AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2017

AO on track as it delivers continued revenue growth and further strategic progress

AO World plc ("the Group" or "AO"), a leading European online electrical retailer, today announces its unaudited interim financial results for the six months ended 30 September 2017.

***Financial Highlights*[1]**

- Continued revenue growth with total revenue for the period increasing by 13.3% to £368.0m (2016: £324.7m) as both UK and Europe growth continued; UK growth continued to be resilient against a backdrop of a weaker macro-economic environment and strong comparables:
  - AO website sales[2] for the UK[3] up 9.9% to £282.5m (2016: £257.0m) with Q2 growth of 13.2%; Q1 up 6.2% against tough comparable Q1 2016 sales which benefitted from changes to stamp duty. Total UK revenue up 7.4% to £316.8m (2016: £295.1m).
  - Europe[4] revenue for the period increased by 60.5% to €58.1m (2016: €36.2m) (in GBP 2017: £51.2m; 2016: £29.6m) despite minimal traditional marketing activity.
- Group Adjusted EBITDA losses of £6.3m (2016: £1.5m profit).
  - UK Adjusted EBITDA[5] of £7.4m (2016: £13.1m) impacted mainly by increased marketing expenditure.
  - Europe Adjusted EBITDA losses of €15.6m (2016: €14.3m) as we continue to invest in European expansion and build scale (in GBP 2017: £13.7m loss; 2016: £11.6m loss - such losses further compounded by unfavourable FX rates).
- Group operating loss of £12.0m (2016: £2.8m loss) following increased UK brand expenditure and, in line with strategy, investment in Europe.
- As at 30 September 2017 Group cash was £72.3m (2016: £32.4m); net funds[6] £56.7m (2016; £21.3m).
- Basic loss per share of 1.90p (2016: 0.11p earnings), which includes foreign exchange gains from inter-group funding. Reversing such foreign exchange gains gives adjusted loss per share of 2.23p (2016: 0.92p loss). [7]

Strategic and Operational Highlights

- Transactional mobile app successfully launched across all territories.
- New categories rolled-out towards the end of the period with the addition of mobile phones, gaming consoles, smart home and cameras in the UK; small kitchen appliances in Germany and audio-visual in The Netherlands.
- Customer satisfaction remains exceptional in all territories. AO's Net Promoter Score[8], the key brand loyalty measure, remains at high levels of c. 80, reflecting continued high levels of customer satisfaction; as a result repeat purchase metrics performed well across all territories.
- Recycling facility fully operational in Telford processing all AO WEEE[9] in the UK and now working with third-party customers.

Steve Caunce, AO Chief Executive Officer, said:

"AO has made a good start to the year. We delivered further steady progress against our 4Cs strategy – growing revenues across all Countries, maintaining high Customer satisfaction levels and adding even more Categories to our offer, all underpinned by our unique Culture. We continued to improve and add to our customer journey, including the launch of our transactional app. We are broadly on track with our plans for the year as a whole - with the positive impact of improving sales growth through the first half of the year combined with the first half biased phasing of our marketing spend – in spite of the challenging UK market conditions.

Our European operations continue to perform in line with the plan we've previously set out notwithstanding the adverse impact of foreign exchange rates on our reported performance. The AO culture is firmly embedding in Germany and The Netherlands and our foundations for growth are fully established. We are also building a number of exciting new vertically integrated capabilities under the AO banner, including our state-of-the-art recycling facility in Telford. This is another great example of how we have applied the AO Way to an underinvested section of the market and it should make an exciting contribution to the business in the future.

As AO continues to become the destination for consumer electronics for more and more people, we will continue to evolve our brand strategy, underpinned by our commitment to make things easy for our customers because we simply care more. While we are mindful of macro-economic factors we remain confident that we are on track with our plans to be the best electrical retailer in Europe."

Outlook

The improved sales momentum we saw in the second quarter against the first has continued into the second half of the year as we head towards our peak sales period. Whilst we continue to anticipate uncertainty in the macro-economic environment, we remain focussed on delivering value for all our stakeholders. We have a robust business model with an unwavering commitment to making things easy for all our customers with our "care more" culture. We are now firmly-established in our new territories with huge growth potential in these markets.

Our outlook for the full year remains within the range of market expectations with Adjusted EBITDA towards the lower end, reflecting the continuing momentum in our UK business despite challenging market conditions and the adverse impact of foreign exchange rates on the translation of our European operations' reported performance.

Webcast details

A results presentation hosted by Steve Caunce and Mark Higgins for analysts and investors will be held today, 21 November 2017 at 9:00am (GMT) at the London Stock Exchange, 10 Paternoster Square, EC4M 7LS. Please register your attendance in advance with Tulchan Communications using the contact details below.

A webcast of the presentation will be available to watch live and later in the day at www.AO.com/corporate [10] where the results presentation slides can also be viewed or the presentation can be heard live by dialling in on +44 20 3713 5011 using access code 492-915-541.

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About AO

AO World plc, headquartered in Bolton, is an online electrical retailer. The business was founded in 2000 by John Roberts as Appliances Online, rebranding as AO.com in 2013 and listing on the London Stock Exchange in February 2014. AO's mission is to be the best electrical retailer in Europe, by making things easy for our customers because we care more.

AO's growth is down to its "AO Way" of retailing; offering a simply better customer experience with an innovative website, a huge range, unbeatable prices and market-leading customer service.

In the UK, through www.ao.com AO operates in multiple categories; Major Domestic Appliances "MDA" – its main and more mature category, Small Domestic Appliances "SDA", Audio Visual "AV" and computing, and more recently adding Gaming, Mobile, Smart Home and Photographic devices and equipment to its ranges. AO operates from one National Distribution Centre and twelve outbases in the UK, with the vast majority of deliveries being undertaken through Expert Logistics Limited (a group subsidiary).

In mainland Europe, AO operates in Germany and The Netherlands. AO launched www.ao.de in Germany in October 2014 with MDA and expanded its offering in February 2016 with the introduction of Floorcare, and in October 2016 with the introduction of AV. AO's international expansion strategy took a step further in February 2016 with the launch of MDA in The Netherlands and the recent introduction of AV to www.ao.nl. The business has a new 35,000 sq. metre Regional Distribution Centre in Bergheim which is now fully operational, serving Germany and The Netherlands.

In 2015, AO invested in a majority equity stake in The Recycling Group Limited (now renamed AO Recycling), its recycling partner, securing a WEEE processing facility for the Group and giving AO control in ensuring its waste is dealt with responsibly in the UK.

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[1]The highlights are for the 6 month period ended 30 September 2017 and the comparative 2016 period. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
[2]This includes AO.com and the UK AO-branded eBay shop.
[3]UK is defined by the Group as entities operating within the United Kingdom. (It excludes AO Deutschland Limited which is a company registered in England but operates in Germany and therefore is included in the Europe segment).
[4]Europe is defined by the Group as entities operating within the European Union but excluding the UK and also includes exploratory costs in other European territories.
[5]Adjusted EBITDA is defined by the Group as profit/ (loss) before tax, depreciation, amortisation, profit on disposal of fixed assets net finance income, "adjustments" and exceptional items. Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of £0.1m (2017: £0.4m) and (ii) share-based payment charges of £1.9m (2016: £1.3m) attributable to the exceptional LTIP awards which the Board considers one-off in nature.
[6]Net funds are defined by the Group as cash as per the consolidated statement of financial position less borrowings
[7]Please refer to the loss per share paragraph on page 12 of this announcement for further information.
[8]NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.
[9] WEEE means waste electrical and electronic equipment.
[10]The content of the AO.com website should not be considered to form a part of or be incorporated into this announcement.

Alternative performance measures

One of the Group's key performance indictors is Adjusted EBITDA and each segment is measured by the Chief Operating Decision Maker on this basis. The use of this measure is also evidenced by executive management bonus targets and Long Term Incentive Schemes being measured in relation to adjusted EBITDA, amongst other factors. As such, these measures are important and should be considered alongside the IFRS measures.

Adjusted EBITDA is calculated by adding back those items of income and expense defined at footnote 5 above which, because of the nature and expected infrequency of events giving rise to them, merit separate presentation to allow shareholders to better understand the financial performance of the Group in the period.

The adjustments are as follows:

- Long Term Incentive Plan ("LTIP") awards were made to a number of senior staff under the Employee Reward Plan (ERP) in July 2016. The Board considers that the magnitude and timing of these awards are one-off in nature and so add-back any charge in arriving at Adjusted EBITDA. AO Sharesave scheme charges and LTIP charges relating to the LTIP awards which are not considered to be one-off in nature are included in trading numbers.
- Europe set-up costs are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de and AO.nl and our continuing research into other further countries along with strategic post "go-live" costs.

Cautionary statement

This announcement contains certain forward-looking statements (including beliefs or opinions) with respect to the operations, performance and financial condition of the Group. These statements are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. By their nature, future events and circumstances can cause results and developments to differ materially from those anticipated. Except as is required by the Listing Rules, Disclosure Guidance and Transparency Rules and applicable laws, no undertaking is given to update the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast or an invitation to deal in the securities of the Company. This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to AO World plc and its subsidiary undertakings when viewed as a whole.

PERFORMANCE AT A GLANCE

Summary Results[1]

6 months ended (£m)	30 September 2017			30 September 2016 (restated)[2]			*Change*		
	UK	Europe[3]	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
AO website sales	282.5	51.1	333.6	257.0	29.6	286.6	*9.9%*	*72.5%*	*16.4%*
Third-party website sales	21.3	0.1	21.4	23.6	-	23.6	*(9.8%)*	*n/a*	*(9.4%)*
Other Sales	13.0	-	13.0	14.5	-	14.5	*(10.3%)*	*n/a*	*(10.3%)*
Revenue	316.8	51.2	368.0	295.1	29.6	324.7	*7.4%*	*72.9%*	*13.3%*
Adjusted EBITDA[4]	7.4	(13.7)	(6.3)	13.1	(11.6)	1.5	*(43.4%)*	*18.1%*	*n/a*
Adjusted EBITDA margin[5]	2.3%	(26.8%)	(1.7%)	4.4%	(39.3%)	0.4%	*-2.1ppts*	*+12.5ppts*	*-2.1ppts*
Adjusted operating profit/(loss)[6]	4.5	(14.5)	(10.0)	11.1	(12.2)	(1.1)	*(59.1%)*	*18.7%*	*803.4%*
Adjustments[7]									
Share-based payment charge attributable to exceptional LTIP awards[8]	(1.9)	-	(1.9)	(1.3)	-	(1.3)	*44.2%*	*n/a*	*44.2%*
Europe set-up costs[9]	(0.1)	-	(0.1)	(0.4)	-	(0.4)	*(62.5%)*	*n/a*	*(62.5%)*
Operating profit/(loss)	2.5	(14.5)	(12.0)	9.4	(12.2)	(2.8)	*(73.2%)*	*18.7%*	*327.2%*
(Loss)/earnings per share[10]									
Basic (loss)/earnings per share (pence)			(1.90)			0.11			*n/a*
Diluted (loss)/earnings per share (pence)			(1.90)			0.11			*n/a*
Cash flow									
Cash (absorbed)/generated from operating activities	(0.4)	(0.3)	(0.7)	3.6	(0.2)	3.4	*n/a*	*32.4%*	*n/a*
Cash generated/ (absorbed) from operating activities before intercompany funding[11]	16.9	(16.0)	0.9	15.7	(8.0)	7.7	*7.6%*	*100.5%*	*(88.9%)*
Period end net funds/(debt) position[12]	61.4	(4.7)	56.7	24.5	(3.2)	21.3	*150.6%*	*48.9%*	*165.9%*

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[1]The highlights are for the 6 month period ended 30 September 2017 and the comparative 2016 period. Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
[2]In the annual financial statements for the year ended 31 March 2017, revenue from recycling was included in Other sales. In the published interim statement for the 6 months to September 2016, this revenue was included in in AO website sales. As the most appropriate treatment is that adopted in the full year accounts, the comparative has been restated. This has had an impact of moving £2.4m out of AO website sales and moving £0.7m to third party website sales and £1.7m to Other sales.
[3]Europe is defined by the Group as entities operating within the European Union but excluding the UK and also includes exploratory costs in other European territories.
[4]Adjusted EBITDA is defined by the Group as profit/(loss) before tax, depreciation, amortisation, profit on disposal of fixed assets, net finance income, "adjustments" and exceptional items.
[5]Adjusted EBITDA margin is defined by the Group as Adjusted EBITDA divided by revenue.
[6]Adjusted operating profit/(loss) is defined by the Group as profit/(loss) before tax, net finance income, "adjustments" and exceptional items but after depreciation, amortisation and profit on disposal of fixed assets.
[7]Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of £0.1m (2017: £0.4m) and (ii) share-based payment charges of £1.9m (2016: £1.3m) attributable to exceptional LTIP awards which the Board considers one-off in nature.
[8]Share based payment charges attributable to exceptional LTIP awards which the Board consider one-off in nature.
[9]Relates to Europe set-up costs incurred by Group entities in the UK and Europe.
[10]Please refer to the loss per share paragraph on page 12 of this announcement for further information.
[11]This eliminates the intercompany funding provided by the UK to Europe.
[12]Net funds/ (debt) are defined as cash as per the consolidated statement of financial position less borrowings.

CEO REVIEW

Overview

Despite a challenging UK market and economic uncertainty AO has delivered further top line growth over the first half of the year (with accelerated UK sales growth in the second quarter), continued to invest in Europe and made further operational and strategic progress.

Results and market backdrop

As previously reported, the UK trading environment in our first quarter ("Q1") was particularly challenging. The core UK MDA market saw overall lower volumes year-on-year as a result of a fall in consumer confidence associated with the Brexit process. AO also faced tough prior year comparables, driven in part by changes to stamp duty on housing transactions at the end of March 2016. Despite this backdrop, the business performed well. We increased UK AO website sales in our first quarter by 6.2%. In our second quarter ("Q2") we improved our sales growth rates and are pleased to report sales growth levels of 13.2%, giving a 9.9% increase year on year for AO website sales for the first half as a whole.

The losses reported for the first half of the year are largely a reflection of a concentration and increase in our UK marketing expenditure within Q1. We do not expect to continue with this level of expenditure over the remainder of the year.

All economic indicators point to no respite in the challenging market conditions in the short term and there are widespread reports of a poor outlook in housing transactions. However, historically, AO has fared well in more challenging trading conditions as we offer excellent value for money and are insulated to some extent by the proportion of MDA volume which is driven by replacement "distressed" purchases (our core market). This, together with our customer proposition strengths around price, range, innovative online content, first class delivery and exceptional customer service, sees us well-positioned to continue to deliver in challenging economic times.

Europe continues to perform to plan with good revenue growth and Adjusted EBITDA losses increasing, as expected, as we continue to build scale. As we prepare our plans for the next financial year and beyond, we expect to see these losses start to reduce and we remain confident of achieving a profitable run rate during the financial year ending 2021 as we set out at our capital markets day earlier in the year. Until then we will continue broadly to re-invest our UK profits in our businesses in other territories as we execute our strategy to be the best electrical retailer in Europe.

Strategic Progress

- ***Brand & Culture***

Building our brand awareness remains a significant challenge but our greatest opportunity; once customers experience the AO Way they tend to come back to us time and time again. Back in June 2017 we outlined our intention to make AO a household name through highlighting our difference and effectively communicating the virtues of shopping with AO to new customers. Whilst we are making good progress, we have much to do.

The levels of spontaneous and prompted brand awareness in the UK continued to improve marginally during the six months to 30 September 2017. The rebranding of our delivery fleet to green AO liveried vans continues with our target to achieve c80% of our 2 man deliveries to AO customers to be on green vans by the end of our current financial year on track. New TV adverts, which aired over the summer, have resonated well and focussed on highlighting the ease with which customers can shop.

We are an innovative company operating in a rapidly developing market. As such we are always testing new ways of connecting with our customers and driving our brand to attract new consumers. The sponsorship of ITV's Britain's Got Talent was undertaken in that light and was designed to build brand awareness rather to directly drive sales. While the initiative generated incremental traffic to our site over the period, it fell short of our expectations. Against that backdrop we will continue to evolve our brand strategy to optimise communication channels and further build awareness among existing and target customers.

Our growth in Europe has yet again been delivered with very little investment in traditional marketing and we are pleased with the awareness generated by customer recommendations. Launching our proposition through market places with Amazon in Germany and through Blokker in The Netherlands is giving our brand more visibility and the opportunity to reach new customers.

Our culture in Europe has never been stronger and, following an internal reorganisation, the team is well structured to deliver the next stage of growth.

- ***Customers***

We have made many improvements to our customer proposition over the reporting period which reflect our values, our "care-more" culture and our focus on putting the customer first. Those customers that use us again and again do so because we make the experience a great one, from the website, to the products, to the people – we just make it an easy choice to pick AO.

Every week thousands of new customers are discovering who we are and what it means to shop with us, and we continue to evolve the customer journey, adding more features and providing easier ways to shop and get the most from our products and services.

Key developments in the UK include launching our transactional app, which went live in the UK in June, the opening of a new outbase in Bridgend which will help improve delivery availability and services to our south-west customers (our outbase infrastructure has increased from 4 in 2012 to 14 in 2017) and our premium installation fleet has increased, improving lead times for customers and doubling the uptake for the service. In Europe, we have also launched the transactional app, rolled out the "help me choose" function we have in the UK, and we now sell warranties in The Netherlands, providing customers with new for old for life protection for their products.

In all our territories, repeat purchase rates remain pleasing and net promoter scores and review sites (Trustpilot in the UK and The Netherlands and Trusted Shops in Germany) rank us far above our competitors.

Our UK recycling facility became fully operational during the first half of the year, building upon our vertically integrated infrastructure and helping our environmental credentials as we move towards a circular economy.

- ***Categories***

We have made lots of exciting progress in this area over the last six months as we have bolted on new complementary categories to our offering and expanded ranges within existing categories.

In the UK, we have added a second drop ship vendor to our infrastructure, which has helped us to increase our computing range and allowed us to bolt-on new categories to ao.com. We now retail Gaming, Mobile and Smart Home devices and in recent weeks have launched into Photography, adding key brand names such as xBox, Playstation, Hive, Nest and Go Pro to our brand portfolio. In our core major domestic appliances ("MDA") market we believe we have at least maintained share, reflecting our approach to foreign exchange driven price increases by manufacturers, where we sought to protect our gross margins whilst still offering great value to our customers. Whilst competition in the Audio-Visual ("AV") and computing markets has been fierce, market share has been gained, and our small domestic appliances ("SDA") category is performing very well.

In Germany the SDA category now has a broader complement of products with the addition of food preparation appliances and in The Netherlands customers are now able to shop for AV products the AO Way. Work is continuing with a German distributor as we look to broaden our categories in our new territories much as we have in the UK.

These developments give us more addressable markets, more opportunities to cross-sell and more reasons for the customer to come back to us quicker than before, helping to reinforce our brand credentials and build trust and loyalty.

All in all, another busy six months for AOers and, as we enter our peak trading period and the second half of our financial year, we have good momentum in all our territories.

FINANCIAL REVIEW

Revenue

For the 6 months ended 30 September 2017 total Group revenue increased by 13.3% to £368.0m (2016: £324.7m).

6 months ended	**30 September 2017**			**30 September 2016 (restated)**			***Change***		
(£m)[1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
AO website sales	282.5	51.1	333.6	257.0	29.6	286.6	*9.9%*	*72.5%*	*16.4%*
Third-party website sales and trade sales	21.3	0.1	21.4	23.6	-	23.6	*(9.8%)*	*n/a*	*(9.4%)*
Other sales	13.0	-	13.0	14.5	-	14.5	*(10 3%)*	*n/a*	*(10.3%)*
Revenue	**316.8**	**51.2**	**368.0**	**295.1**	**29.6**	**324.7**	***7.4%***	***72.9%***	***13.3%***

[1] Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

In the UK, revenue growth was mainly attributable to “AO” branded sales, driven by repeat purchases (in turn driven by excellent customer service), increased brand awareness, TV advertising and sales from new categories.

As anticipated, revenue from Third-party websites has reduced on a like for like basis, continuing the previous trend, as we focus on growing “own brand” revenue.

We have seen a reduction in Other sales, as expected, since the prior period included revenue from a short-term logistics contract which expired, with the reduction being partially offset by increasing revenue from our recycling facility which is included in this revenue stream for this year.

Sales from our German website, AO.de, and our Netherlands website, AO.nl, were £51.1m (2016: £29.6m) driven by customer recommendations and repeat purchases, with little above the line investment.

Across the Group AO branded website sales now account for 90.7% of total Group revenue (2016: 88.3%).

“AO website sales” and, for the UK, “Third-party website sales” includes revenue earned from the sale of physical products and also ancillary services such as delivery, the installation of products, unpack, inspect, together with commission earned from the promotion of Domestic and General’s product protection plans and, in the UK, customer finance. Revenue from such ancillary service sales in the period achieved growth consistent with product sales representing 7.2% of total sales at £25.5m (2016: 7.3% £22.7m).

Gross margin

6 months ended (£m) [1]	30 September 2017 UK	Europe	Total	30 September 2016 UK	Europe	Total	*Change* *UK*	*Europe*	*Total*
Gross profit/(loss)	70.5	(2.2)	68.3	66.5	(1.7)	64.8	*6.0%*	*27.5%*	*5.4%*
Gross margin	**22.2%**	**(4.2%)**	**18.6%**	**22.5%**	**(5.6%)**	**20.0%**	***-0.3ppts***	***+1.4ppts***	***-1.4ppts***

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Gross profit for the Group grew by 5.4% to £68.3m (2016: £64.8m) with gross margin decreasing by 1.4ppts to 18.6% for the reporting period (2016: 20.0%).

In the UK gross margin decreased slightly to 22.2% (2016: 22.5%) due to supplier price increases following Brexit and tougher trading conditions as a result of uncertain conditions in the UK economy leading to increased competition in the market.

In Europe the gross loss of £2.2m (and a margin of -4.2%) reflects the early growth phase of the operation with relatively low product margins and high costs to deliver due to low drop densities (2016: £1.7m loss). We have seen an improvement in gross margin during the period mainly due to improved supplier product margins and delivery efficiencies.

Selling, General & Administrative Expenses ("SG&A")

6 months ended (£m) [1]	30 September 2017 UK	Europe	Total	30 September 2016 UK	Europe	Total	*Change %* *UK*	*Europe*	*Total*
Advertising and marketing	17.4	2.4	19.8	11.3	2.5	13.8	*53.7%*	*(4.5%)*	*43.2%*
% of revenue	*5.5%*	*4.7%*	*5.4%*	*3.8%*	*8.6%*	*4.3%*	*+1.7ppts*	*-3.9ppts*	*+1.1ppts*
Warehousing	15.1	2.1	17.2	13.3	1.9	15.2	*13.8%*	*8.3%*	*13.3%*
% of revenue	*4.8%*	*4.1%*	*4.7%*	*4.5%*	*6.5%*	*4.7%*	*+0.3ppts*	*-2.4ppts*	*-*
Other admin	34.1	8.0	42.1	31.3	6.0	37.3	*8.8%*	*34.2%*	*12.9%*
% of revenue	*10.8%*	*15.7%*	*11.4%*	*10.6%*	*20.3%*	*11.5%*	*+0.2ppts*	*-4.6ppts*	*-0.1ppts*
Adjustments[2]	2.0	-	2.0	1.7	-	1.7	*19.1%*	*n/a*	*19.1%*
% of revenue	*0.6%*	-	*0.6%*	*0.6%*	-	*0.5%*	*n/a*	*n/a*	*+0.1ppts*
Administrative expenses	**68.6**	**12.5**	**81.1**	**57.6**	**10.4**	**68.0**	***19.1%***	***19.6%***	***19.3%***
% of revenue	21.7%	24.5%	22.0%	19.5%	35.4%	21.0%	*+2.2ppts*	*-10.9ppts*	*+1.0ppts*

[1] Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

[2]Adjustments is defined by the Group as (i) set-up costs relating to overseas expansion namely strategic post go-live costs incurred in connection with our European expansion strategy of £0.1m (2017: £0.4m) and (ii) share-based payment charges of £1.9m (2016: £1.3m) attributable to the exceptional LTIP awards which the Board considers one-off in nature.

Total SG&A costs across the Group as a percentage of revenue was slightly up year on year increasing from 21.0% to 22.0%.

In the UK, the advertising and marketing cost to revenue ratio increased by 1.7ppts year on year reflecting our increased marketing expenditure on the Britain's Got Talent sponsorship. The warehousing cost to revenue ratio increased as the new recycling plant in Telford became fully operational and the effect of new outbases in Slough and Dundee. Other Admin costs have broadly stayed in line with the prior year as a percentage of revenue as we continue to strengthen our teams to build for future success.

In Europe our SG&A cost ratio, as a percentage of revenue, continues to improve as we increase volume. For the period these costs represented 24.5% of revenue (2016: 35.4%). Advertising and marketing costs have broadly stayed in line with the prior period as we continue with limited traditional marketing expenditure and rely on customer recommendations and digital marketing to drive traffic. Warehousing costs have increased slightly due to the increased volumes going through our regional distribution centre in Bergheim. Other admin costs have increased in line with expectations as growth continues across our European territories.

Operating loss and Adjusted EBITDA

Our operating loss for the period was £12.0m, with losses increasing from £2.8m in the prior period.

However, when reviewing profitability, the Board of Directors use an adjusted measure of EBITDA in order to give a meaningful year on year comparison and it is a performance criteria for the purposes of both the Executive management's annual bonus and recent LTIP awards. Whilst we recognise that the measure is an alternative (non Generally Accepted Account Practice ("non-GAAP") performance measure which is also not defined within IFRS, this measure is important and should be considered alongside the IFRS measures.

Group Adjusted EBITDA losses were £6.3m (2016: £1.5m profit) after allowing for £13.7m of Europe Adjusted EBITDA losses (2016: £11.6m loss). On a constant currency basis Europe Adjusted EBITDA losses were €15.6m (2016: €14.3m).

UK Adjusted EBITDA for the 6 months to 30 September 2017 was £7.4m (2016: £13.1m) representing a decrease of 43.4% against the prior year. This decrease is primarily due to the increased marketing expenditure in the period.

6 months ended [1]	30 September 2017			30 September 2016			*Change*		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Operating profit/(loss)	**2.5**	**(14.5)**	**(12.0)**	**9.4**	**(12.2)**	**(2.8)**	***(73.2%)***	***18.7%***	***327.2%***
Add adjustments:									
Share-based payment charge attributable to exceptional LTIP award[2]	1.9	-	1.9	1.3	-	1.3	*44.2%*	*n/a*	*44.2%*
Europe set-up costs[3]	0.1	-	0.1	0.4	-	0.4	*(62.5%)*	*n/a*	*(62.5%)*
Adjusted operating profit/(loss)	**4.5**	**(14.5)**	**(10.0)**	**11.1**	**(12.2)**	**(1.1)**	***(59.1%)***	***18.7%***	***803.4%***
Add: Depreciation and amortisation	2.9	0.7	3.6	2.1	0.6	2.7	*36.4%*	*30.3%*	*35.0%*
Less: Profit on disposal	-	-	-	(0.1)	-	(0.1)	*n/a*	-	*n/a*
Adjusted EBITDA	**7.4**	**(13.7)**	**(6.3)**	**13.1**	**(11.6)**	**1.5**	***(43.4%)***	***18.1%***	***n/a***
Adjusted EBITDA as % of revenue	2.3%	(26.8%)	(1.7%)	4.4%	(39.3%)	0.4%	*-2.1ppts*	*+12.5ppts*	*-2.1ppts*

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.
[2]Certain LTIP awards of a significant magnitude were made to a number of senior staff under the 2014 Performance Share Plan at the time of the IPO and also under the 2016 Employee Reward Plan in July 2016. The Board considers that the magnitude and timing of these awards are one-off in nature and so add -back any charge
[3]Europe set-up costs are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de and AO.nl and our continuing research into other further countries.

Taxation

The tax charge is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The Group's tax credit for the period is £0.9m (2016: £2.1m charge) as a result of the expected effective tax rate for the year of 8.96% (2016: 80.2%). The effective tax rate of 8.96% is lower than the UK corporation tax rate for the period of 19%; this is due to the utilisation of unrecognised brought forward losses within AO Recycling Limited, share based payment charges, non-qualifying depreciation and a non-taxable foreign exchange gain arising on intercompany balances. The Group continues not to recognise a deferred tax asset on the cumulative losses carried forward of £3.8m (2016: £2.3m).

Retained loss and (loss)/earnings per share

Retained loss for the period was £8.7m (2016: £0.2m profit).

Basic loss per share was 1.90p (2016: 0.11p earnings) and diluted earnings per share was 1.90p (2016: 0.11p earnings).

Basic (loss)/earnings per share is reconciled to adjusted basic loss per share (after excluding the impact of FX differences) of 2.23p loss (2016: 0.92p loss) as follows.

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016
(Loss)/earnings		
(Loss)/earnings attributable to owners of the parent company	(8.7)	0.4
Foreign exchange gains on intra-group loans	(1.5)	(4.3)
Adjusted earnings attributable to owners of the parent company	(10.2)	(3.9)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	458,788,480	421,052,631
(Loss)/earnings per share (in pence)		
Basic (loss)/earnings per share	(1.90)	0.11
Adjusted basic loss per share	(2.23)	(0.92)

The foreign exchange gain has arisen as a result of the significant movement in the exchange rate between Sterling and the Euro in the period and prior period. This has impacted the value of intra-group loans held in GBP in the European entities giving rise to the £1.5m (2016: £4.3m) gain referenced above.

Cash resources and cash flow

At 30 September 2017, the Group's net funds position was £56.7m (2016: £21.3m), as cash increased to £72.3m (2016: £32.4m) principally reflecting the cash received from the share placing offset by the trading losses incurred in Europe over the period, while total borrowings (comprising asset finance and equivalent) increased to £15.6m from £11.1m in 2016. Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

As previously reported, the Group has put in place a revolving credit facility ("RCF") of £30m with Lloyds Bank plc and Barclays Bank plc in order to fund UK working capital movements in future. Since the end of the reporting period the Group has extended its Revolving Credit Facility to £60m with Lloyds Bank plc and Barclays Bank plc, adding HSBC Bank plc as an additional lender. The RCF is for UK general corporate purposes.

At 30 September 2017 the amount available against the £30m facility was £28.6m (2016: £29.5m)

Working Capital

6 months ended [1]	30 September 2017			30 September 2016		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	42.7	13.2	55.9	35.0	6.9	41.9
As % of Cost of Goods Sold	*17.3%*	*24.9%*	*18.7%*	*15.3%*	*22.0%*	*16.1%*
Trade and other receivables	86.0	8.1	94.1	68.9	3.5	72.4
As a % of revenue	*27.2%*	*15.8%*	*25.6%*	*23.4%*	*11.6%*	*22.3%*
Trade and other payables	(152.0)	(15.8)	(167.8)	(116.3)	(8.2)	(124.5)
As a % of Cost of Goods Sold	*61.7%*	*29.7%*	*56.0%*	*50.9%*	*26.1%*	*47.9%*
Net working capital	**(23.3)**	**5.5**	**(17.8)**	**(12.4)**	**2.2**	**(10.2)**
Change in net working capital	(10.9)	3.3	(7.6)	(3.6)	2.1	(1.5)

[1]Certain financial data have been rounded. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

At 30 September 2017, the Group had net current assets of £5.1m (30 September 2016: net current liabilities of £16.3m) principally as a result of (i) extended credit terms /working capital management with the Group's suppliers and (ii) an increase in cash from the share placing during the period. As at 30 September 2017 UK inventories were £42.7m (2016: £35.0m) reflecting an increase in sales volumes and an increase in our stock-holding as we build up to peak trading in the last quarter of the calendar year. As a result, UK average stock days increased to 35 days (2016: 30 days).

UK trade and other receivables (both non-current and current) were £86.0m as at 30 September 2017 (2016: £68.9m) mainly reflecting an increase in accrued income in respect of commissions due on product protection plans as a result of the higher retail volumes. UK trade and other payables increased to £152.0m (2016: £116.3m) reflecting increased trade and manufacturers continuing to extend credit on the higher volume of sales.

Capital Expenditure

Total capital expenditure for the six month period was £2.2m (2016: £6.7m), attributable to further additions to our infrastructure both in the UK and in Europe.

Steve Caunce
CEO

Mark Higgins
CFO

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2017

	Note	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Revenue	2	**368.0**	**324.7**	**701.2**
Cost of sales		(299.7)	(259.9)	(572.0)
Gross profit		**68.3**	**64.8**	**129.2**
Administrative expenses		(81.1)	(68.0)	(142.4)
Other operating income		0.8	0.4	1.2
Operating loss		**(12.0)**	**(2.8)**	**(12.0)**
Finance income	4	2.9	5.7	6.8
Finance costs	5	(0.5)	(0.6)	(1.8)
(Loss)/profit before tax		**(9.6)**	**2.3**	**(7.0)**
Taxation credit/(charge)		0.9	(2.1)	(0.4)
(Loss)/profit for the period		**(8.7)**	**0.2**	**(7.4)**
(Loss)/profit for the period attributable to:				
Owners of the parent company		(8.7)	0.4	(6.6)
Non-controlling interest		-	(0.2)	(0.8)
		(8.7)	**0.2**	**(7.4)**
(Loss)/earnings per share (pence)				
Basic (loss)/earnings per share	8	(1.90)	0.11	(1.56)
Diluted (loss)/earnings per share	8	(1.90)	0.11	(1.55)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2017

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
(Loss)/profit for the period	(8.7)	0.2	(7.4)
Items that may be subsequently recycled to Income Statement			
Exchange differences on translation of foreign operations	(1.4)	(3.5)	(3.5)
Total comprehensive loss for the period	**(10.1)**	**(3.3)**	**(10.9)**
Loss for the period attributable to:			
Owners of the parent company	(10.1)	(3.1)	(10.1)
Non-controlling interest	-	(0.2)	(0.8)
Total comprehensive loss for the period	**(10.1)**	**(3.3)**	**(10.9)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Note	At 30 September 2017 £m	At 30 September 2016 £m	At 31 March 2017 £m
Non-current assets				
Goodwill		13.5	13.5	13.5
Other intangible assets		1.4	2.0	1.8
Property, plant and equipment		28.6	23.0	29.3
Trade and other receivables	6	45.2	33.5	39.8
Derivative financial asset		1.3	0.8	1.3
Deferred tax asset		2.5	1.8	1.8
		92.5	**74.6**	**87.5**
Current assets				
Inventories		55.9	41.9	44.8
Trade and other receivables	6	48.9	38.8	41.1
Corporation tax receivable		-	-	0.2
Cash and cash equivalents	9	72.3	32.4	29.4
		177.1	**113.1**	**115.5**
Total assets		**269.6**	**187.7**	**203.0**
Current liabilities				
Trade and other payables	7	(167.8)	(124.5)	(140.2)
Corporation tax payable		-	(2.1)	-
Borrowings	9	(4.0)	(2.8)	(3.7)
Provisions		(0.2)	-	(0.1)
		(172.0)	**(129.4)**	**(144.0)**
Net current assets/(liabilities)		**5.1**	**(16.3)**	**(28.5)**
Non-current liabilities				
Borrowings	9	(11.6)	(8.3)	(13.7)
Derivative financial liability		(3.6)	(2.7)	(3.4)
Provisions		(1.5)	(1.5)	(1.4)
Total liabilities		**(188.7)**	**(141.9)**	**(162.5)**
Net assets		**80.9**	**45.8**	**40.5**
Equity attributable to owners of the parent				
Share capital	10	1.2	1.1	1.1
Share premium account		103.7	55.7	55.7
Other reserves		2.0	2.0	1.0
Retained losses		(24.3)	(11.9)	(15.6)
Total		**82.6**	**46.9**	**42.2**
Non-controlling interest		**(1.7)**	**(1.1)**	**(1.7)**
Total equity		**80.9**	**45.8**	**40.5**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
At 30 September 2017

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2017	1.1	55.7	4.4	0.5	3.8	(5.6)	(2.1)	(15.6)	**42.2**	(1.7)	**40.5**
Loss for the period	-	-	-	-	-	-	-	(8.7)	**(8.7)**	-	**(8.7)**
Issue of share capital (net of expenses)	0.1	48.0	-	-	-	-	-	-	**48.1**	-	**48.1**
Foreign currency gains arising on consolidation	-	-	-	-	-	(1.5)	-	-	**(1.5)**	-	**(1.5)**
Share-based payments charge net of tax	-	-	-	-	2.5	-	-	-	**2.5**	-	**2.5**
Balance at 30 September 2017	**1.2**	**103.7**	**4.4**	**0.5**	**6.3**	**(7.1)**	**(2.1)**	**(24.3)**	**82.6**	(1.7)	**80.9**

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2016	1.1	55.7	4.4	0.5	3.1	(2.1)	(2.1)	(12.3)	**48.3**	(0.9)	**47.4**
Profit/(loss) for the period	-	-	-	-	-	-	-	0.4	**0.4**	(0.2)	**0.2**
Foreign currency gains arising on consolidation	-	-	-	-	-	(3.5)	-	-	**(3.5)**	-	**(3.5)**
Share-based payments charge net of tax	-	-	-	-	1.7	-	-	-	**1.7**	-	**1.7**
Balance at 30 September 2016	**1.1**	**55.7**	**4.4**	**0.5**	**4.8**	**(5.6)**	**(2.1)**	**(11.9)**	**46.9**	(1.1)	**45.8**

			Other reserves								
	Share capital	Share premium account	Merger reserve	Capital redemption reserve	Share-based payment reserve	Translation reserve	Other reserve	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
Balance at 1 April 2016	**1.1**	**55.7**	**4.4**	**0.5**	**3.1**	**(2.1)**	**(2.1)**	**(12.3)**	**48.3**	(0.9)	**47.4**
Loss for the year	-	-	-	-	-	-	-	(6.6)	**(6.6)**	(0.8)	**(7.4)**
Share-based payments charge net of tax	-	-	-	-	4.0	-	-	-	**4.0**	-	**4.0**
Foreign currency gains arising on consolidation	-	-	-	-	-	(3.5)	-	-	**(3.5)**	-	**(3.5)**
Movement between reserves	-	-	-	-	(3.3)	-	-	3.3	**-**	-	**-**
Balance at 31 March 2017	**1.1**	**55.7**	**4.4**	**0.5**	**3.8**	**(5.6)**	**(2.1)**	**(15.6)**	**42.2**	**(1.7)**	**40.5**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the 6 months ended 30 September 2017

	6 months ended 30 September 2017 £m	6 months ended 30 September 2016 £m	Year ended 31 March 2017 £m
Cash flows from operating activities			
(Loss)/profit for the period	(8.7)	0.2	(7.4)
Adjustments for:			
Depreciation and amortisation	3.6	2.7	6.0
Finance income	(2.9)	(5.7)	(6.8)
Finance costs	0.5	0.6	1.8
Profit on disposal of property, plant and equipment	-	(0.1)	(0.3)
Taxation (credit)/ charge	(0.9)	2.1	0.4
Share-based payment charge	2.5	1.7	4.0
Increase in provisions	0.1	0.8	0.7
Net operating cash flows before movement in working capital	**(5.8)**	**2.3**	**(1.6)**
Increase in inventories	(11.0)	(7.4)	(10.3)
Increase in trade and other receivables	(12.9)	(7.5)	(13.3)
Increase in trade and other payables	28.7	15.3	28.9
Net movement in working capital	**4.8**	**0.4**	**5.3**
Taxation repayments/(paid)	0.3	0.7	(0.2)
Net cash (used in)/ from operating activities	**(0.7)**	**3.4**	**3.5**
Cash flows from investing activities			
Interest received	-	0.1	0.2
Proceeds from sale of property, plant and equipment	-	-	0.9
Acquisition of property, plant and equipment	(2.0)	(6.6)	(5.7)
Acquisition of intangible assets	(0.1)	(0.1)	(0.3)
Net cash used in investing activities	**(2.1)**	**(6.6)**	**(4.9)**
Cash flows from financing activities			
Interest paid	(0.5)	(0.6)	(1.1)
New borrowings	-	4.2	2.1
Repayment of borrowings	(0.4)	(0.1)	(0.4)
Repayment of finance lease liabilities	(1.6)	(1.4)	(3.4)
Proceeds from share issue	50.0	-	-
Costs relating to share issue	(1.9)	-	-
Net cash from / (used in) financing activities	**45.6**	**2.1**	**(2.8)**
Net increase/ (decrease) in cash	**42.8**	**(1.1)**	**(4.2)**
Cash and cash equivalents at beginning of period	**29.4**	**33.4**	**33.4**
Exchange gains on cash & cash equivalents	0.1	0.1	0.2
Cash and cash equivalents at end of period	**72.3**	**32.4**	**29.4**

NOTES TO THE FINANCIAL INFORMATION0

1. Basis of preparation

The interim financial information was approved by the Board on 20 November 2017. The financial information for the 6 months ended 30 September 2017 has been reviewed by the Group's external auditor. Their report is included within this announcement. The financial information for the year ended 31 March 2017 is based on information in the audited financial statements for that period which are available online at http://ao.com/corporate/investor-centre.

The comparative figures for the year ended 31 March 2017 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2017 has been delivered to the Registrar of Companies. The auditors have reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

Basis of preparation and accounting policies

The annual financial statements of AO World plc are prepared in accordance with IFRSs as adopted by the European Union. The unaudited condensed consolidated set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the European Union. The same accounting policies, presentation and methods of computation are followed in the condensed set of interim financial information as applied in the Group's latest annual audited financial statements.

Standards issued but not yet effective

As of the date of authorisation of these condensed consolidated interim financial statements, the following standards were in issue but not yet effective:

- IFRS 9 'Financial Instruments' was endorsed for adoption by the EU in November 2016 and is effective for accounting periods beginning on or after 1 January 2018. We intend to quantify the impact of the changes (if any) no later than in the Annual Report and Financial Statements for the year ended 31 March 2018.

- IFRS 15 'Revenues from Contracts with Customers' is effective for periods beginning on or after 1 January 2018. The Group is finalising its assessment of the impact of IFRS 15, and expects to quantify the impact of any changes (if any) in the Annual Report and Financial Statements for the year ended 31 March 2018.

- IFRS 16 'Leases' is effective for periods beginning on or after 1 January 2019 subject to EU endorsement. IFRS 16 is expected to have a significant impact on reported assets, liabilities and income statement of the Group, as well as the classification of cash flows relating to lease contracts. The Group continues to collect the required lease information and progress work on systems and policies to support transitioning to IFRS 16. It is not practicable to provide a reasonable estimate of the effect of IFRS 16 until this detailed review is sufficiently progressed.

Going concern

The Directors have, at the time of approving the interim financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period not less than 12 months. This takes into consideration the available cash resources (including the proceeds from the share placing), the forecasted cash flow of the Group and the availability of a £60m Revolving Credit Facility. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial information.

Significant accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared by the Group by applying the same accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements as at 31 March 2017.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant and are reviewed on an on-going basis. Actual results could differ from these estimates and any subsequent changes are accounted for with an effect on income at the time such updated information becomes available.

The most critical accounting policies in determining the financial condition and results of the Group are those requiring the greatest degree of subjective or complex judgements. These relate to the revenue recognition and recoverability of product protection plans and commercial income as set out below.

Revenue recognition & recoverability of income from product protection plans

Revenue recognised in respect of commissions receivable over the lifetime of the plan for the sale of product protection plans is recognised at fair value, when the Group obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a third-party). Revenue in any one year therefore represents the fair value of the commission due on the plans sold, which management estimates reliably based upon a number of assumptions including the length of the plans, the commission rates payable and the historical rate of customer attrition. Reliance on historical data assumes that current and future experience will follow past trends. The Directors consider that the quantity and quality of data available provides an appropriate basis for making these estimates. Commission receivable depends for certain transactions on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase or decrease to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. The commission receivable balance at 30 September 2017 was £57.8m (2016: £44.1m). The discount rate used to unwind the commission receivable is 4.3% (2016: 4.3%).

Commercial income

Commercial income comes from two major sources: volume rebates and strategic marketing investment funding.

Volume rebates are deducted from cost of sales in line with the sale of the product to which the rebate is attributable. Calculation of the volume rebate for the final month of the financial year includes judgements for expected rebate values. Volume rebates receivable at 30 September 2017 are £16.9m (2016: £10.3m). At 31 October 2017 the balance outstanding was £6.8m (2016: £4.7m).

Strategic marketing investment funding is recognised in revenue and cost of sales. Where incremental third-party costs are incurred as a result of marketing support, revenue is offset against these costs. The remainder of the strategic marketing fund is recognised in revenue as it represents part of the ordinary activities of the business.

Calculation of the revenue recognised requires judgements to be made which include forecasting expected total marketing funding and third-party expected marketing spend. At 30 September 2017 £1.2m remains as an outstanding receivable (2016: £0.8m). As at 30 September 2017 the Directors do not believe that there is a material risk regarding the judgements made for the purposes of calculating both volume rebates and the strategic marketing fund. At 31 October 2017 the outstanding balance was £0.1m (2016: £nil).

2. Revenue

An analysis of the Group's revenue is as follows:

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016 (restated)*	Year ended 31 March 2017
AO website sales	333.6	286.6	629.4
Third-party website sales and trade sales	21.4	23.6	46.0
Other sales	13.0	14.5	25.8
	368.0	324.7	701.2

*In the annual financial statements for the year ended 31 March 2017, revenue from the Group's recycling was included in both Other sales and Third-party website sales and trade sales. In the published interim statement for the 6 months to September 2016, this revenue was included in AO website sales. As the most appropriate treatment is that adopted in the full year accounts, the comparative has been restated. This has had an impact of moving £2.4m from AO website sales to Other sales (£1.7m) and Third-party website and trade sales (£0.7m).

Revenue split between sale of goods and services:

(£m)	6 months ended 30 September 2017			6 months ended 30 September 2016 (restated)			Year ended 31 March 2017		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Product sales	278.9	50.5	329.4	259.5	27.6	287.1	552.4	67.8	620.2
Service sales	37.9	0.7	38.6	35.6	2.0	37.6	77.2	3.8	81.0
	316.8	51.2	368.0	295.1	29.6	324.7	629.6	71.6	701.2

Product sales relate to the sale of electrical products through our own website and for third-parties. Service sales relate to ancillary services including delivery, connection and disconnections, product protection plan commission, recycling services, strategic marketing income and third-party logistics.

3. Segmental analysis

The Group has two reportable segments, online retailing of domestic appliances to customers in the UK and online retailing of domestic appliances to customers in Europe (excluding the UK).

Operating segments are determined by the internal reporting regularly provided to the Group's Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and they have determined that the primary segmental reporting format of the Group is geographical by customer location, based on the Group's management and internal reporting structure.

Transactions between segments are undertaken on an arms-length basis using appropriate transfer pricing policies.

The following is an analysis of the Group's revenue and results by reportable segments.

(£m)	6 months ended 30 September 2017			6 months ended 30 September 2016 (restated)			Year ended 31 March 2017		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	282.5	51.1	333.6	257.0	29.6	286.6	557.9	71.5	629.4
Third-party website sales	21.3	0.1	21.4	23.6	-	23.6	46.0	-	46.0
Other sales	13.0	-	13.0	14.5	-	14.5	25.8	-	25.8
Total revenue	**316.8**	**51.2**	**368.0**	**295.1**	**29.6**	**324.7**	**629.7**	**71.5**	**701.2**
Cost of sales	(246.3)	(53.4)	(299.7)	(228.6)	(31.3)	(259.9)	(496.5)	(75.5)	(572.0)
Gross profit/(loss)	**70.5**	**(2.2)**	**68.3**	**66.5**	**(1.7)**	**64.8**	**133.2**	**(4.0)**	**129.2**
Administrative expenses	(68.6)	(12.5)	(81.1)	(57.6)	(10.4)	(68.0)	(118.6)	(23.8)	(142.4)
Other operating income	0.6	0.2	0.8	0.4	-	0.4	1.1	0.1	1.2
Operating profit/(loss)	**2.5**	**(14.5)**	**(12.0)**	**9.4**	**(12.2)**	**(2.8)**	**15.6**	**(27.6)**	**(12.0)**
Finance income	1.6	1.3	2.9	1.4	4.3	5.7	3.3	3.5	6.8
Finance costs	(0.5)	-	(0.5)	(0.6)	-	(0.6)	(1.7)	(0.1)	(1.8)
Profit/(loss) before tax	**3.6**	**(13.2)**	**(9.6)**	**10.2**	**(7.9)**	**2.3**	**17.2**	**(24.2)**	**(7.0)**
Tax credit/(charge)	0.9	-	0.9	(2.1)	-	(2.1)	(0.5)	0.1	(0.4)
Profit/(loss) after tax	**4.5**	**(13.2)**	**(8.7)**	**8.1**	**(7.9)**	**0.2**	**16.7**	**(24.1)**	**(7.4)**
Adjusted EBITDA:									
Operating profit/(loss)	2.5	(14.5)	(12.0)	9.4	(12.2)	(2.8)	15.6	(27.6)	(12.0)
Depreciation	2.3	0.6	2.9	1.9	0.5	2.4	4.3	1.0	5.3
Amortisation	0.6	0.1	0.7	0.2	0.1	0.3	0.6	0.1	0.7
Profit on disposal of non-current asset	-	-	-	(0.1)	-	(0.1)	(0.3)	-	(0.3)
EBITDA	**5.4**	**(13.7)**	**(8.3)**	**11.4**	**(11.6)**	**(0.2)**	**20.1**	**(26.5)**	**(6.4)**
Share-based payment charge attributable to exceptional LTIP awards	1.9	-	1.9	1.3	-	1.3	3.6	-	3.6
Europe set-up costs	0.1	-	0.1	0.4	-	0.4	0.7	-	0.7
Adjusted EBITDA	**7.4**	**(13.7)**	**(6.3)**	**13.1**	**(11.6)**	**1.5**	**24.4**	**(26.5)**	**(2.1)**

4. Finance income

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Bank interest received	-	0.1	0.2
Foreign exchange gains on intra-group loans	1.5	4.3	4.4
Movement in valuation of put and call option	-	-	0.5
Unwind of discounting on long term receivables	1.4	1.3	1.7
	2.9	5.7	6.8

5. Finance costs

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Interest on obligations under finance leases	0.2	0.1	0.5
Other finance costs	0.1	0.5	0.6
Movement in valuation of put and call option	-	-	0.7
Unwind of discount of put option	0.2	-	-
	0.5	0.6	1.8

6. Trade and other receivables

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Trade receivables	7.7	9.3	6.3
Other receivables:			
- Accrued income	58.1	44.5	51.4
- Prepayments	22.6	16.3	18.8
- Other	5.7	2.2	4.4
	94.1	72.3	80.9

The trade and other receivables are classified as:

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Non-current assets – Accrued income	45.2	33.5	39.8
Current assets	48.9	38.8	41.1
	94.1	72.3	80.9

Accrued income

Reconciliation of opening and closing balances for accrued income can be found in the table below:

	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Balance brought forward	51.4	39.4	39.4
Commission earned, cash received and revisions to estimates	5.5	3.9	10.2
Unwind of discounting on long term receivables	1.4	1.3	1.7
Other accrued income	(0.2)	-	0.1
Balance carried forward	**58.1**	**44.6**	**51.4**

Accrued income principally represents the expected future commission payments in respect of product protection plans. The Group recognises revenue in relation to these plans when it obtains the right to consideration as a result of performance of its contractual obligations (acting as an agent for a 3rd party). Revenue in any one year therefore represents the fair value of the commission due on the plans sold. To calculate the fair value of the revenue and hence the accrued income the Group uses historical empirical data accumulated over 11 years based on over 1.4m plans sold to date of which 0.6m plans are active.

The fair value calculation takes into consideration the following level 3 unobservable data:
- length of individual plans with a range of c7-16 years included in the calculation;
- historical rate of customer attrition; and
- contractually agreed margins based on actual historical margins earned.

Expected future commission payments in respect of product protection plans are discounted at 4.3% (2016: 4.3%).

7. Trade and other payables

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Trade payables	119.5	92.6	105.9
Other payables:			
- Accruals	30.7	17.8	17.8
- Deferred income	8.9	8.7	7.8
- Other	8.7	5.4	8.7
	167.8	124.5	140.2

8. (Loss)/earnings per share

The calculation of the basic and diluted loss per share is based on the following data:

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
(Loss)/earnings for the purposes of basic and diluted loss per share being (loss)/profit for the period	(8.7)	0.4	(6.6)
Number of shares			
Basic weighted average number of ordinary shares in issue	458,788,480	421,052,631	421,052,631
Potentially dilutive share options and shares	-	1,644,977	1,337,071
Weighted average number of diluted ordinary shares	458,788,480	422,697,608	422,389,702
(Loss)/earnings per share (pence)			
Basic (loss)/earnings per share	(1.90)	0.11	(1.56)
Diluted (loss)/earnings per share	(1.90)	0.11	(1.55)

The adjusted loss per share for the period was 2.23p (2016: 0.92p loss) (see page 12).

9. Net Funds

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Cash and cash equivalents	72.3	32.4	29.4
Borrowings – Repayable within one year	(4.0)	(2.8)	(3.7)
Borrowings – Repayable after one year	(11.6)	(8.3)	(13.7)
Net funds	**56.7**	**21.3**	**12.0**

Reconciliation of net cash flow to movement in net funds:

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Net increase/(decrease) in cash and cash equivalents	42.8	(1.1)	(4.0)
Net decrease/(increase) of debt and lease financing	2.1	(2.8)	1.7
Non cash movements:			
- Asset acquired under finance leases	(0.1)	(0.1)	(10.9)
- Foreign exchange on cash and cash equivalents	-	0.1	(0.2)
- Foreign exchange on bank borrowings	(0.1)	(0.2)	-
Movement in net funds/(debt)	**44.7**	**(4.1)**	**(13.4)**
Opening net funds	12.0	25.4	25.4
Net funds at the period end	**56.7**	**21.3**	**12.0**

At 30 September 2017, AO Limited and its two subsidiaries, AO Retail Limited and Expert Logistics Limited, had access to a Revolving Credit Facility.

At 30 September 2017 the amount available was £28.6m (2016: £29.5m)

10. Share capital

On 3 April 2017 the Company completed a placing of new shares (37,735,849 ordinary shares) to raise £50.0m to suitably capitalise the business to support our continued growth and increasing scale. Costs in relation to the placing have been deducted from the share premium account.

11. Share-based payments

On 21 July 2017 the Group issued new options under the Long Term Incentive Plan (LTIP) to Directors and key members of staff. The number of share options awarded under the new LTIP was 3.7m.

The total charge in the Income Statement in relation to all LTIPs was £2.3m (2016: £1.5m) and SAYE Schemes was £0.2m (2016: £0.2m). The exceptional LTIP charge in relation to this was £1.9m (2016: £1.3m).

12. Financial instruments

As detailed in the Group's most recent annual financial statements, our principal financial instruments consist of a call and put option, trade and other receivables, accrued income, cash and cash equivalents, trade and other payables and borrowings. As indicated in Note 1, there have been no changes to the accounting policies for financial instruments, including fair value measurement, from those disclosed in the Company's Annual Report at 31 March 2017. In addition, there have been no changes to the categorisation or fair value hierarchy of our financial instruments. The fair values of cash and cash equivalents, trade and other receivables, accrued income, and trade and other payables and borrowings are all deemed to approximate their carrying values and these can be identified on the face of the Statement of Financial Position and accompanying notes. The fair value and carrying values of the put and call options are as disclosed in the 31 March 2017 Annual Report and there have been no movements since that date except for the unwind of the discount on the put option.

13. Related party transactions

Trading transactions

The Company is the ultimate parent entity of the Group. Intercompany transactions with wholly owned subsidiaries have been excluded from the consolidated figures.

(£m)	6 months ended 30 September 2017	6 months ended 30 September 2016	Year ended 31 March 2017
Sale of goods and services			
AO Recycling Ltd	0.1	-	-
WEEE Re-use It Limited	-	0.2	0.2
Purchase of goods and services			
AO Recycling Ltd	0.3	1.1	1.3
WEEE Re-use It Limited	-	-	0.2
Booker Limited	-	-	0.1
Recharges			
AO Recycling Ltd	1.2	0.4	1.1

Transactions with Directors and key management personnel

On 3 April 2017 the Company completed a placing of new shares (37,735,849) to raise £50m to suitably capitalise the business to support continued growth.

Steve Caunce and John Roberts participated in the share placing purchasing 1,509,433 shares each. Mark Higgins purchased 3,773 shares and Chris Hopkinson purchased 754,716 shares.

All are related as they are directors of AO World plc.

During the period the Group also issued new share options to Directors and key members of staff (see note 11).

14. Post balance sheet event

On 16 November 2017, AO Limited (a direct subsidiary of AO World plc), and its subsidiaries AO Retail Limited and Expert Logistics Limited extended its existing Revolving Credit Facility from £30m to £60m. The facility is provided by Barclays Bank plc, Lloyds Bank plc and HSBC Bank plc and is for UK general corporate purposes.

15. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 March 2017, save as noted below in relation to the status of product protection plans.

The principal risks as set out in the Annual Report are summarised below and further information on these together with information as to how the Group seeks to mitigate these risks is set out on pages 40-44 of the Annual Report and Accounts 2017 which can be found at www.AO.com/corporate:

- Risk relating to the UK economy, in particular following the outcome of the EU Referendum (Brexit) and the implications this may have for the Group.
- Risks relating to our European expansion.
- Risk relating to IT systems resilience.
- Risks of interruption to physical infrastructure.
- Risks relating to legal and/or regulatory changes, particularly with regard to the forthcoming General Data Protection Regulation which poses potential challenges to marketing practices and the increased scrutiny of the gig economy which may drive changes to laws surrounding employment status.
- Risks relating to brand recognition and damage.
- Risks relating to our failure to maintain our culture as we grow and dependence on members of the Group Executive and Senior Management Teams.
- Risks in relation to significant accounting matters including revenue recognition, debtor recoverability and the status of product protection plans.

Domestic & General Services Limited have recently announced they are looking to enhance their product protection plans by transitioning from a service-backed plan to maintenance service plans and insurance-based warranties. Customers' current plans will not be affected and will transfer on renewal (expected to start mid-2018).

The directors are particularly mindful of the uncertainty in the UK economy following the outcome of the EU Referendum (Brexit) and the implications this may have for the Group. Uncertainty in the economy has and may continue to reduce consumer confidence and affect demand, particularly for the more "considered" (as opposed to "distressed") purchase and may also have an effect on the housing market, to which our MDA sales bear some correlation. Further whilst all our product purchases are bought in local currency (minimising the effects of the weakening of the pound against the Euro and Dollar), the increase in our suppliers' supply chain costs have in many cases been passed on to the Group and this may continue. We need to remain competitive from a price point of view and, if our competitors do not pass prices on (either because they have longer term trade deals or decide to absorb some of the price increases themselves), this may hamper our profitability in the short-term.

Against such uncertainty we have some comfort that, in the UK, the vast majority of our sales mix is MDA which tends to be more resilient to unfavourable economic conditions due to being a necessity rather than a luxury purchase. We also would expect that price increases would be passed on to all our competitors and that ultimately these will be passed on to consumers (at the risk of reduced demand) and our trading teams are engaging with suppliers to understand and manage any such repercussions. Importantly, given our growth model and flexible cost base we are able to adjust quickly to downturns in demand should this be required.

The Board continues to monitor the risks and uncertainties associated with Brexit and the potential impact these may have on the Group's results and financial position in both the short and longer term.

16. Responsibility statement

Responsibility statement of the directors in respect of the half-yearly financial report

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU
- The interim management report includes a fair review of the information required by:

(a)DTR 4.2.7R of the *Disclosure Guidance and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(b)DTR 4.2.8R of the *Disclosure Guidance and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

On behalf of the Board

Steve Caunce
CEO
21 November 2017

Mark Higgins
CFO
21 November 2017

INDEPENDENT REVIEW REPORT TO AO WORLD PLC

Conclusion

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 which comprises a Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2017 is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU and the Disclosure Guidance and Transparency Rules ("the DTR") of the UK's Financial Conduct Authority ("the UK FCA").

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. We read the other information contained in the half-yearly financial report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FCA.

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

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

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

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the DTR of the UK FCA. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

Mick Davies
For and on behalf of KPMG LLP
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
20 November 2017