**19 October 2022**

# ASOS Plc
## Global Online Fashion Destination

## Final Results for the year to 31 August 2022

## Driving Change, Now

- The UK, ASOS' core operation, delivered good performance (+7%) despite the weakening consumer environment. This has been supported by a curated offer and differentiated visual language, leading to a growth in active customer base ahead of the Company average (+5%) and a further increase in Premier customers (+6%), resulting in an increase in average order frequency (+5%)
- Strong Topshop performance (+105%) reinforcing revenue growth in the UK, US and EU and driving margin expansion
- New CEO now in place with a diagnostic of the issues ASOS faces including: international operations that have lagged expectations on ROIC, particularly in the US; a need to review and renew the customer acquisition and commercial model; a supply chain operation which has become inefficient in the face of supply chain disruption and macroeconomic challenges; the need to better leverage data and digital improvements to successfully engage the customer; and the need to strengthen the leadership team and refresh the company culture
- Over the next 12 months, ASOS will deliver on four actions targeted at improving its ability to navigate the existing uncertainty, focused on: renewing its commercial model and improving inventory management; simplifying and reducing its cost profile; ensuring a robust and flexible balance sheet; and reinforcing the leadership team and refreshing the culture
- In parallel, management is focused on creating a business capable of generating long-term sustainable growth for investors and a comprehensive review is underway of ASOS' capital allocation. This includes a review of the operating model, marketing investment, capital and resource allocation and its deployment across geographies, customer acquisition channels and digital and data capabilities
- To navigate the continued macroeconomic volatility, ASOS has agreed additional financial flexibility through the renegotiation of core banking covenants, with cash and committed facilities of over £650m at year end
- Under the new commercial model, ASOS expects a non-cash stock write-off of £100m – £130m in FY23, which will increase flexibility within the logistics operations and reduce costs
- Eugenia Ulasewicz and Luke Jensen, Non-Executive Directors, have decided not to seek re-election at the Company's next AGM

**Unaudited summary financial results**

| £m[1] | Year to 31 August 2022 | Year to 31 August 2021 | Change | CCY[2] change | CCY change excluding Russia[3] |
|---|---|---|---|---|---|
| Group revenues[4] | **3,936.5** | 3,910.5 | *1%* | *2%* | *4%* |
| *Gross margin* | ***43.6%*** | *45.4%* | *(180bps)* | | |
| Operating (loss)/profit | **(9.8)** | *190.1* | *(105%)* | | |
| *Operating (loss)/profit margin* | ***(0.2%)*** | *4.9%* | *(510bps)* | | |
| Adjusted EBIT[5] | **44.1** | 206.6 | *(79%)* | | |
| *Adjusted EBIT margin[5]* | ***1.1%*** | *5.3%* | *(420bps)* | | |
| Adjusted profit before tax[5] | **22.0** | 193.6 | *(89%)* | | |
| Reported (loss)/profit before tax | **(31.9)** | 177.1 | *(118%)* | | |
| Diluted (loss)/earnings per share[6] | **(30.9p)** | 128.5p | *(124%)* | | |
| Net (debt)/cash[5] | **(152.9)** | 199.5 | | | |

*[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. Any reference to total or retail sales throughout the document is on a constant currency basis, [3]Calculation of metrics, or movements in metrics, on an ex-Russia basis involves the removal of Russia from H2 FY21 performance. This adjustment allows year-on-year comparisons to be made on a like-for-like basis following the decision to suspend trade in Russia on 2 March 2022, [4]Includes retail sales and income from other services, [5]Definitions of the adjusted performance measures used above and throughout this*

*document can be found in Note 11, page 29 of the Condensed Financial Statements, [6]Diluted earnings per share for the year to 31 August 2021 has been restated. The previously disclosed number was 125.5p, and further information on the change can be found in Note 3, page 24 of the Condensed Financial Statements*

**José Antonio Ramos Calamonte, Chief Executive Officer said:**

*"ASOS is a strong business with a compelling brand, customer offer and fashion credibility, with dedicated and passionate employees. Against the backdrop of an incredibly challenging economic environment, this unique combination has enabled our business to deliver a resilient performance this financial year in the UK - but I know we as a Company can achieve far more.*

*"Today, I have set out a clear change agenda to strengthen ASOS over the next 12 months and reorient our business towards the future. This includes a number of decisive, short-term operational measures to simplify the business, alongside steps to unlock longer-term sustainable growth by improving our speed to market, reinforcing our focus on fashion, strengthening our top team and leveraging data and digital developments to better engage customers.*

*"On the basis of the actions I have set out today, the team and I will work resolutely to emerge from these turbulent times as a more resilient and agile business – all the time guided by our purpose, to give our customers the confidence to be whoever they want to be."*

## CEO Review

I am honoured to hold the role of CEO at ASOS. This is a business with c.26 million customers, c.£4bn revenue, a market leading position in the UK and enormous potential. In the UK, ASOS is a strong business with a high contribution margin, supported by a fully automated and efficient warehouse footprint. Brand awareness is strong and we have built a highly relevant and locally tailored product offer that resonates strongly with our 8.9m UK consumers, of which 1.9m are Premier customers. On average, our UK customers shop every second month on the ASOS platform, with Premier customers shopping more than double that frequency.

Outside the UK, however, I see a significant need to improve the way we operate to unlock the opportunity of our global reach. In recent years, the quest for growth has resulted in ASOS becoming excessively capital intensive, too complex and overstretched globally, which has resulted in a lack of meaningful growth and scale in its key international markets of the US, France and Germany. While the international business makes a positive contribution and there are pockets of strength in key territories, we are disappointed in our performance, given the extent of our historical capital investment, particularly in the US. This investment in a large, multi-region supply chain network has increased cost and complexity, not fully offset by delivery incomes. With this in mind, we will revisit our approach to resource and capital allocation to ensure a focused approach.

ASOS has historically underinvested in marketing relative to peers with (i) allocation across markets not effectively prioritised or managed effectively to ensure a return on investment; and (ii) more than 80% of marketing investment focused on performance marketing, leaving insufficient spend focused on driving longer-term brand awareness. As a result of this, customer acquisition has slowed in FY22, whilst the cost to acquire a new customer has increased. We have also become increasingly reliant on the use of markdown and promotions as a tool to attract customers, resulting in reduced newness for customers which has contributed to the erosion of gross margin in recent years. The implementation of the new commercial model and structure will enable ASOS to operate a shorter buying cycle, enhancing speed to market and improving curation, and result in a change in stockholding requirements going forward.

In this tough economic environment, ASOS will continue to build on its core strengths – the ASOS brand, the carefully curated range of Partner Brands on offer, its strong fashion credibility and market leading position in the UK. ASOS is a fashion destination, and we will double down on our commitment to fashion to succeed in the current environment.

We are taking firm action now to accelerate the changes needed to address these issues and will take the opportunity to develop a stronger organisation, built on four key principles: simplicity; speed to market;

operational excellence; and flexibility and resilience. In doing so, we will emerge well-positioned to drive profitable growth over the longer term.

Over the next 12 months we are focused on delivering key operational improvements and disciplined capital allocation through four key actions:

- *Renewed commercial model:* Following the completion of the Commercial reorganisation in FY22, changes in ASOS' approach to merchandising and buying will be accelerated in support of a more competitive proposition and tighter stock cover. This will result in:
  - a shorter buying cycle with enhanced speed to market that enables a more relevant and better curated customer offer
  - a more flexible approach to stock that utilises ASOS' Partner Fulfils capability to reduce stock held in our fulfilment centres and ensure more near-shore sourcing using a "Test and React" model
  - a differentiated approach to stock clearance, introducing more off-site routes to clear product earlier in its lifecycle which will, in turn, reduce markdown and increase the proportion of full-price sales
- *Stronger order economics and a lighter cost profile:* After years of high growth, the operating model has become inefficient. ASOS will take action to improve order economics and ensure a sustainable level of profitability in all markets, whilst focusing efforts on key markets. We will coordinate this effort with a clear focus on optimising our cost base, improving supply chain efficiencies, and eliminating excess costs through increased controls.
- *Robust, flexible balance sheet:* Our future investment will be aligned with capacity requirements to ensure a more efficient allocation of capital, while planned strategic investment in technology will be maintained in support of an improved customer experience. In addition, ASOS has sufficient headroom on its facilities, ensuring flexibility in the short term.
- *Enabled by a reinforced leadership team and refreshed culture:* Simplifying decision-making processes to encourage a culture of innovation and creativity across the business, while reinforcing the senior leadership team with strategic key hires.

Progress against these changes will be evidenced by gross margin expansion, increased stock turn, faster speed to market and more effective capital deployment.

In parallel, management is focused on creating a business capable of generating long-term sustainable growth for investors and there is a comprehensive review underway of ASOS' capital allocation. This includes a review of our operating model, marketing investment, capital and resource allocation and its deployment across geographies, customer acquisition channels and digital and data capabilities.

We will do all of this whilst remaining committed to Fashion with Integrity and to providing the best possible experience for our customers, but with the knowledge that these commitments are best delivered by a sustainable, profitable business with the ability to invest accordingly.

**FY23 Outlook**

Trading has remained volatile into the start of FY23, with September 2022 trading showing a slight improvement relative to August 2022. Against the backdrop of significant volatility in the macroeconomic environment, it is very difficult to predict consumer demand patterns for the upcoming year. Within the UK, ASOS expects a decline in the apparel market over the next 12 months but remains confident in its ability to take share against that backdrop.

As a consequence of moving to the new commercial model, ASOS will right-size its stock portfolio in the first half resulting in a non-cash write-off of £100m – £130m. Given the exceptional nature of the write-off, it will be treated as an adjusting item. ASOS will begin to operate with lower stock levels in the second half due to the lead time on orders and deliveries. In addition to this, ASOS expects c.£40m of adjusting items relating to the change programme, and Topshop Brand amortisation.

ASOS has reviewed its capital expenditure for FY23 and taken action to reduce spend appropriately, while still ensuring its long-term competitiveness. As a result, ASOS is reviewing the phasing of its automation projects in Atlanta and Lichfield to better align with expected capacity requirements. ASOS will, however, continue with purposeful technology investments in customer experience and digital improvements.

Taken together, over the next 12 months, ASOS expects:

- The combination of lower freight costs (c.100bps), the measures taken in support of the new commercial model and a lighter cost structure to more than offset the impact of both inflationary headwinds in ASOS' cost base and expected cost of elevated return rates over the next 12 months
- H1 loss driven by the usual profit phasing and exacerbated by elevated markdown to clear stock resulting from the change in commercial model, with the contractual freight rate decline year-on-year and cost mitigations expected to mostly benefit the second half
- Capex of £175m - £200m, below the previously guided £200m - £250m mid-term range
- An expected free cash flow in the range of (£100m) - £0m, with the business expected to return to cash generation in the second half as the new commercial model begins to have a positive impact on gross margin and working capital, and the cost reduction impacts accelerate
- To navigate the continued macroeconomic volatility, ASOS has agreed additional financial flexibility through the renegotiation of core banking covenants, with cash and committed facilities of over £650m at year end

In conclusion, ASOS is fully focused on creating long-term sustainable growth, and is confident that these short-term operational measures, combined with a longer-term focus on creating a more digitally based organisation, with a more efficient operating model, a reinvented customer acquisition dynamic, and a global footprint that optimises capital allocation, will enable it to deliver on its strategic ambitions.

**FY22 Financial Overview**

*All revenue growth figures are stated at constant currency unless otherwise indicated.*

ASOS delivered total sales growth of 4%[1] (1% on a reported revenue basis[2]) with an adjusted profit before tax ('PBT') of £22.0m (adjusted PBT margin of 0.6%), in line with guidance. The reported loss of £31.9m is stated after £53.9m of adjusting items. Adjusted earnings before interest and tax ('EBIT') were £44.1m representing an adjusted EBIT margin of 1.1%, a 420bps decline year-on-year.

The second half of the year proved more challenging than expected. While ASOS had expected an acceleration in revenue growth against weaker comparatives, inflationary pressures on consumers increased markedly as the year progressed, and impacted consumers' confidence and discretionary income. As a result, growth in the second half was lower than had been anticipated. The Company also saw an increase in return rates through the year, rising above pre-pandemic levels from May onwards. Together, these led to higher inventory levels across all fulfilment centres, further exacerbated by the immediate withdrawal from Russia on 2 March 2022.

ASOS delivered revenue growth in the UK and US of 7% and 10% respectively. Growth in Europe of 2%, while Rest of World ('RoW') declined by 9%[3]. Active customers[4] have grown by 2% from 25.3m at the end of FY21

[1] Total revenue growth CCY excluding Russia of 4% (+2% CCY including Russia)

[2] 1% reported revenue growth including Russia

[3] RoW declined by 9% CCY excluding Russia and by 20% CCY including Russia

[4] Active customers grew by 0.4m year-on-year to 25.7m excluding Russian active customers (flat at 26.4m including Russian active customers)

to 25.7m at the end of FY22, however, growth in active customers slowed in the second half as customer acquisition became more challenging.

Gross margin reduced by 180bps, in line with guidance. The reduction reflected the anticipated contractually higher sea freight rates year-on-year, along with the full-year impact of increased promotional activity. This was partially offset by lower markdown costs in the second half year-on-year, along with improvements in buying margins and the benefit of mid-single digit price increases across ASOS brands for both Spring/Summer and Autumn/Winter collections.

ASOS increased its UK and RoW capacity during the year, bringing the Lichfield fulfilment centre online in August 2021. This gave rise to an anticipated increase in shipping and warehouse costs given the ensuing manual fulfilment costs and split orders. Furthermore, FY22 was marked by significant inflationary pressures across labour, freight and delivery costs, with the impact on profitability exacerbated by elevated inventory levels and an increase in return rates across the year. ASOS was able to partially mitigate these cost headwinds by reducing planned marketing investment, in addition to securing continued cost and operational efficiencies. As a result of these actions, ASOS delivered c.£120m in cost mitigation to largely offset cost escalations through Lean programme efficiencies, payment optimisation and returns process optimisation.

Cash outflow of £339.8m reflects primarily the working capital outflow associated with an increase in inventory driven by (i) a marked slowdown in demand driven by global economic uncertainty; (ii) the timing impact of FY21 stock that was only received in FY22 as a result of supply chain delays; (iii) the impact of increased returns; and (iv) the early receipt of FY23 stock in FY22. Capital expenditure totalled £182.9m in support of the planned automation programmes at Lichfield and Atlanta; technology investments into digital platforms, business systems and infrastructure in support of the development of the marketplace integration platform required for Partner Fulfils; continued optimisation of the customer experience in support of new features and improvement in conversion; and investments in support of ASOS' progress against its data strategy.

**FY22 Performance by Market**

*UK*

Revenue growth in the first half, despite a period of tough prior year comparatives, continued into the second half with strong seasonal demand for summer products in the early part of the Spring/Summer season. Consumer behaviour, however, underwent a marked change from April 2022 when consumers faced accelerating inflation and pressure on disposable incomes and reduced demand for transitional product at the start of the Autumn/Winter season. This effect on consumer behaviour became most apparent via the impact on return rates, as these increased from May 2022 to levels close to pre-pandemic.

Despite this, the UK delivered good revenue growth for the year of 7% to £1,762.8m. Whilst overall online penetration stepped back year-on-year, ASOS continued to grow its share of the adult online apparel market by 140bps to 10.1% in FY22. Demand also shifted into occasion wear, supporting average selling price ('ASP') growth. ASOS delivered growth in active customers of 5% along with increasing orders, visits, conversion and average order frequency; however, average basket value ('ABV') and average units per basket ('ABS') declined in the period driven primarily by the step up in return rates and increased levels of markdown.

*EU*

ASOS growth of 2% in Europe to £1,170.0m as the region became increasingly exposed to higher energy costs and inflationary pressures. Growth did, however, accelerate in P4 to 9% as the Company cycled a period of softer comparatives. Customers in Germany appeared most exposed to the cost-of-living pressures, with consumer demand in France also impacted throughout much of the year driven by a shift back to physical stores. This change in customer behaviour was once again most apparent in the step up in return rates from

April to above pre-pandemic levels, as Northern European territories increasingly leveraged Buy Now Pay Later payment methods and country mix shifted in favour of territories with higher return rates.

Despite the slowdown in consumer demand, ASOS held visits share in Germany. ASOS observed a step back in ABV and ABS resulting from the step up in return rates, but delivered growth in orders, visits, conversion, average order frequency and ASP in the region.

*US*

The US delivered revenue growth of 10% for the year to £531.4m, supported by Topshop and Topman growth, the expansion of wholesale and a more locally relevant offer. Customer acquisition slowed in the US in the second half as ASOS paused its broad reach marketing campaign in response to current economic conditions and visits growth stepped back year-on-year. However, the number of Premier customers grew by 19%, driven by the optimisation of the Premier offer, as the proposition remains central to increasing customer engagement and driving loyalty.

A shift into dresses supported growth in ASP and ABV, and ASOS also observed a 20bps uplift in conversion. However, orders and ABS stepped back.

*Rest of World*

Rest of World declined by 9% to £472.3m[1]. This segment was particularly hard hit by the continued delivery disruptions in the first part of the year,but saw improved performance in the second half in Australia and Saudi Arabia as air traffic resumed supporting accelerated delivery propositions.

ASOS observed growth in ASP alongside flat conversion; however, ABV, ABS, active customers, orders and visits stepped back[2].

## FY22 Operational highlights

Despite a highly volatile and difficult macroeconomic backdrop in the second half of the year, ASOS has made progress in key operational areas which will underpin performance in the medium term. These areas of progress are outlined as follows:

### 1. Gaining flexibility through Partner Fulfils

In support of future margin expansion, ASOS has successfully launched Partner Fulfils in the UK in partnership with Adidas and Reebok, now accounting for 11% of Adidas total UK sales and 10% of Reebok total UK sales through the ASOS platform. This programme now consists of both a "depth model", whereby product that is out of stock at an ASOS fulfilment centre is fulfilled directly to ASOS' consumers via Adidas or Reebok, and a "width model", whereby product that is incremental to the current range offered by ASOS is fulfilled directly by the partner brands. In September 2022, Partner Fulfils has been further expanded to Europe in partnership with Adidas and Reebok across Germany, France, Spain and Italy.

### 2. Further development of the Premier programme, the platform to grow loyal consumers

ASOS set out the importance of its Premier offer in driving increased customer loyalty and improved customer economics at its Capital Markets Day ('CMD') in November 2021. ASOS optimised pricing in

[1] RoW declined by 9% CCY excluding Russia and by 20% CCY including Russia
[2] RoW KPIs quoted on an excluding Russia basis

10 markets outside the UK to offer a more tailored local Premier proposition which supported 12% growth in the global Premier customer base, with average order frequency of Premier customers c.3.5x more than an average ASOS customer. This is key to driving increased customer loyalty and engagement.

### 3. Accelerating ASOS' data infrastructure and capabilities

A key inhibitor to ASOS' progress is the need for a stronger data organisation and improved data science capability. In the first half, ASOS completed a full data strategy plan focused on: developing a larger data product team; improving data governance to drive more value, enhancing the data architecture for future scalability and growing the Company's data science capability. Whilst ASOS has made some progress in the second half, by expanding the data science and engineering teams and evolving its data architecture to support future growth and complexity, there remains more to be done in this space to truly transform ASOS into a digital organisation.

### 4. Topshop growth shows the potential of ASOS' own brands

Within the ASOS brands portfolio the Topshop brands have contributed to both revenue growth and gross margin expansion across all key territories 18 months on from the acquisition. Topshop brands posted strong sales growth of 105% year-on-year in FY22, with growth of more than 200% in the US supported by the wholesale partnership with Nordstrom. Topshop and Topman are now available online and in store in more than 100 locations in the US and Canada, also as a result of the Nordstrom partnership. At the group level, Topshop jeans are now the leading womenswear jeans brand on site, and the Topshop brands have also exhibited strong growth in the dresses category.

On 29 September 2022, ASOS launched the next chapter for Topshop and Topman. The new product collection marks the first season conceived and created entirely under ASOS ownership. To ensure a future-facing approach, ASOS has introduced the following: (i) a digital-first approach with a dedicated storefront, a first for ASOS; (ii) greater inclusivity through the launch of Topshop Curve, the first time the brand will be available from sizes 16 to 28; and (iii) a global approach through the continuation of the partnership with Nordstrom.

### 5. ASOS collaborations show the value of its platform to Partner Brands

ASOS continues to offer a unique proposition to partner brands, enabling them to access new consumers and occasions. In the second half, ASOS has continued to partner in new ways to showcase relevant products to consumers. ASOS partnered with Netflix to deliver Reclaimed Vintage x Stranger Things, which launched on site to coincide with the release of season four of the hit Netflix series. The range was searched over 50,000 times and was a sell-out with 10,000 units sold. It resonated particularly strongly with ASOS' female customers, who made up 87% of purchases with nearly half of those under the age of 25.

Within the sportswear category, ASOS collaborated with Nike to create a campaign highlighting best-in-class Nike footwear styled with a curated edit of ASOS Design, Topshop and Collusion clothing. This leveraged ASOS' in-house creative and studio functions along with the ASOS Media Group to elevate the product through fashion-led campaigns, demonstrating ASOS' unique offer to its partner brands. This campaign led to an uplift in Nike campaign line sales by 124% in the first week.

6. **ASOS X Nordstrom, a new growth formula for US**

   In July 2021, ASOS announced its strategic partnership with Nordstrom aimed primarily at building brand awareness and engagement in North America. ASOS Design has now launched in 14 stores in the US, with an expanded collection available on Nordstrom.com, alongside the launch of a Click & Collect option in Nordstrom stores for orders placed on ASOS.com. This was further supported by the launch of two retail concept stores earlier in the year at The Grove in Los Angeles featuring the Nordstrom I ASOS Glass Box and the Nordstrom I ASOS Pop Up at The Grove aimed at building awareness for the ASOS brand.

**Board Changes**

Non-executive director, Eugenia Ulasewicz, has decided not to seek re-election at the Company's next AGM and accordingly will step down from the Board at the conclusion of the Company's AGM which is expected to be held on 11 January 2023.

Non-executive director, Luke Jensen, has decided not to seek re-election and will be stepping down from the board at the end of his term on 31 October 2022.

***Jørgen Lindemann, Chair of ASOS, said:***
"On behalf of the Board, I would like to thank Eugenia and Luke for their significant contribution to ASOS and we wish them well for the future."

**José Antonio Ramos Calamonte**
Chief Executive Officer

*The conclusion of negotiations with the Company's banking syndicate regarding a covenant amendment on its Revolving Credit Facility constitutes Inside Information.*

*The person responsible for arranging the release of this announcement on behalf of ASOS is Anna Suchopar, General Counsel and Company Secretary.*

**Investor and analyst meeting:**

There will be a webcast for investors and analysts that will take place at 9.00am, 19 October 2022. To access live please dial +44 (0) 20 3695 0088 and use Meeting ID: 871 1643 5214 and passcode: 554693 . A live stream of the event will be available here https://webcasting.brrmedia.co.uk/broadcast/616062f14e29f55a941918d7

A recording of this webcast will be available on the ASOS Plc investor centre website after the event: http://www.asosplc.com/investors.aspx

***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 a destination 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 nearly 70,000 products, sourced from nearly 900 of the best global and local partner brands and its mix of fashion-led own-brand labels – ASOS Design, ASOS Edition, ASOS 4505, Collusion, Reclaimed Vintage, Topshop, Topman, Miss Selfridge and HIIT. ASOS aims to give all its customers a truly frictionless experience, with an ever-greater number of different payment methods and hundreds of local deliveries and return options, including Next-Day Delivery and Same-Day Delivery, dispatched from state-of-the-art fulfilment centres in the UK, US and Germany.

## Financial review

*All revenue growth figures are stated at constant currency throughout this document unless otherwise indicated.*

### Overview

| | Year to 31 August 2022 | | | | |
|---|---|---|---|---|---|
| | **UK £m** | **EU £m** | **US £m** | **RoW[1] £m** | **Total £m** |
| Retail sales[2] | 1,703.3 | 1,142.6 | 472.7 | 454.0 | 3,772.6 |
| Income from other services[3] | 59.5 | 27.4 | 58.7 | 18.3 | 163.9 |
| **Total revenue** | **1,762.8** | **1,170.0** | **531.4** | **472.3** | **3,936.5** |
| Cost of sales | | | | | (2,219.0) |
| **Gross profit** | | | | | **1,717.5** |
| Distribution expenses | | | | | (523.7) |
| Administrative expenses | | | | | (1,224.2) |
| Other income | | | | | 20.6 |
| **Operating loss** | | | | | **(9.8)** |
| Finance income | | | | | 0.9 |
| Finance expense | | | | | (23.0) |
| **Loss before tax** | | | | | **(31.9)** |

| **Adjusted Performance Measures[4]** | |
|---|---|
| **Operating loss** | **(9.8)** |
| Adjusting items[5] | 53.9 |
| **Adjusted EBIT** | **44.1** |
| Net finance expense | (22.1) |
| **Adjusted profit before tax** | **22.0** |

1 Rest of World
2 Retail sales are internet sales recorded net of an appropriate deduction for actual and expected returns, relevant vouchers and sales taxes
3 Income from other services comprises of delivery receipt payments, marketing services, commission on partner-fulfilled sales and revenue from wholesale sales
4 The adjusted performance measures used by ASOS are defined and explained on page 29
5 Adjusting items for the year to 31 August 2022 are shown on page 12. Further detail on these items is on pages 29-31

| **KPIs excluding Russia[1]** | **Year to 31 August 2022** | Year to 31 August 2021 | Change |
|---|---|---|---|
| Active customers[2] (m) | **25.7** | 25.3 | *2%* |
| Average basket value[3] | **£37.85** | £39.52 | *(4%)* |
| Average basket value CCY[4] | **£38.22** | £39.52 | *(3%)* |
| Average order frequency[5] | **3.88** | 3.70 | *5%* |
| Total shipped orders (m) | **99.7** | 93.7 | *6%* |
| Total visits (m) | **3,019.8** | 2,976.3 | *1%* |
| Conversion[6] | **3.3%** | 3.1% | *20bps* |
| Mobile device visits | **87.9%** | 85.9% | *200bps* |

*[1]Calculation of metrics, or movements in metrics, on an ex-Russia basis involves the removal of Russia from H2 FY21 performance. This adjustment allows year-on-year comparisons to be made on a like-for-like basis following the decision to suspend trade in Russia on 2 March 2022. The exception to this is visits, where we have also excluded any visits from Russia in H2 FY22, in addition to H2 FY21, [2]Defined as having shopped in the last 12 months as at 31 August, [3]Average basket value is defined as net retail sales divided by shipped orders, [4]Average basket value is defined as net retail sales divided by shipped orders, calculated on a constant currency basis, [5]Calculated as last 12 months' total shipped orders divided by active customers, [6]Calculated as total shipped orders divided by total visits*

| **KPIs including Russia** | **Year to 31 August 2022** | Year to 31 August 2021 | Change |
|---|---|---|---|
| Active customers[1] (m) | **26.4** | 26.4 | *0%* |
| Average basket value[2] | **£37.85** | £39.75 | *(5%)* |
| Average basket value CC[3] | **£38.21** | £39.75 | *(4%)* |
| Average order frequency[4] | **3.78** | 3.61 | *5%* |
| Total shipped orders (m) | **99.7** | 95.2 | *5%* |
| Total visits[5] (m) | **3,030.5** | 3,102.7 | *(2%)* |
| Conversion[6] | **3.3%** | 3.1% | *20bps* |
| Mobile device visits[7] | **87.9%** | 86.0% | *190bps* |

*[1]Defined as having shopped in the last 12 months as at 31 August, [2]Average basket value is defined as net retail sales divided by shipped orders, [3]Average basket value is defined as net retail sales divided by shipped orders, calculated on a constant currency basis, [4]Calculated as last 12 months' total shipped orders divided by active customers, [5]FY21 restated visits, previously reported at 3,091.8m [6]Calculated as total shipped orders divided by total visits, [7]FY21 restated mobile device visits, previously reported at 83.2%*

Total sales grew 4%[1], against a challenging backdrop in FY22. Since ASOS' last update in June 2022, trading weakened in August as customers faced increased cost-of-living challenges and delayed spend on Autumn/Winter categories. ASOS delivered sales growth of 7% in the UK, reflecting good performance against a challenging backdrop. The US grew by 10% supported by the expansion of wholesale, which annualised in P3, and a more locally relevant consumer offer. The EU grew by 2%, with stronger growth in P4 (+9%) as it cycled a period of weaker comparatives, however, overall performance for the year remained muted as return rates trended higher than pre-pandemic levels in some territories. ROW declined by 9%[2] as it continued to be impacted by poor delivery propositions in the first half and increased local competition, however ASOS noted an improvement in H2 as delivery disruptions eased and ASOS was able to return to more normalised delivery propositions.

Active customers grew by 2%[3], reflecting a slowdown in customer acquisition in the second half. Visits increased by 1%[4] and the increase in orders and frequency was reflective of increased consumer engagement and more intentional purchasing. ABV stepped back by 3%[5] as return rate increases year-on-year were only partly offset by increased prices and a mix back into higher price point product categories.

Gross margin reduced by 180bps, in line with guidance. The reduction reflected the anticipated contractually higher sea freight rates year-on-year, along with the full-year impact of increased promotional activity. This was partially offset by lower markdown costs in the second half year-on-year, along with improvements in buying margins and the benefit of mid-single digit price increases across ASOS brands for both Spring/Summer and Autumn/Winter collections.

ASOS delivered adjusted profit before tax of £22.0m, in line with the lower end of guidance, a reduction of 89% year-on-year. Adjusting items for the year totalled £53.9m and comprised of: (i) £25.4m costs incurred in relation to accelerating the ASOS strategy through the change programme, (ii) £5.7m relating to ASOS' transition to a Main Market listing, (iii) £18.5m for a non-cash impairment charge relating to the right-of-use asset and associated fixtures and fittings at ASOS' Leavesden office because of the decision to vacate and sublet unused space to third parties, (iv) (£6.4m) relating to the release of a provision for costs relating to the Topshop acquisition, (v) £10.7m relating to the amortisation of acquired intangible assets. Taking these adjusting items into account, ASOS delivered a reported loss before tax of £31.9m. Further detail on each of these items can be found on pages 29-31.

Also included within adjusted profit before tax for the year is the net impact of Russia, which had an estimated negative £14m impact on profit versus ASOS' original expectations for the year. This impact arose due to the immediate decision to suspend sales on 2 March 2022, amounting to c.2% of sales, and from additional costs

[1] Total sales grew 4% CCY excluding Russia, 2% CCY including Russia and 1% on a reported basis including Russia
[2] RoW decline by 9% CCY excluding Russia ( -20% CCY including Russia)
[3] Active customers grew by 0.4m to 25.7m excluding Russian active customers (flat at 26.4m including Russian active customers)
[4] Group Visits increased by 1% excluding Russia in FY22 and declined 2% including Russia
[5] Group ABV declined 3% on a constant currency basis excluding Russia and declined 4% on a constant currency basis including Russia

incurred to clear through the resulting excess stock and fulfilment centre inefficiencies. Also included in the net loss of £14m was a gain of £19.3m, recognised as other operating income, from closing out RUB hedges no longer required.

### *UK performance*

| *UK KPIs* | *Year to 31 August 2022* |
|---|---|
| Total Sales | +7% |
| Visits | +7% |
| Orders | +10% |
| Conversion | 20bps |
| ABV | -3% |
| Active Customers | 8.9m (+5%) |

ASOS delivered sales growth of 7% in the UK.

Performance of the Topshop brands remained strong throughout the year, delivering strong sales growth year-on-year despite annualising the acquisition in February 2021, reflecting the resonance of the brand with ASOS' customers.

Active customers grew to 8.9m, an increase of 5% versus FY21, whilst Premier customers also grew 6% driven in part by successful Premier Days held in October 2021 and February 2022. This has supported increased order frequency in the UK by 5% which, along with increased visits, orders, and conversion, continues to show the ability of ASOS to attract, retain, and engage customers in its home market.

ABV decreased by 3% due to increased levels of markdown, reflecting both the clearance activity carried out in H1 to sell-through late arriving Spring/Summer '21 stock and investments in promotion in H2, and a higher return rate (now in line with pre-pandemic levels since May), which was driven by the shift out of lockdown categories and back into occasion wear.

### *EU performance*

| **EU KPIs** | *Year to 31 August 2022* |
|---|---|
| Total Sales | -1% (+2% CCY) |
| Visits | +2% |
| Orders | +7% |
| Conversion | 10bps |
| ABV | -7% |
| ABV (CCY) 1 | -4% |
| Active Customers | 10.9m (+5%) |

1 ABV (CCY) is calculated as constant currency net retail sales / shipped orders

EU delivered sales growth of 2%, supported by improved performance in P4 as ASOS cycled a period of softer comparatives.

On a territory basis, trading in Germany and France were impacted by territory-specific factors which weighed on consumer demand and spending power. In Germany the impact of the energy crisis and government measures to address this appear to have impacted consumer confidence in H2, whilst in France the shift from online back to the high-street has been stronger than in other territories. Despite this, ASOS' visits share has remained relatively consistent in these territories, whilst sales performance was stronger in other EU markets.

Active customers continued to grow by 5%, despite the deterioration in consumer confidence and spending power, while Premier customer numbers also increased by 33% following the re-launch of the proposition in key EU territories in late-summer 2021.

ABV declined by 4%[1] on the year, which reflected higher markdown in H1 and increased return rates across the year, particularly in H2. This was partly offset by customers mixing into higher priced items and pricing increases which drove up ASPs.

### *US performance*

| *US KPIs* | *Year to 31 August 2022* |
|---|---|
| Total Sales | +14% (+10% CCY) |
| Visits | -8% |
| Orders | -1% |
| Conversion | 20bps |
| ABV | +8% |
| ABV (CCY) [1] | +4% |
| Active Customers | 3.4m (-1%) |

1 ABV (CCY) is calculated as constant currency net retail sales / shipped orders

Total US sales grew by 10% year-on-year, supported by triple digit Topshop growth, the expansion of wholesale and a more locally relevant US offer. The US saw increased demand for occasion wear supported by the exclusive range of ASOS Design dresses designed for the US consumer. These factors combined to drive a 4%[2] increase in ABV versus FY21, as customers shopped higher price point items, whilst return rates remained well below pre-pandemic levels.

Conversion increased 20bps year-on-year, despite both orders and visits falling, while Premier customers increased by 19%. In the US online apparel market, ASOS has maintained share, despite delaying the marketing investments planned to drive increased awareness in the US due to the weaker consumer outlook. This, along with more intense competition in the market, has adversely impacted new customer acquisition.

### *RoW performance*

| *RoW KPIs* | *Year to 31 August 2022 excluding Russia*[1] | *Year to 31 August 2022 including Russia* |
|---|---|---|
| Total Sales | -11% (-9% CCY) | -22% (-20% CCY) |
| Visits | -6% | -23% |
| Orders | -8% | -22% |
| Conversion | Flat | Flat |
| ABV | -3% | -2% |
| ABV (CCY)[2] | -1% | +1% |
| Active Customers | 2.5m (-14%) | 3.2m (-20%) |

1 Calculation of metrics, or movements in metrics, on an ex-Russia basis involves the removal of Russia from H2 FY21 performance. This adjustment allows year-on-year comparisons to be made on a like-for-like basis following the decision to suspend trade in Russia on 2 March 2022
2 ABV (CCY) is calculated as constant currency net retail sales / shipped orders

RoW total sales fell by 9% versus last year[3]. This reflects a slight improvement in the second half as delivery propositions improved post-pandemic. To assess year-on-year performance on a like-for-like basis the KPIs quoted in this section all exclude Russia (calculated by removing Russia from the comparatives for H2 FY21).

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[1] EU ABV decline of -4% CCY (-7% on a reported basis)
[2] US ABV increase of +4% CCY (+8% on a reported basis)
[3] RoW decline by 9% CCY excluding Russia ( -20% CCY including Russia)

On a territory basis, performance in Australia improved in H2, and particularly in P4, as Premier was reactivated and the delivery proposition returned to normal after the pandemic. There were also more positive signs in Saudi Arabia with both new customers and visits increasing in P4.

Active customers declined by 14% year-on-year as new customer acquisition remained challenging with a less competitive proposition relative to local players, as well as lower targeted investment in RoW.

***Gross margin***

Gross margin was down 180bps year-on-year, mainly driven by increased markdown and elevated freight costs.

The increase in markdown was primarily concentrated in H1, as the clearance activity which started in P4 FY21 to sell-through late arriving Spring/Summer '21 stock continued into the Autumn/Winter season and investments were made during peak in response to competitor's offers. This improved in H2 as a period of heavier discounting in the prior year was cycled, generating a small improvement year-on-year. Freight and duty costs were elevated throughout the year with an adverse impact of 180bps, driven by higher rates in the market due to reduced supply and ASOS' decision to use air freight to accelerate intake for peak. This improved in H2 as ASOS' contracted ocean freight rates were favourable against those available in the market, albeit higher year-on-year. This allowed greater control of costs in H2, as well as the ability to allocate volume in a more cost-efficient way across intake lanes.

These increases were partially offset by mid-single digit price increases across ASOS brands, as well as improvements in buying margin and the growth of Topshop (which has a higher retail gross margin) as an in-house brand for the whole year. Whilst helping to offset the cost pressure in gross margin, action on pricing was also taken to mitigate the inflation seen elsewhere in the P&L.

Gross profit also benefitted from favourable breakage rates on historic gift cards and gift vouchers issued for out of policy returns. Updated redemption rates of these vouchers have shown that these are being redeemed in lower quantities than initially expected, and this has therefore led to a benefit of £7.5m being recognised as revenue in FY22.

***Operating expenses***

| £m | **Year to 31 August 2022** | **% of sales** | Year to 31 August 2021 | % of sales | *Change* |
|---|---|---|---|---|---|
| Distribution costs | **(523.7)** | ***13.3%*** | (509.5) | *13.0%* | *(3%)* |
| Warehousing | **(427.0)** | ***10.8%*** | (356.4) | *9.1%* | *(20%)* |
| Marketing | **(223.5)** | ***5.7%*** | (200.9) | *5.1%* | *(11%)* |
| Other operating costs | **(380.7)** | ***9.7%*** | (376.6) | *9.6%* | *(1%)* |
| Depreciation and amortisation | **(139.1)** | ***3.5%*** | (129.5) | *3.3%* | *(7%)* |
| **Total operating costs (excl. adjusting items)** | **(1,694.0)** | ***43.0%*** | (1,572.9) | *40.2%* | *(8%)* |
| Adjusting items | **(53.9)** | ***1.4%*** | (13.4) | *0.4%* | *(302%)* |
| **Total operating costs** | **(1,747.9)** | ***44.4%*** | (1,586.3) | *40.6%* | *(10%)* |

Operating costs excluding adjusting items increased 8% year-on-year and by 280bps as a percentage of sales, reflecting inflationary pressures, adverse return rates and investment in marketing.

Distribution costs have increased by 30bps year-on-year, largely due to the increased return rate but partially mitigated by successful supplier negotiations and the continuation of a flexible carrier strategy which has reduced the use of higher cost lanes. A further impact on distribution costs has arisen from the launch of the Lichfield fulfilment centre and an increase in 'split-orders', where a parcel is shipped from both Lichfield and

Barnsley to fulfil a single order. Whilst benefitting the customer proposition by ensuring maximum stock availability, it has increased the costs required to fulfil such orders.

Warehouse costs have increased due to increased labour inflation across all sites. This is expected to be a structural change within the market. Further adverse impacts on warehouse costs during the year have been driven by the launch of Lichfield as a manual facility and higher stock levels. The impact from Lichfield arises because some units that were previously despatched from Barnsley, which is highly automated, are now fulfilled from Lichfield at a lower level of efficiency. ASOS has continued to take action to mitigate inflationary pressures through improvement and simplification of the supply chain network in FY22, notably the closure of Swiebodzin to enhance the efficiency of the EU returns network, as well as savings realised under the Lean programme which has been deployed across the fulfilment centres.

At the start of the year, it was anticipated that marketing costs would rise by 100bps for FY22. The actual increase of 60bps, to 5.7%, reflects initial investments being made in broad reach and product marketing, which were deployed on a test and learn basis during the year. Further investment was initially planned for H2 but was postponed by the Company as the economic environment worsened and consumer sentiment deteriorated. Spend on performance marketing was also slightly up year-on-year, as investments were made to capture demand; however, the impact of this overall increase was limited by allocation of spend to more efficient channels.

Other operating costs, excluding adjusting items, were broadly flat year-on-year due to increased operating leverage, as well as benefits derived from operational excellence initiatives across areas such as customer care, payments, and returns.

Depreciation and amortisation costs as a percentage of sales were up 20bps year-on-year, excluding the amortisation on acquired intangibles. This was driven by the annualisation of depreciation relating to the Truly Global Retail system, which went live in March 2021, and the launch of the Lichfield fulfilment centre in August 2021. This increase was partially offset by a revision of the useful economic lives of automation and technology assets to bring these into line with ASOS' business plans and industry standards, which reduced the charge for the year by £11.5m.

***Other operating income***

Other operating income was £20.6m for the year, up from £nil in FY21. This includes £1.2m of income received following the decision during the year to sublet part of ASOS' site at Leavesden, and a £19.3m gain from closing out RUB hedges, which were no longer required following the decision to suspend trade in Russia on 2 March 2022.

***Interest***

Net interest costs were £22.1m in the period, an increase of £9.1m year-on-year mainly driven by interest costs incurred on the convertible bond issued in April 2021, as well the annualisation of interest due on the loan from Nordstrom, which started accruing from July 2021.

***Taxation***

The reported effective tax rate (ETR) is 3.4%, based on the reported loss before tax of £31.9m. The rate has moved from the prior year comparative of 27.5%, which was based on a profit before tax of £177.1m, and from the HY forecast of 22.0%, based on a forecasted profit. The movement from profitability to making a relatively small loss, means the expected adjustments have had a greater absolute impact, and reduced rather than increased the ETR. The impact of the enacted April 2023 rate change on fixed asset movements, together with a higher adjustment for share-based payments due to the fall in share price during the year, have been the other drivers of the ETR movement.

***Earnings per share***

Both basic and diluted loss per share were (30.9p), falling by 124% versus last year (FY21: basic and diluted earnings per share of 128.9p and 128.5p[1]). This was driven by a reported loss before tax of £31.9m, down from reported profit before tax of £177.1m last year. The potentially convertible shares related to both the convertible bond and ASOS' employee share schemes have been excluded from the calculation of diluted loss per share as they are anti-dilutive for the year ended 31 August 2022.

***Cash flow***

There was a cash outflow for the year of £339.8m, and ASOS ended the year with a net debt position of £152.9m. This was mainly driven by a working capital outflow of £272.7m and CAPEX investment of £182.9m, offsetting EBITDA of £140.0m.

The working capital outflow reflects the higher year-on-year inventory position as ASOS ended the year with stock of £1,078.4m (FY21: £807.1m) resulting from ((i) a marked slowdown in demand driven by global economic uncertainty; (ii) the timing impact of FY21 stock that was only received in FY22 as a result of supply chain delays; (iii) the impact of increased returns; and (iv) the early receipt of FY23 stock in FY22.

Capital expenditure totalled £182.9m in support of the planned automation programmes at Lichfield and Atlanta; technology investments into digital platforms, business systems and infrastructure in support of the development of the marketplace integration platform required for Partner Fulfils; continued optimisation of the customer experience in support of new features and improvement in conversion; and investments in support of ASOS' progress against its data strategy.

**Mathew Dunn**

Chief Operating Office & Chief Financial Officer

[1] Diluted earnings per share for the year to 31 August 2021 has been restated. The previously disclosed number was 125.5p, and further information on the change can be found in Note 3, page 24 of the Condensed Financial Statements

## CONSOLIDATED UNAUDITED STATEMENT OF TOTAL COMPREHENSIVE INCOME

For the year to 31 August 2022

| | Year to 31 August 2022 (unaudited) £m | Year to 31 August 2021 (audited) £m |
|---|---|---|
| **Revenue** | **3,936.5** | 3,910.5 |
| Cost of sales | **(2,219.0)** | (2,134.1) |
| **Gross profit** | **1,717.5** | 1,776.4 |
| Distribution expenses | **(523.7)** | (509.5) |
| Administrative expenses | **(1,224.2)** | (1,076.8) |
| Other income | **20.6** | - |
| **Operating (loss)/profit** | **(9.8)** | 190.1 |
| Finance income | **0.9** | 0.2 |
| Finance expense | **(23.0)** | (13.2) |
| **(Loss)/Profit before tax** | **(31.9)** | 177.1 |

| | | |
|---|---|---|
| Analysed as: | | |
| Adjusted profit before tax (note 11) | **22.0** | 193.6 |
| Adjusting items (note 11) | **(53.9)** | (16.5) |
| **(Loss)/Profit before tax** | **(31.9)** | 177.1 |

| | | |
|---|---|---|
| Income tax expense | **1.1** | (48.7) |
| **(Loss)/Profit for the year** | **(30.8)** | 128.4 |
| **(Loss)/Profit for the year attributable to owners of the parent company** | **(30.8)** | 128.4 |
| Net translation movements offset in reserves | **0.3** | (0.5) |
| Net fair value gains on derivative financial instruments | **9.7** | 38.4 |
| Income tax relating to these items | **(3.9)** | (8.1) |
| **Other comprehensive income for the year[1]** | **6.1** | 29.8 |
| **Total comprehensive (loss)/income for the year attributable to owners of the parent company[2]** | **(24.7)** | 158.2 |
| **(Loss)/Earnings per share (Note 3)** | | |
| Basic per share | **(30.9p)** | 128.9p |
| Diluted per share (restated – refer to note 3) | **(30.9p)** | 128.5p |

[1] *All items of other comprehensive income will ultimately be reclassified to profit or loss*
[2] *The results for the year shown are derived completely from continuing activities*

**CONSOLIDATED UNAUDITED STATEMENT OF CHANGES IN EQUITY**

For the year to 31 August 2022

| | Called up share capital £m | Share premium £m | Employee Benefit Trust reserve[1] £m | Hedging reserve £m | Translation reserve £m | Equity on convertible debt £m | Retained earnings[2] £m | Total equity £m |
|---|---|---|---|---|---|---|---|---|
| **At 1 September 2021** | **3.5** | **245.7** | **2.1** | **14.3** | **(2.4)** | **58.9** | **711.9** | **1,034.0** |
| **Loss for the year** | **-** | **-** | **-** | **-** | **-** | **-** | **(30.8)** | **(30.8)** |
| **Other comprehensive income/(loss) for the year** | **-** | **-** | **-** | **6.4** | **(0.3)** | **-** | **-** | **6.1** |
| **Total comprehensive income/(loss) for the year** | **-** | **-** | **-** | **6.4** | **(0.3)** | **-** | **(30.8)** | **(24.7)** |
| **Cash flow hedges gains and losses transferred to inventory** | **-** | **-** | **-** | **5.5** | **-** | **-** | **-** | **5.5** |
| **Share-based payments charge** | **-** | **-** | **-** | **-** | **-** | **-** | **0.8** | **0.8** |
| **Tax relating to share option scheme** | **-** | **-** | **-** | **-** | **-** | **-** | **(0.7)** | **(0.7)** |
| **Balance as at 31 August 2022** | **3.5** | **245.7** | **2.1** | **26.2** | **(2.7)** | **58.9** | **681.2** | **1,014.9** |
| | | | | | | | | |
| At 1 September 2020 | 3.5 | 245.7 | 2.0 | (15.8) | (2.1) | - | 577.0 | 810.3 |
| Profit for the year | - | - | - | - | - | - | 128.4 | 128.4 |
| Other comprehensive income/(loss) for the year | - | - | - | 30.1 | (0.3) | - | - | 29.8 |
| Total comprehensive income/(loss) for the year | - | - | - | 30.1 | (0.3) | - | 128.4 | 158.2 |
| Issue of convertible bond | - | - | - | - | - | 58.9 | - | 58.9 |
| Recognition of gross obligation to purchase own shares | - | - | - | - | - | - | (2.8) | (2.8) |
| Net cash received on exercise of shares from Employee Benefit Trust | - | - | 0.1 | - | - | - | - | 0.1 |
| Share-based payments charge | - | - | - | - | - | - | 9.4 | 9.4 |
| Tax relating to share option scheme | - | - | - | - | - | - | (0.1) | (0.1) |
| Balance as at 31 August 2021 | 3.5 | 245.7 | 2.1 | 14.3 | (2.4) | 58.9 | 711.9 | 1,034.0 |

[1]*Employee Benefit Trust and Link Trust*

[2]*Retained earnings includes the share-based payments reserve*

## CONSOLIDATED UNAUDITED STATEMENT OF FINANCIAL POSITION

As at 31 August 2022

| | **At 31 August 2022 (unaudited) £m** | At 31 August 2021 (audited) £m |
|---|---|---|
| **Non-current assets** | | |
| Goodwill | **35.2** | 33.1 |
| Other intangible assets | **648.7** | 619.1 |
| Property, plant and equipment | **732.0** | 659.2 |
| Derivative financial asset | **27.0** | 13.4 |
| | **1,442.9** | 1,324.8 |
| **Current assets** | | |
| Inventories | **1,078.4** | 807.1 |
| Trade and other receivables | **88.2** | 57.7 |
| Derivative financial asset | **41.4** | 23.5 |
| Cash and cash equivalents | **323.0** | 662.7 |
| Current tax asset | **23.0** | 8.7 |
| | **1,554.0** | 1,559.7 |
| **Current liabilities** | | |
| Trade and other payables | **(993.3)** | (956.1) |
| Borrowings | **(1.4)** | (3.8) |
| Lease liabilities | **(24.3)** | (23.9) |
| Derivative financial liability | **(21.0)** | (14.2) |
| | **(1,040.0)** | (998.0) |
| **Net current assets** | **514.0** | 561.7 |
| **Non-current liabilities** | | |
| Lease liabilities | **(355.8)** | (305.0) |
| Deferred tax liability | **(58.2)** | (41.3) |
| Provisions | **(41.9)** | (43.2) |
| Derivative financial liability | **(11.6)** | (3.6) |
| Borrowings | **(474.5)** | (459.4) |
| | **(942.0)** | (852.5) |
| **Net assets** | **1,014.9** | 1,034.0 |
| **Equity attributable to owners of the parent** | | |
| Called up share capital | **3.5** | 3.5 |
| Share premium | **245.7** | 245.7 |
| Employee Benefit Trust reserve | **2.1** | 2.1 |
| Hedging reserve | **26.2** | 14.3 |
| Translation reserve | **(2.7)** | (2.4) |
| Equity on convertible debt | **58.9** | 58.9 |
| Retained earnings | **681.2** | 711.9 |
| **Total equity** | **1,014.9** | 1,034.0 |

## CONSOLIDATED UNAUDITED STATEMENT OF CASH FLOWS
For the year to 31 August 2022

| | **Year to 31 August 2022 (unaudited) £m** | Year to 31 August 2021 (audited) £m |
|---|---|---|
| **Operating (loss)/profit** | **(9.8)** | 190.1 |
| Adjusted for: | | |
| Depreciation of property, plant and equipment | **61.0** | 61.1 |
| Amortisation of other intangible assets | **88.8** | 74.4 |
| Impairment of assets | **19.2** | 0.1 |
| Increase in inventories | **(258.7)** | (226.7) |
| (Increase)/decrease in trade and other receivables | **(34.2)** | 1.9 |
| Increase in trade and other payables | **20.2** | 150.6 |
| Settlement of contingent consideration in relation to employee benefits | **(6.0)** | - |
| Share-based payments charge | **0.6** | 7.6 |
| Other non-cash items | **(4.9)** | (7.0) |
| Income tax received/(paid) | **3.4** | (37.0) |
| **Net cash (used)/generated from operating activities** | **(120.4)** | 215.1 |
| | | |
| **Investing activities** | | |
| Payments to acquire intangible assets | **(109.2)** | (102.0) |
| Payments to acquire property, plant and equipment | **(73.7)** | (55.1) |
| Payments to acquire assets in a business combination | **-** | (286.4) |
| Dividends received | **-** | 0.1 |
| Interest received | **0.9** | 0.2 |
| **Net cash used in investing activities** | **(182.0)** | (443.2) |
| | | |
| **Financing activities** | | |
| Proceeds from borrowings | **-** | 21.9 |
| Proceeds from convertible bond issue, net of transaction costs | **-** | 491.0 |
| Repayment of principal portion of lease liabilities | **(26.3)** | (23.9) |
| Net cash inflow relating to Employee Benefit Trust | **-** | 0.1 |
| Interest paid | **(11.1)** | (5.7) |
| **Net cash (used in)/generated from financing activities** | **(37.4)** | 483.4 |
| | | |
| **Net (decrease)/increase in cash and cash equivalents** | **(339.8)** | 255.3 |
| | | |
| **Opening cash and cash equivalents** | **662.7** | 407.5 |
| Effect of exchange rates on cash and cash equivalents | **0.1** | (0.1) |
| **Closing cash and cash equivalents** | **323.0** | 662.7 |

## UNAUDITED NOTES TO THE FINANCIAL INFORMATION

For the year to 31 August 2022

## 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 and Poland. The Company is a public limited company which is listed on the London Stock Exchange and is incorporated and domiciled in the UK as at 31 August 2022. The address of its registered office is Greater London House, Hampstead Road, London NW1 7FB.

### b) Basis of preparation

The condensed consolidated financial statements transitioned to UK-adopted International Financial Reporting Standards (IFRS) for financial periods beginning after 1 January 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework. The consolidated financial statements have also been prepared in accordance with IFRS Interpretations Committee (IFRIC) in conformity with the requirements of Companies Act 2006 and the Listing rules as applicable to companies reporting under those standards. As at the reporting date, these are the standards, subsequent amendments and related interpretations issued and adopted by the International Accounting Standards Board (IASB).

Within the consolidated statement of total comprehensive income the Group presents net fair value movements on financial instruments, which includes the fair value movements on effective cash flow hedges, offset by amounts subsequently reclassified. In accordance with IFRS 9 'Financial Instruments', cash flow hedge gains and losses in relation to inventory purchases are recognised as part of the cost of inventory, and therefore the carrying value of inventory is adjusted for the accumulated gains or losses recognised directly in other comprehensive income (a basis adjustment), and then recognised in the income statement when the inventory is sold.

This basis adjustment is not part of other comprehensive income. The Group has therefore shown the inventory basis adjustments as a separate line within the statement of changes in equity. Comparative period amounts have not been adjusted on the grounds of materiality.

The financial information contained within this preliminary announcement for the years to 31 August 2022 and 31 August 2021 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 2021 have been filed with the Registrar of Companies and those for the year to 31 August 2022 will be filed following the Company's annual general meeting. The auditors have reported on the 2021 accounts; their report was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

### c) Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for a period of at least 12 months from the date of approval of the financial statements, and therefore continue to adopt the going concern basis in preparing the financial statements. To support this assessment, detailed cash flow forecasts were prepared for the 18 month period to February 2024.

## Preparation of the consolidated financial information (continued)

In assessing the Group's going concern position, the Directors have considered the Group's detailed budgeting and forecasting process which considers the Group's financial performance, position and cash flows over the going concern period (the base case). These cash flow forecasts represent the Directors' best estimate of trading performance and cost implications in the market based on current agreements, market experience and consumer demand expectations. In conjunction with this, the Directors considered the Group's business activities and principal risks, reviewing the Group's cash flows, liquidity positions and borrowing facilities for the going concern period. The review included the recent amendment to the Group's Revolving Credit Facility agreement that was obtained in October 2022 – further detail is included within note 10, which generates additional operational flexibility in the going concern period. At 31 August 2022, the Group had an undrawn Revolving credit facility ("RCF") of £350 million which matures in July 2024 and £500 million convertible bonds with a maturity of April 2026. Net debt at the balance sheet date was £152.9m comprising debt of £475.9m and net cash of £323.0m.

The Group has also considered various severe but plausible downside scenarios comprising of, but not limited to, the following assumptions:

- Sales growth reduction;
- Gross margin reduction;
- Potential working capital cash shocks; and
- Closure of the Group's Barnsley fulfilment center due to a major incident

The above downside scenarios include assumed reductions in the projected like-for-like sales growth during the period under review of between 2.5% and 7%, and gross margin reductions of between 1% to 2%. Should the Group see such significant events unfold it has several mitigating actions it can implement to manage its liquidity risk such as deferring capital investment spend and further cost management to maintain a sufficient level of liquidity headroom during the going concern period.

Reverse stress tests have also been performed on both the Group's revenue and gross margin to see how far these would need to decline to cause a liquidity event. Such results would have to see over a 15% decline in sales over the base case, or a decline in gross margin from the base case of between 3% and 8%. Both are considered remote based on results of previous significant economic shock events, particularly on the basis that the Group is annualising the softer market growth and global supply chain crisis experienced this year.

In assessing the group's ability to continue as a going concern the directors have considered climate change risks. The forecast cashflows incorporates cashflows to address these risks, including those associated with the Group's Net Zero commitment.

Based on the above, the Directors considered it appropriate to adopt the going concern basis of accounting in the preparation of the Group's annual financial statements.

## 2. Segmental analysis

The Chief Operating Decision Maker has been determined to be the Executive Committee which receives information on revenue and associated metrics of the Group in key geographical territories. Management monitors and makes decisions considering the entire Group. The Group has reviewed its assessment of reportable segments under IFRS 8, "Operating Segments" and concluded that the Group continues to have one reportable segment.

The following sets out the Group's revenue in the key geographic markets in which customers are located:

| | **Year to 31 August 2022 (unaudited)** | | | | |
|---|---|---|---|---|---|
| | **UK £m** | **EU £m** | **US £m** | **RoW[1] £m** | **Total £m** |
| Retail sales | **1,703.3** | **1,142.6** | **472.7** | **454.0** | **3,772.6** |
| Income from other services [2] | **59.5** | **27.4** | **58.7** | **18.3** | **163.9** |
| Total revenues | **1,762.8** | **1,170.0** | **531.4** | **472.3** | **3,936.5** |
| Cost of sales | | | | | **(2,219.0)** |
| Gross profit | | | | | **1,717.5** |
| Distribution expenses | | | | | **(523.7)** |
| Administrative expenses | | | | | **(1,224.2)** |
| Other income[3] | | | | | **20.6** |
| Operating loss | | | | | **(9.8)** |
| Finance income | | | | | **0.9** |
| Finance expense | | | | | **(23.0)** |
| Loss before tax | | | | | **(31.9)** |

1 Rest of World
2 Income from other services comprises of delivery receipt payments, marketing services, commission on partner-fulfilled sales and revenue from wholesale sales
3 Other income includes a £19.3m gain recognised following the cancellation of foreign exchange derivatives to hedge exposures to Russian Rubles following the Group's decision to withdraw from Russia during the year.

| | Year to 31 August 2021 (audited) | | | | |
|---|---|---|---|---|---|
| | UK £m | EU £m | US £m | RoW[1] £m | Total £m |
| Retail sales | 1,595.7 | 1,156.5 | 442.0 | 589.6 | 3,783.8 |
| Income from other services [2] | 56.3 | 28.8 | 24.2 | 17.4 | 126.7 |
| Total revenues | 1,652.0 | 1,185.3 | 466.2 | 607.0 | 3,910.5 |
| Cost of sales | | | | | (2,134.1) |
| Gross profit | | | | | 1,776.4 |
| Distribution expenses | | | | | (509.5) |
| Administrative expenses | | | | | (1,076.8) |
| Operating profit | | | | | 190.1 |
| Finance income | | | | | 0.2 |
| Finance expense | | | | | (13.2) |
| Profit before tax | | | | | 177.1 |

1 Rest of World
2 Income from other services comprises of delivery receipt payments, marketing services, and revenue from wholesale sales

The income recognition for delivery receipts, commissions on partner-fulfilled sales and wholesale revenue are in line with that of retail sales and linked to dispatch / delivery to customers. Income from marketing services is recognised in line with the terms and conditions of each contract and for premier subscription income this is recognised over the course of the subscription. The value recognised in the year ended 31 August 2022 for marketing services is £13.1m (2021: £11.8m) and from premier subscription customers is £24.6m (2021: £20.9m).

Due to the nature of its activities, the Group is not reliant on any individual major customers. The total amount of non-current assets (excluding derivatives and goodwill) located in the UK is £1,006.7m (2021: £994.1m), EU (Germany): £188.8m (2021: £193.6m), US: £185.2m (2021: £90.6m), and RoW: £nil (2021: £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 ordinary shares.

| | **Year to 31 August 2022 (unaudited) £m** | Year to 31 August 2021 (audited) £m |
|---|---|---|
| **Weighted average share capital** | | |
| Weighted average shares in issue for basic earnings per share (no. of shares) | **99,696,028** | 99,590,828 |
| Weighted average effect of dilutive options (no. of shares)[1] | **-** | 341,014 |
| Weighted average effect of convertible bond (no. of shares)[1,2] | **-** | - |
| Weighted average shares in issue for diluted earnings per share (no. of shares) | **99,696,028** | 99,931,842 |
| **Earnings (£m)** | | |
| Earnings attributable to owners of the parent company for basic earnings per share | **(30.8)** | 128.4 |
| Interest expense on convertible bonds[1,2] | **-** | - |
| Diluted earnings attributable to owners of the parent company for diluted earnings per share | **(30.8)** | 128.4 |
| **Basic (loss)/earnings per share** | **(30.9p)** | 128.9p |
| **Diluted (loss)/earnings per share[2]** | **(30.9p)** | 128.5p |

1 Dilutive shares and interest not included where their effect is anti-dilutive
2 The prior year weighted average number of dilutive shares and interest relating to the convertible bond have been amended. This has the effect of increasing the diluted earnings per share by 3.0 pence per share. This is as a result of applying a more accurate calculation to the relevant shares where their effect is anti-dilutive.

## 4. Reconciliation of cash and cash equivalents

| | **Year to 31 August 2022 (unaudited) £m** | Year to 31 August 2021 (audited) £m |
|---|---|---|
| Net movement in cash and cash equivalents | **(339.8)** | 255.3 |
| Opening cash and cash equivalents | **662.7** | 407.5 |
| Effect of exchange rates on cash and cash equivalents | **0.1** | (0.1) |
| Closing cash and cash equivalents | **323.0** | 662.7 |

Cash and cash equivalents includes short-term deposits with banks and other financial institutions, with an initial maturity of three months or less, and cash in transit (CIT) balance of £32.3m (2021: £34.2m). The CIT balance includes uncleared credit card receipts due within 72 hours of £11.7m (2021: £10.1m).

Included within cash and cash equivalents is £0.8m (2021: £nil) of cash collected on behalf of partners of the Direct to Consumer fulfilment proposition 'Partner Fulfils'. ASOS Payments UK Limited and the Group are entitled to interest amounts earnt on the deposits, amounts are held in a segregated bank account and are settled on a monthly basis.

## 5. Borrowings

| Borrowings | **31 August 2022 (unaudited) £m** | 31 August 2021 (audited) £m |
|---|---|---|
| Current | **(1.4)** | (3.8) |
| Non-current | **(474.5)** | (459.4) |
| | **(475.9)** | (463.2) |

On 16 April 2021 the Group issued £500m of convertible bonds. The unsecured instruments pay a coupon of 0.75% until April 2026, or the conversion date, if earlier. The initial conversion price was set at £79.65 per share. In accordance with IAS 32 'Financial Instruments: Presentation', the equity and debt components of the bonds are accounted for separately and the fair value of the debt component has been determined using the market interest rate for an equivalent non-convertible bond, deemed to be 3.4%. As a result, £440.1m was recognised as a liability in the balance sheet on issue and the remainder of the proceeds, £59.9m, which represents the equity component, was credited to reserves. The difference between the fair value of the liability and the principal value is being amortised through the income statement from the date of issue. Issue costs of £9.0m were allocated between equity and debt and the element relating to the debt component is being amortised over the life of the bonds. The issue costs apportioned to equity of £1.0m have not been amortised. The carrying value of the liability portion as at 31 August 2022 is £451.0m (2021: £438.2m), with £3.8m being the annual coupon payable within 12 months (2021: £3.8m).

On 12 July 2021 the Group announced a strategic partnership with Nordstrom, a US-based multi-channel retailer, to drive growth in North America. As part of this venture, Nordstrom purchased a minority interest in ASOS Holdings Limited which holds the Topshop, Topman, Miss Selfridge and HIIT brands in exchange for £10 as well as providing a £21.9m loan. The loan attracts interest at a market rate of 6.5% per annum. The carrying value of the debt at 31 August 2022 is £22.0m (2021: £22.2m). As part of this agreement a written put option was provided to Nordstrom over their shares in ASOS Holdings Limited. The resulting liability is £3.0m as at 31 August 2022 (2021: £2.8m).

At the year-end, the Group had in place a £350m Revolving Credit Facility (RCF), of which £nil was drawn down (2021: £nil). On 8 September 2022 the Group drew down £250.0m of the RCF. Subsequently, in October 2022, the Group successfully renegotiated the terms of the revolving credit facility - refer to note 10 for further information.

The table below analyses the Group's borrowings into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted amounts.

| | **<1 year £m** | **1 to 2 years £m** | **2 to 3 years £m** | **3 to 4 years £m** | **4 to 5 years £m** | **>5 years £m** |
|---|---|---|---|---|---|---|
| Convertible bond | **3.8** | **3.8** | **3.8** | **503.8** | - | - |
| Nordstrom loan | - | - | - | - | - | **21.9** |
| Obligation to repurchase own shares | - | **4.9** | - | - | - | - |
| | **3.8** | **8.7** | **3.8** | **503.8** | **-** | **21.9** |

## 6. 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 31 August 2022, the Group had contingent liabilities of £nil (2021: £6.4m).

## 7. Financial instruments

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

| | **Year to 31 August 2022 (unaudited) £m** | Year to 31 August 2021 (audited) £m |
|---|---|---|
| **Financial assets** | | |
| Derivative assets used for hedging at fair value | **68.4** | 36.9 |
| Amortised cost[1] | **72.9** | 49.2 |
| Cash and cash equivalents | **323.0** | 662.7 |
| **Financial liabilities** | | |
| Derivative liabilities used for hedging at fair value | **(32.6)** | (17.8) |
| Lease liabilities | **(380.1)** | (328.9) |
| Amortised cost[2,3] | **(1,406.8)** | (1,334.3) |

[1] Financial assets at amortised cost include trade and other receivables but exclude prepayments.

[2] Financial liabilities at amortised cost include overdrafts, borrowings, accruals, other payables and trade payables but exclude deferred income and other liabilities that do not meet the definition of a financial liability.

[3]The prior year balance for financial liabilities measured at amortised cost has been amended to exclude certain balances totalling £128.0m that do not meet the definition of a financial liability.

The Group operates internationally and is therefore exposed to foreign currency transaction risk, primarily on sales denominated in Euros, US dollars, and Australian Dollars. 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 instruments and are classified as Level 2 financial instruments under IFRS 13, "Fair Value Measurement." They have been fair valued at 31 August 2022 with reference to forward exchange rates that are quoted in an active market, with the resulting value discounted back to present value. The majority of forward foreign exchange contracts were assessed to be highly effective during the year ended 31 August 2022. During the year, cash flow hedges in relation to the Group's exposure to Russian Rubles were cancelled following the Group's decision to cease trading in Russia on 2 March 2022. Gains of £19.3m were recognised in other income. All derivative financial liabilities at 31 August 2022 mature within three years based on the related contractual arrangements.

## 8. Business combination (unaudited)

On 4 February 2021, the Group acquired the trade and assets of a number of businesses from the administrators of Arcadia Group limited. The businesses were purchased out of administration for a total consideration of £292.4m. In accordance with IFRS 3 'Business combinations' the acquisition accounting has now been finalised and resulted in an increase in goodwill of £2.1m.

| **Purchase consideration** | **£m** |
|---|---|
| Cash paid | **264.8** |
| Contingent consideration | **27.6** |
| **Total purchase consideration** | **292.4** |

## 8. Business combination (unaudited) continued

The fair value of assets and liabilities acquired was £258.3m. This includes £219.4m in relation to the Topshop, Topman, Miss Selfridge and HIIT brands and £38.9m of other net assets. The fair value of assets acquired was less than the fair value of the consideration by £34.1m, which has been recognised as goodwill. The goodwill is attributable to the workforce, the high profitability of the acquired business and expected synergies. It will not be deductible for tax purposes.

The assets and liabilities recognised as a result of the acquisition at 4 February 2021 are as follows:

| **Fair value of net assets acquired**<br>**At 4 February 2021** | **Restated (final) £m** | Adjustment to provisional figures £m | As previously reported £m |
|---|---|---|---|
| Intangible assets[1] | **243.8** | - | 243.8 |
| Inventories | **25.5** | (2.1) | 27.6 |
| **Total assets acquired** | **269.3** | (2.1) | 271.4 |
| Contingent liability | **(6.4)** | - | (6.4) |
| Deferred tax liability | **(4.6)** | - | (4.6) |
| **Total liabilities acquired** | **(11.0)** | - | (11.0) |
| **Net identifiable assets acquired at fair value** | **258.3** | (2.1) | 260.4 |
| Goodwill arising on acquisition | **34.1** | 2.1 | 32.0 |
| **Purchase consideration transferred** | **292.4** | - | 292.4 |

*1 Intangible assets include brands of £219.4m relating to Topshop, Topman, Miss Selfridge and HIIT and reflects their fair value at the acquisition date. They are estimated to have a useful economic life of between 10 and 30 years. Also acquired were wholesale customer relationships with a fair value of £24.4m which are estimated to have a useful economic life of 8 years.*

**a) Acquisition-related costs**

Acquisition-related costs of £2.0m were incurred and were included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows for the year ended 31 August 2021.

**b) Contingent consideration**

The contingent consideration arrangements primarily relate to amounts ASOS.com Limited agreed to pay to the Arcadia administrators in relation to qualifying inventory totalling £21.6m upon collection. The remainder related Arcadia employee retention payments. As at 31 August 2022 the consideration amounts have been settled in full.

**c) Contingent liability**

As at 31 August 2021, a contingent liability of £6.4m had been recognised in relation to employee and other liabilities. The Group's assessment of the fair value of these liabilities represented the probability adjusted possible outcome. As at 31 August 2022 the risk has fully expired and the provision has been released as an adjusted item.

## 9. 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 2022.

## 10. Post balance sheet events

### Change to Group operating model

After the balance sheet date, in October 2022, the Board approved changes to the Group's commercial model. The updated model aims to operate a shorter buying cycle with an accelerated speed to market, facilitating an enhanced customer proposition that offers new products, more regularly. To achieve this, it is planned to introduce more off-site clearance routes that will enable the Group to clear inventory earlier in its life-cycle than previously, therefore reducing the overall breadth of inventory held in fulfilment centres, which in turn will reduce the volume that is currently sold on promotion via the ASOS site.

To transition to the new model, a reshaping of the inventory portfolio is required, and as a result additional inventory provisions in the range of £100 million to £130 million are expected to be recognised in the next financial year. Of this, between £95 million and £120 million is in relation to inventory currently held on the Group's balance sheet which will now be sold through alternative clearance channels, rather than through the website. The remainder relates to committed inventory spend which will be recognised as inventory in the next financial year, that will also be predominantly sold through off-site clearance channels as a result of the new model.

It has been considered whether any adjustments are required to the current year financial statements. Whilst the proposal was both formed and approved after the balance sheet date, the Group has specifically considered whether the change in operating model indicates that inventory held at the year-end requires further write-downs to net realisable value in order to sell. The anticipated write-downs next year only arise out of the decision to sell or dispose of inventory through other channels to facilitate an enhanced customer offer. Absent the change in model, it would be sold through ASOS.com, for which the existing year-end provisions are appropriate. The Group has therefore concluded that the approved change does not provide evidence for conditions that existed at the balance sheet date.

It was also considered whether the change is an indication that the Group's non-current assets may require impairment. Whilst a reduction in stock levels held at fulfilment centres is anticipated, the overall cash flow of the Group is expected to improve, primarily through improved margin through lower ongoing mark-downs as well as improved working capital in the longer term through reduced stockholding. Furthermore, whilst any future decisions to exit warehouses could potentially result in further impairment charges, no decisions in relation to this have been made. It is therefore concluded that the updated commercial model does not provide indication that the Group's non-current assets are impaired at the year-end.

As the programme will support future underlying profit improvement, it was considered whether it is appropriate to report these costs within adjusted profit. Whilst they arise from changes in the Group's trading operations, they comprise a major business change, they can be separately identified, are material in size and are not reflective of ordinary in-year trading activity. The costs will therefore be presented as adjusting items in the next financial year and excluded from adjusted profit before tax.

### Changes to Group funding

Post the balance sheet date, the Group has agreed an amendment to its £350m revolving credit facility (RCF), with existing financial covenants ceasing to apply until February 2024, and providing the Group with much enhanced flexibility. A new minimum liquidity covenant will apply until the maturity of the RCF. As part of this amendment, the Group's bank lenders have agreed an accordion option to increase the RCF to circa £400m, allowing the incorporation of newly committed ancillary facilities. The amendment also provides for additional reporting disclosures and security by way of fixed and floating charges over certain Group assets.

## 11. Alternative performance measures (APMs)

In the reporting of financial information, the Directors use various APMs. These APMs should be considered in addition to, and are not intended to be a substitute for, IFRS measurements. As they are not defined by International Financial Reporting Standards, they may not be directly comparable with other companies' APMs.

The Directors believe that these APMs provide additional useful information for understanding the financial performance and health of the Group. They are also used to enhance the comparability of information between reporting periods (such as adjusted profit) by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid users in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes. The APMs that the Group has focused on in the period are defined and reconciled below. All of the APMs relate to the current period's results and comparative periods.

| **Performance measure** | **Closest IFRS measure** | **Definition** | **How ASOS use this measure** |
|---|---|---|---|
| Retail sales | Revenue | Internet sales recorded net of an appropriate deduction for actual and expected returns, relevant vouchers and sales taxes.<br><br>Retail sales exclude income from delivery receipt payments, marketing services, commission on partner-fulfilled sales and revenue from wholesale sales. | A measure of the Group's trading performance focusing on the sale of products to end customers. Used by management to monitor overall performance across markets, and the basis of key internal KPIs such as ABV.<br><br>A reconciliation of this measure is included within note 2. |
| Adjusted EBIT | Operating (loss)/profit | Profit before tax, interest, and the adjusting items defined below. Adjusted EBIT margin is the Adjusted EBIT divided by total sales. | A measure of the Group's profitability for the period, excluding the impact of any transactions outside of the ordinary course of business and not considered part of ASOS' usual cost base. This measure is also one of ASOS' medium term targets, as set out at the CMD on 10 November 2021.<br><br>A reconciliation of this measure is included below. |
| Adjusted profit before tax | (Loss)/profit before tax | Profit before tax and the adjusting items defined below. | A measure of the Group's underlying profitability for the period, excluding the impact of any transactions outside of the ordinary course of business and not considered to be part of ASOS' usual cost base. Used by management to monitor the performance of the business each month.<br><br>A reconciliation of this measure is included below. |
| Net cash/(debt) | No direct equivalent | Cash and cash equivalents less any borrowings drawn down at period-end, but excluding outstanding lease liabilities. | A measure of the Group's liquidity.<br><br>This is reconciled as follows: |

| | **Year to 31 August 2022 (unaudited) £m** | Year to 31 August 2021 £m |
|---|---|---|
| Cash and cash equivalents | **323.0** | 662.7 |
| Borrowings | **(475.9)** | (463.2) |
| Lease liabilities | **(380.1)** | (328.9) |
| **Net borrowings** | **(533.0)** | (129.4) |
| Add-back lease liabilities | **380.1** | 328.9 |
| **Group net debt** | **(152.9)** | 199.5 |

## 11. Alternative performance measures (APMs) continued

### Adjusted profit measures

In order to provide shareholders with additional insight into the year-on-year performance of the business, an adjusted measure of profit is provided to supplement the reported IFRS numbers, and reflects how the business measures performance internally.

Determining which items are to be adjusted requires judgement, in which the Group considers items which are significant either by virtue of their size and/or nature, the inclusion of which could distort comparability between periods. The same assessment is applied consistently to any reversals of prior adjusting items. Adjusted profit before tax (and similarly adjusted EBIT) is not an IFRS measure and therefore not directly comparable to other companies.

More details on each are included further below.

| | **Year to 31 August 2022 £m** | Year to 31 August 2021 £m |
|---|---|---|
| **Operating (loss)/profit** | **(9.8)** | **190.1** |
| **Adjusting items:** | | |
| ASOS Re-imagined | **25.4** | - |
| Main Market transition costs | **5.7** | - |
| Impairment of Leavesden site assets | **18.5** | - |
| Employee and other liabilities relating to Topshop acquisition | **(6.4)** | - |
| Amortisation of acquired intangible assets | **10.7** | 6.0 |
| One-off acquisition and integration costs | **-** | 10.5 |
| **Total adjusting items** | **53.9** | **16.5** |
| **Adjusted EBIT** | **44.1** | **206.6** |
| Adjusted EBIT margin[1] | **1.1%** | 5.3% |
| Net finance expenses | **(22.1)** | (13.0) |
| **Adjusted profit before tax** | **22.0** | **193.6** |

1 Calculated as adjusted operating profit of £44.1m (2021: £206.6m) divided by Group revenue of £3,936.5m (2021: £3,910.5m)

**ASOS Reimagined**

A multi-year programme which will enable the business to accelerate delivery of the strategy and medium term plan set out at the Capital Markets Day held on 10 November 2021. The programme will fundamentally change how ASOS operates and will drive the business towards its goal of becoming the number one destination for fashion-loving 20-somethings. Over the course of FY22, 'ASOS Reimagined' has been broken down into seven key transformation themes which will be responsible for making progress against three priority areas;

(i) leveraging ASOS' platform and capabilities to improve the core customer proposition,
(ii) amplifying ASOS' winning offer of own-brand and partner brands, and
(iii) more effectively targeting ASOS' approach to international expansion.

In FY22, which was the first year of 'ASOS Reimagined', total costs of £25.4m were incurred, largely to equip ASOS with the appropriate structures and capabilities to deliver the programme. This is broadly in line with the guidance issued at interim results on 12th April 2022, and mainly relates to spend on external consultants

## 11. Alternative performance measures (APMs) continued

and contractors to support the launch of specific Transformation initiatives and processes, and costs associated with the restructuring of the ASOS exec.

**Main Market transition costs**
ASOS' transition to the Main Market of the London Stock Exchange, which was completed on 22 February 2022.

**Impairment of Leavesden site assets**
A non-cash impairment charge relating to the right-of-use assets and associated fixtures and fittings at part of the ASOS' Leavesden office. This is required under IAS 36 'Impairment of Assets' as a result of the decision to vacate and sublet part of the building to 3rd parties.

**Employee and other liabilities relating to Topshop acquisition**
The release of a contingent liability relating to employee and other costs, which was originally recognised as part of the Topshop acquisition in February 2021.

**Amortisation of acquired intangible assets**
Amortisation of acquired intangible assets is adjusted for as the acquisition the amortisation relates to was outside business-as-usual operations for ASOS. These assets would not normally be recognised outside of a business combination, therefore the associated unwind is adjusted.