with progress in these countries.

US

The US delivered strong sales growth of +25% as we moved beyond the warehouse transitional issues last year impacting fulfilment and stock availability. We made good progress with our product width in the region, focus there continues and we are making good progress on extending the width of our Face + Body offering. Sneaker brands performed particularly well on US sites in the half reflecting our expansion of branded product. Our total active customer base increased to 3.1m in the period with particular support from new customer growth. Customer KPIs for the region showed encouraging progress, with healthy growth in traffic, orders, conversion and ABV.

US customers responded well to the trial of our first targeted out of home awareness campaign in November which drove incremental sales. This, alongside a number of proposition enhancements including wider reaching NDD, improved order cut off times, Next Day Click & Collect and Klarna Pay in 4 were supportive of our performance in the region during the half.

ROW

ROW retail sales grew by 20%, supported by a stronger year on year trading stance, particularly over Black Friday following the exclusion of some territories in the prior year. We continue to see really strong growth in the MENA region, supported by great growth in traffic and a rapidly increasing active customer base. We rolled out our ASOS Premier proposition to Saudi Arabia and UAE in the period to a good initial uptake and increased ABV and frequency.

Russia continued to grow solidly during the period. Changes we have made to the rhythm in our trading calendar are attracting younger customers, which is positive, but work remains to ensure we drive the right behaviours in terms of frequency.

Despite the bushfires in Australia we saw good growth in the country during the half. Afterpay continued to perform well in the region taking an increasing share of the mix and driving more considered and high value purchases from our customers.

We saw softer trade in APAC, driven by disruption in Hong Kong and Singapore. ASOS Premier launched into these two territories in March and we hope to see an improvement in performance across the remainder of the year.

Outlook

Whilst there remains significant uncertainty around the extent and duration of the impact of the COVID-19 pandemic, we believe we are well positioned as a business to navigate the challenges and emerge from the crisis as a stronger, more resilient business well positioned to capture future growth opportunities.

The first half clearly demonstrated the progress we have made in our performance management processes and improvements in our operational and financial controls. This enhanced financial and operational grip will serve us well as we navigate and trade through an uncertain and changeable backdrop.

The additional liquidity headroom we have secured positions us well to cope with the expected short-term disruption as well as any further unforeseen short-term challenges. The actions we have taken to recapitalise our balance sheet position ASOS well for the long term and ensure we continue to progress towards capturing the substantial global opportunity ahead. We remain confident in the strength and appeal of our customer proposition and retain a clear focus on what differentiates ASOS. This, backed by the global warehouse and technology capabilities we have built, means we are confident we will exit this period of subdued demand in a position of strength to become one of a few truly global leaders in retail.

Nick Beighton
Chief Executive Officer

Mathew Dunn
Chief Financial Officer

Financial review

Overview

	Six months to 29 February 2020				
	UK	**EU**	**US**	**RoW**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Retail sales	577.1	488.1	202.6	283.6	1,551.4
Delivery receipts	15.8	11.4	7.1	6.9	41.2
Third party revenues	4.1	–	0.1	–	4.2
Total revenue	**597.0**	**499.5**	**209.8**	**290.5**	**1,596.8**
Cost of sales					(846.8)
Gross profit					**750.0**
Distribution expenses					(223.5)
Administrative expenses					(491.9)
Operating profit					**34.6**
Net finance expense					(4.5)
Profit before tax					**30.1**

	Six months to 29 February 2020	Six months to 28 February 2019	Change
Active customers[1] (m)	**22.3**	19.2	*16%*
Average basket value (including VAT)	**£73.44**	£70.70	*4%*
Average units per basket	**3.05**	2.90	*5%*
Average selling price per unit (including VAT)	**£24.12**	£24.42	*(1%)*
Average order frequency[2]	**3.54**	3.55	*0%*
Total orders (m)	**41.1**	34.4	*19%*
Total visits[3] (m)	**1,333.9**	1,091.8	*22%*
Conversion[4]	**3.1%**	3.2%	*-10bps*
Mobile device visits	**85.2%**	80.5%	*+470bps*

[1]Defined as having shopped in the last twelve months as at 29/28 February, [2]Calculated as last twelve months' total orders divided by active customers, [3]Restated visits, previously reported number 1,085.4m, [4]Calculated as total orders divided by total visits

Total orders in the first half were 41.1m, an increase of 19% on the previous year with visits to the site growing by 22%. Conversion stepped back 10bps, primarily reflecting a mix shift towards mobile web, which has a higher mix of new visitors, with a lower initial conversion rate. Our active customer base grew 16% to 22.3m with good new customer acquisition as well as a reduction in churn.

ABV across the group increased 4% in H1 2020 and was up year on year in all territories. This was driven by the actions we have taken to drive higher average units per basket partly offset by slightly lower group ASP. The US was the primary driver of the decline in ASP as we continued to trade through a greater proportion of markdown stock held in the US warehouse following transition to this site last year.

Gross profit increased 17% but gross margin declined 170bps versus the prior year. The majority of this decline was driven by increased freight and duty costs associated with fulfilment from our US warehouse. The incremental cost in gross margin is broadly offset by a decline in delivery costs due to local fulfilment. This change to the shape of the P&L will fully annualise in April 2020. Further to this we saw an adverse FX impact, driven by strengthening of the Euro year on year from November onwards, (offset below gross margin) and an impact from the planned investment into customer acquisition through promotional activity. These impacts were partially offset by improved buying margin.

Profit before tax increased 653% to £30.1m after transition costs of c.£19m, of which £5.8m was associated with the ongoing restructuring within the organisation. The remaining transition costs primarily reflect inefficiency in our Euro Hub operations following the implementation of automation and mechanisation in April last year. This impact reduced in comparison to H2 2019 as labour cost efficiency improved once automation became embedded. Year on year, dual running costs from the US Hub have also dropped away following warehouse go live in February last year.

Profit before tax was also impacted by an increase in finance costs as we drew down from our credit facility and transitioned to IFRS 16 (See IFRS 16 note on page 13).

UK performance

UK KPIs	Six months to 29 February 2020
Retail Sales	+20%
Visits	+18%
Orders	+18%
Conversion	+10bps
ABV	+6%
Active Customers	6.8m (+10%)

UK retail sales were +20% in the period, despite an increasingly competitive market. We saw strong participation through Black Friday and the traditional clearance period, which was aided by prolonged cold weather. Our total UK customer base grew 10% year on year to 6.8m. We continued to add new customers to the base, but also saw positive trends in reactivation and churn, reflecting the improvements made to engagement and product across the business.

ABV was up 6% in the half driven by an increase in items per basket alongside a small increase in ASP. Sneaker brands, with an on average higher ASP, performed well in the mix during the half.

EU performance

EU KPIs	Six months to 29 February 2020
Retail Sales	+21% (+22% CC)
Visits	+26%
Orders	+21%
Conversion	-10bps
ABV	+1%
Active Customers	8.7m (+18%)

EU retail sales grew 21% (22% in constant currency), as operational challenges following Euro Hub automation were resolved before the peak period and stock availability was restored. Traffic growth was strong at +26% and ahead of orders growth of 21% as conversion stepped back 10bps due to a greater mix of mobile web visitors with lower initial conversion.

Active customer growth of 18% year on year represents good progress on rebuilding customer momentum following disruption associated with warehouse transition last year. Reactivation of customers has been a key focus, and we utilised promotional levers to drive the reactivation and acquisition of new customers.

US performance

US KPIs	Six months to 29 February 2020
Retail Sales	+25% (+24% CC)
Visits	+16%
Orders	+21%
Conversion	+20bps
ABV	+2%
Active Customers	3.1m (+19%)

US retail sales grew by 25% (24% in constant currency) representing a significant acceleration from FY19 supported by improvements in delivery proposition and more favourable basket economics. The US entered the half with a greater mix of markdown stock, which weighed on ASP. The mix has improved back towards the group average and accordingly the drag lessened through the period. Total active customer base grew 19% to 3.1m.

ROW performance

ROW KPIs	**Six months to 29 February 2020**
Retail Sales	+20% (+20% CC)
Visits	+24%
Orders	+19%
Conversion	Flat
ABV	+6%
Active Customers	3.7m (+23%)

ROW retail sales grew by 20% (20% in constant currency) mainly driven by strong participation during Black Friday. P2 levels were softer than P1 due to non like for like promo events and a temporary softness in Australia driven by the unfortunate bushfire events. Despite visits growing ahead of orders, we have seen flat conversion. ABV increased 6% driven by an increase in items per basket and a higher trainer sales mix.

Gross margin
Group gross margin decreased by 170bps. The largest driver of this decline was increased freight and duty costs associated with fulfilling from our US warehouse (offset in delivery costs). Beyond this we increased our planned investment year on year into promotional activity to drive customer acquisition. FX drove a further adverse impact due to strengthening of the Euro year on year (offset below gross profit). These were partially offset by an improvement in buying margin. Retail gross margin declined 200bps year on year with the differential vs group gross margin being driven by an increase in customer paid delivery services as well as an increase in revenue from premier subscriptions.

Operating expenses

£m	**Six months to 29 February 2020**	**% of sales**	Six months to 28 February 2019	% of sales	*Change*
Distribution costs	**(223.5)**	***14.0%***	(204.9)	*15.6%*	*(9%)*
Warehousing	**(161.3)**	***10.1%***	(144.2)	*11.0%*	*(12%)*
Marketing	**(69.3)**	***4.3%***	(64.4)	*4.9%*	*(8%)*
Other operating costs	**(203.9)**	***12.8%***	(189.5)	*14.3%*	*(8%)*
Depreciation and amortisation	**(57.4)**	***3.6%***	(32.4)	*2.5%*	*(77%)*
Total operating costs	**(715.4)**	***44.8%***	(635.4)	*48.3%*	*(13%)*

Operating expenses increased 13% to £0.7bn but total operating costs decreased 350bps as a percentage of sales, reflecting our priority of removing non-strategic cost. 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. The improvement in warehousing costs was driven by increasing efficiency from Euro Hub automation, improving basket metrics as well as IFRS 16 transition (see IFRS 16 note on page 13). Our US warehouse 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 percent of sales driven by ongoing work to improve the efficiency of our operational structure. Marketing costs also decreased by 60bps as a percentage of sales as we drove greater efficiency on our investment, particularly through smart bidding, and removed non-working marketing spend including the ASOS Magazine.

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
Interest costs rose to £4.5m 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	Six months to 29 February 2020 (incl IFRS 16)	% of sales	IFRS 16 Impact	Six months to 29 February 2020 (excl IFRS 16)	% of sales	*Change*
Warehousing	(161.3)	*10.1%*	6.8	(168.1)	*10.5%*	*40bps*
Other operating costs	(203.9)	*12.8%*	6.7	(210.6)	*13.2%*	*40bps*
Depreciation and amortisation	(57.4)	*3.6%*	(11.6)	(45.8)	*2.9%*	*(70bps)*
Finance expense	(4.5)	*0.3%*	(2.5)	(2.0)	*0.2%*	*(10bps)*
PBT	**30.1**	***1.9%***	**(0.6)**	**30.7**	***1.9%***	***(0bps)***
Taxation	(7.0)		0.1	(7.1)		
Profit after tax	**23.1**		**(0.5)**	**23.6**		
Diluted EPS	**27.5p**		**(0.6p)**	**28.1p**		

During the first half we implemented IFRS 16, as required from the International Financial Reporting Standards. As we adopted the simplified transition approach we have not restated any comparatives. To enable a YoY comparison we have demonstrated above the impact that this has in our current period profit. Although it has no impact on the H1 2020 PBT margin, it has decreased H1 2020 warehousing costs (mainly warehousing leases) by 40bps, other operating costs (mainly office leases) by 40bps whilst increasing H1 2020 depreciation by 70bps and net finance expense by 10bps.

Taxation

The effective tax rate decreased by 170bps to 23.3% (H1 2019: 25.0%). This arose mainly from a one-off permanent difference on share based payments which was driven by the increase in the share price year on year, and an increase in profit before tax, meaning permanently disallowable items in the tax calculation had a smaller impact. In addition, the decrease was also due to a drop in the corporate tax rate from 19% to 17%.

Earnings per share

Basic and diluted earnings per share increased by 667% to 27.6p and by 664% to 27.5p respectively (H1 2019: 3.6p and 3.6p). This was driven by the increase in profit before tax during the period.

Cash flow

There was a £73.1m increase in net debt in the period, compared with a £80.6m increase in net debt in the previous half-year. The cash outflow in the period reflects our typical working capital cycle and investment into stock availability. Working capital investment was £92.3m in the half including the principal portion of lease liabilities of £10.0m. EBITDA was £92.0m, an increase of £55.1m vs previous half. Capital expenditure of £70.6m is seen in cash capital expenditure of £69.6m and a capital creditor increase of £1.0m associated with our H1 2020 investment.

CONSOLIDATED UNAUDITED STATEMENT OF TOTAL COMPREHENSIVE INCOME
Interim Results for the six months to 29 February 2020

	Six months to 29 February 2020 (unaudited) £m	Six months to 28 February 2019 (unaudited) £m	Year to 31 August 2019 (audited) £m
Revenue	**1,596.8**	1,314.5	2,733.5
Cost of sales	**(846.8)**	(674.6)	(1,399.2)
Gross profit	**750.0**	639.9	1,334.3
Distribution expenses	**(223.5)**	(204.9)	(415.6)
Administrative expenses	**(491.9)**	(430.5)	(883.6)
Operating profit	**34.6**	4.5	35.1
Finance income	**0.2**	-	-
Finance expense	**(4.7)**	(0.5)	(2.0)
Profit before tax	**30.1**	4.0	33.1
Income tax expense	**(7.0)**	(1.0)	(8.5)
Profit for the period	**23.1**	3.0	24.6
Profit for the period attributable to owners of the parent company	**23.1**	3.0	24.6
Net translation movements offset in reserves	**(0.4)**	0.5	(0.8)
Net fair value gains/(losses) on derivative financial assets	**62.3**	36.9	(14.9)
Income tax relating to these items	**(9.5)**	(7.3)	2.8
Other comprehensive income for the period[1]	**52.4**	30.1	(12.9)
Total comprehensive income for the period attributable to owners of the parent company	**75.5**	33.1	11.7
Earnings per share (Note 4)			
Basic	**27.6p**	3.6p	29.4p
Diluted	**27.5p**	3.6p	29.4p

[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 29 February 2020

	Called up share capital £m	**Share premium £m**	**Retained earnings[1] £m**	**Employee Benefit Trust reserve (EBT)[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 period	**–**	**–**	**23.1**	**–**	**–**	**–**	**23.1**
Other comprehensive income/(loss) for the period	**–**	**–**	**–**	**–**	**52.8**	**(0.4)**	**52.4**
Total comprehensive income/(loss) for the period	**–**	**–**	**23.1**	**–**	**52.8**	**(0.4)**	**75.5**
Net cash received on exercise of shares from EBT[2]	**–**	**–**	**–**	**0.7**	**–**	**–**	**0.7**
Share-based payments charge	**–**	**–**	**4.0**	**–**	**–**	**–**	**4.0**
Tax relating to share option scheme	**–**	**–**	**(0.4)**	**–**	**–**	**–**	**(0.4)**
Balance as at 29 February 2020	**2.9**	**6.9**	**476.2**	**2.0**	**48.0**	**(2.6)**	**533.4**

	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Employee Benefit Trust reserve (EBT)[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 EBT[2]	–	–	–	0.4	–	–	0.4
Transfer of shares from EBT[2] 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

[1]Retained earnings includes the share-based payments reserve
[2]Employee Benefit Trust and Link Trust

CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Called up share capital £m	Share premium £m	Retained earnings[1] £m	Employee Benefit Trust reserve (EBT) [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 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 EBT[2]	–	–	–	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

[1]Retained earnings includes the share-based payments reserve
[2]Employee Benefit Trust and Link Trust

CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION
Interim Results for the six months to 29 February 2020

	At 29 February 2020 (unaudited) £m	At 28 February 2019 (unaudited) £m	At 31 August 2019 (audited) £m
Non-current assets			
Goodwill	**1.1**	1.1	1.1
Other intangible assets	**339.7**	290.8	325.1
Property, plant and equipment	**640.1**	278.5	296.0
Derivative financial assets	**31.1**	18.3	0.1
	1,012.0	588.7	622.3
Current assets			
Inventories	**581.6**	443.3	536.8
Trade and other receivables	**84.0**	48.8	72.8
Derivative financial assets	**40.6**	37.2	11.0
Cash and cash equivalents	**8.9**	22.1	–
Current tax asset	**1.8**	0.4	2.6
	716.9	551.8	623.2
Current liabilities			
Trade and other payables	**(660.3)**	(582.6)	(669.0)
Bank overdraft	–	–	(15.5)
Borrowings	**(172.5)**	(60.0)	(75.0)
Lease liabilities	**(23.2)**	–	–
Derivative financial liabilities	**(11.0)**	(8.1)	(12.7)
	(867.0)	(650.7)	(772.2)
Net current liabilities	**(150.1)**	(98.9)	(149.0)
Non-current liabilities			
Lease liabilities	**(299.4)**	–	–
Deferred tax liability	**(24.2)**	(16.0)	(12.6)
Derivative financial liabilities	**(4.9)**	(0.8)	(7.1)
	(328.5)	(16.8)	(19.7)
Net assets	**533.4**	473.0	453.6
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]	**2.0**	1.3	1.3
Hedging reserve	**48.0**	37.2	(4.8)
Translation reserve	**(2.6)**	(1.2)	(2.2)
Retained earnings	**476.2**	425.9	449.5
Total equity	**533.4**	473.0	453.6

[1] *Employee Benefit Trust and Link Trust*

CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
Interim Results for the six months to 29 February 2020

	Six months to 29 February 2020 (unaudited) £m	Six months to 28 February 2019 (unaudited) £m	Year to 31 August 2019 (audited) £m
Operating profit	**34.6**	4.5	35.1
Adjusted for:			
Depreciation of property, plant and equipment	**27.4**	11.9	25.3
Amortisation of intangible assets	**30.0**	20.5	46.0
Fixed asset impairment	**0.6**	–	1.4
Increase in inventories	**(44.8)**	(35.7)	(129.2)
Increase in trade and other receivables	**(16.3)**	(6.2)	(30.2)
(Decrease)/increase in trade and other payables	**(21.2)**	49.9	143.3
Share based payments charge	**3.3**	0.5	2.5
Other non-cash items	**(0.5)**	(1.4)	0.7
Income tax paid	**(3.9)**	(3.7)	(5.2)
Net cash inflow from operating activities	**9.2**	40.3	89.7
Investing activities			
Payments to acquire other intangible assets	**(43.9)**	(66.3)	(124.9)
Payments to acquire property, plant and equipment	**(25.7)**	(54.1)	(96.7)
Finance income	**0.2**	–	–
Net cash used in investing activities	**(69.4)**	(120.4)	(221.6)
Financing activities			
Net cash inflow relating to EBT[1]	**0.7**	0.4	0.3
Proceeds from borrowings	**97.5**	60.0	75.0
Principal portion of lease liabilities	**(10.0)**	–	–
Finance Expense	**(3.3)**	(0.6)	(1.4)
Net cash generated from financing activities	**84.9**	59.8	73.9
Net increase/(decrease) in cash and cash equivalents	**24.7**	(20.3)	(58.0)
Opening cash and cash equivalents	**(15.5)**	42.7	42.7
Effect of exchange rates on cash and cash equivalents	**(0.3)**	(0.3)	(0.2)
Closing cash and cash equivalents	**8.9**	22.1	(15.5)

[1]*Employee Benefit Trust and Link Trust*

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, Sweden, Denmark and Poland. 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 7 April 2020.

b) Basis of preparation

The interim financial statements for the six months ended 29 February 2020 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 2019, 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 2019 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 4 to 9. The Financial Review on pages 10 to 13 describes the Group's financial position and cash flows.

COVID-19 is having a profound impact on people, societies and businesses globally, including countries in which ASOS operates. The Group considers this outbreak to be a non-adjusting balance sheet event as at 29 February 2020. Prior to this date, the primary concern was supply from China, however the Group's supply has since returned to normal operating levels and there has been no material impact. Sales to China are not material to the Group. While there was a possibility of decline in demand elsewhere in the world, as at 29 February it was far from clear how significant this would be for an online retailer such as ASOS, in particular in some of its primary markets where the level of disruption anticipated as at the end of February 2020 was significantly lower than is currently being experienced. The Group will continue to monitor closely the impact of the COVID-19 outbreak, and apply guidance issued by the World Health Organization and local governments appropriately. As always, the safety of our customers and colleagues remains paramount.

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. Although we are learning more about the impact of COVID-19, it is not practicable to quantify the potential financial impact of the outbreak on the Group's performance after the balance sheet date. The Group has conducted extensive stress-testing given the impact COVID-19 is currently having on customer demand, 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.

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 2019, with the exception of the new accounting standards that were adopted during the period. These are:

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 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 £332.9m, and the right-of-use asset £346.0m. A £36.6m dilapidation provision has also been recognised separately, discounted using the same discount rate as the lease liability. There was an existing dilapidations provision of £5.5m held on the balance sheet for the year ended 31 August 2019 hence a £31.1m movement has been included in the table below showing the impact across the opening balance sheet:

	1 September 2019 £m
Non-current assets	
Right-of-use assets – property, plant & equipment	346.0
Current assets	
Prepayments	(4.9)
Current liabilities	
Financial liabilities – lease liabilities	(23.2)
Accruals	22.9
Non-current liabilities	
Financial liabilities – lease liabilities	(309.7)
Dilapidation provision	(31.1)
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	(20.4)
Discounted using the group's incremental borrowing rate at the date of initial application	(35.1)
Short-term leases excluded from lease liability	(0.5)
Additional lease liability recognised as at 1 September 2019	**332.9**

The effect in the first half year has resulted in EBITDA increasing by £13.5m, depreciation increasing by £11.6m, therefore EBIT increasing by £1.9m. Finance costs have increased by £2.5m and therefore profit before tax reduced by £0.6m.

Within the cash flow statement, while there is no additional impact on cash flows, there are changes in the classification of cash flows, with £10.0m of lease payments classified as financing cash flows and £2.6m 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.

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 2020 to be unchanged, other than in relation to COVID-19, from those set out in the Annual Report and Accounts for the year ended 31 August 2019, summarised as follows:

- Operational risks, including:
  - Transformation projects are delayed or fail to deliver,
  - Increasing our operating model complexity,
  - Understanding local market context, globally, and
  - Ethical trade or sourcing issues in our supply chain

- Market risks, including:
  - Geopolitical uncertainty, including Brexit,
  - Shift in e-commerce market dynamics,
  - Cyber threat and data security,
  - Key third party supplier or service provider failure and business continuity, and
  - Foreign exchange movement

These are set out in detail on pages 32 to 37 of the Group's Annual Report and Accounts for the year ended 31 August 2019, a copy of which is available on the Group's website, www.asosplc.com. Information on financial risk management is also detailed on pages 95 to 99 of the Annual Report.

In addition to the above, COVID-19 is having a profound impact on people, societies and businesses globally, including countries in which ASOS operates. As the situation continues to rapidly evolve, the Group will continue to monitor closely its impact and apply guidance issued by the World Health Organization and local governments.

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 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 Board assesses the performance of each segment based on revenue and KPIs reflecting territory and customer performance.

	Six months to 29 February 2020 (unaudited)				
	UK	**EU**	**US**	**RoW**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**
Retail sales	577.1	488.1	202.6	283.6	1,551.4
Delivery receipts	15.8	11.4	7.1	6.9	41.2
Third party revenues	4.1	–	0.1	–	4.2
Total revenue	**597.0**	**499.5**	**209.8**	**290.5**	**1,596.8**
Cost of sales					(846.8)
Gross profit					**750.0**
Distribution expenses					(223.5)
Administrative expenses					(491.9)
Operating profit					**34.6**
Net finance expense					(4.5)
Profit before tax					**30.1**

	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					(674.6)
Gross profit					639.9
Distribution expenses					(204.9)
Administrative expenses					(430.5)
Operating profit					4.5
Net finance expense					(0.5)
Profit before tax					4.0

	Year to 31 August 2019 (audited)				
	UK	EU	US	RoW	Total
	£m	£m	£m	£m	£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 revenue	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
Net finance expense					(2.0)
Profit before tax					33.1

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 £681.8m (31 August 2019: £463.4m), EU: £210.5m (31 August 2019: £113.0m), US: £87.5m (31 August 2019: £44.7m) and RoW: £nil (31 August 2019: £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 29 February 2020 (unaudited)	Six months to 28 February 2019 (unaudited)	Year to 31 August 2019 (audited)
	No. of shares	No. of shares	No. of shares
Weighted average share capital			
Weighted average shares in issue for basic earnings per share	**83,625,962**	83,522,184	83,565,283
Weighted average effect of dilutive options	**249,987**	267,700	159,117
Weighted average shares in issue for diluted earnings per share	**83,875,949**	83,789,884	83,724,400
Earnings (£m)			
Earnings attributable to owners of the parent	**23.1**	3.0	24.6
Basic earnings per share:	**27.6p**	3.6p	29.4p
Diluted earnings per share:	**27.5p**	3.6p	29.4p

5. Capital expenditure and commitments

During the period, the Group capitalised intangible assets of £44.9m and property, plant and equipment of £25.7m. Disposals were £nil. At the period end capital commitments contracted, but not provided for by the Group, amounted to £44.7m.

6. Reconciliation of cash and cash equivalents

(a) Cash and cash equivalents /(bank overdraft)

	Six months to 29 February 2020 (unaudited) £m	Six months to 28 February 2019 (unaudited) £m	Year to 31 August 2019 (audited) £m
Net movement in cash and cash equivalents	**24.7**	(20.3)	(58.0)
Opening cash and cash equivalents	**(15.5)**	42.7	42.7
Effect of exchange rates on cash and cash equivalents	**(0.3)**	(0.3)	(0.2)
Closing cash and cash equivalents	**8.9**	22.1	(15.5)

(b) Borrowings

The Group has in place a £350.0m RCF available until July 2022. At 29 February 2020 the Group had drawn down £172.5m of the RCF. Please refer to the 'Stress Testing and Liquidity for COVID-19' section on page 5 for updates to this facility since 29 February 2020.

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 29 February 2020, 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 £21.2m (H1 2019: £19.9m) 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 29 February 2020 (unaudited) £m	Six months to 28 February 2019 (unaudited) £m	Year to 31 August 2019 (audited) £m
Financial assets			
Derivative assets used for hedging at fair value	**71.7**	55.5	11.1
Amortised cost[1]	**76.1**	54.1	51.2
Financial liabilities			
Derivative liabilities used for hedging at fair value	**(15.9)**	(8.9)	(19.8)
Lease liabilities	**(322.6)**	–	–
Amortised cost[2]	**(832.8)**	(633.1)	(750.4)

[1] *Included in financial assets at amortised cost are trade and other receivables and cash and cash equivalents, and excludes prepayments*
[2] *Included 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 29 February 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 period to 29 February 2020 and a net unrealised gain of £62.3m (H1 2019: gain of £36.9m) was recognised in equity. All derivative financial liabilities at 29 February 2020 mature within three 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 2019. There have been no material changes to the Group's related party transactions during the six months to 29 February 2020.

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 6 month period ended 29 February 2020. 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 29 February 2020;
- 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
Watford
7 April 2020