AO WORLD PLC

FINAL RESULTS FOR THE YEAR ENDED 31 MARCH 2018

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 audited financial results for the year ended 31 March 2018.

Financial Highlights[1]

- Continued revenue growth in both the UK and Europe with total revenue for the period increasing by 13.6% to £796.8m (2017: £701.2m); UK growth continued to be resilient against a backdrop of a weaker UK electricals market and strong comparables, with particularly pleasing second half performance despite lower group marketing spend:
    - AO website sales[2] for the UK[3] up 8.7% to £606.6m (2017: £557.9m). Total UK revenue up 8.1% to £680.8m (2017: £629.7m).
    - Europe[4] revenue for the period increased by 54.8% on a constant currency basis[11] to €131.2m (2017: €84.7m) (in GBP 2018: £116.0m; 2017: £71.5m) despite minimal traditional marketing activity.
- Group Adjusted EBITDA losses of £3.4m (2017: £2.1m losses).
    - UK Adjusted EBITDA[5] of £22.6m (2017: £24.4m) impacted mainly by higher marketing costs in the first half and a consistently competitive pricing environment.
    - Europe Adjusted EBITDA losses reducing to €29.6m (2017: €31.5m) with continued investment in European expansion (in GBP 2018: £26.0m loss; 2017: £26.5m loss).
- Group operating loss of £16.2m (2017: £12.0m loss) reflecting further trading losses incurred in Europe with operating profit for the UK down by 25.4% to £11.6m (2017: £15.6m) for the reasons given above and operating losses for Europe remaining broadly the same in sterling at £27.8m (2017: £27.6m).
- Group net funds position[6] as at 31 March 2018 was £38.3m (2017: £12.0m) following the placing of 9% of existing share capital in April 2017, raising gross proceeds of £50m; with net cash being £52.9 m (2017: £29.4m).
- Basic loss per share of 2.93p (2017: 1.56p).[7] Diluted loss per share of 2.92p (2017: 1.55p).

Strategic and Operational Highlights

- Transactional mobile app successfully launched across all territories.
- Customer satisfaction remains exceptional in all territories:
    - AO's Net Promoter Score[9], the key brand loyalty measure, remains at high levels of c. 80, reflecting continued high levels of customer satisfaction.
    - We also scored "great" or "excellent" in 95% of Trustpilot reviews – alongside the top 0.01% of companies on the platform and reach over 100,000 reviews in the UK – one of only 20 companies to achieve this.
- Customers remained loyal with our repeat purchase metrics performing well across all territories.

- New categories rolled-out in the year include: mobile phones, gaming consoles, smart home and cameras in the UK; small kitchen appliances in Germany and audio-visual in the Netherlands.
- Competencies being leveraged; Recycling facility fully operational in Telford processing all AO MDA WEEE[8] in the UK and now serving third-party customers.
- Europe operations progressing to plan to achieve a profitable run-rate during FY21[10]

Steve Caunce, AO Chief Executive Officer, said:

"FY18 has been another year of good progress for AO. Over the year we have continued to evolve our purpose to ensure it is suitable for the AO of today: to have the happiest customers by relentlessly striving for a better way. Our consistently high NPS scores and our amazing Trustpilot achievement in the UK proves we are firmly on track. We have continued to successfully launch new categories across our territories, and our UK recycling facility became fully operational, building upon our vertically integrated infrastructure. In the UK we have maintained market share in our core UK MDA business in a very competitive market and have performed well in the second half of the year with limited marketing expenditure demonstrating the asset of our customer base as it repeats and recommends AO. Our European operations continue to build scale and confidence as we remain on track to achieve our FY21 profitable run-rate objective[10].

I want to thank all our AOers for their hard work and dedication this year. There has been fantastic collaboration across our business as we have come together to define what we really stand for.

The new financial year has started well in both the UK and Europe, with UK revenue growth returning to double-digit levels against prior year. Whilst we remain cautious on outlook given economic and competitive pressures on the UK electricals market we are confident of achieving our stated goals of future growth in the years ahead."

Webcast details

A results presentation hosted by Geoff Cooper, Steve Caunce and Mark Higgins for analysts and investors will be held today, 5 June 2018 at 9:00am (GMT) at Numis Securities Limited, 10 Paternoster Square, London EC4M 7LT. 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[11] 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.

For further information, please contact:

AO World plc	Tel: +44(0) 1204 672400
Steve Caunce	ir@ao.com
Mark Higgins	
Tulchan Communications	Tel: +44(0) 20 7353 4200
Catherine James	ao@tulchangroup.com
Michelle Clarke	
Will Smith	

About AO

AO World plc, headquartered in Bolton and listed on the London Stock Exchange, is an online electrical retailer, with a clear purpose: to have the happiest customers by relentlessly striving for a better way.

We create value by providing electrical products and related services to our customers, offering a huge range, a price-match promise and market-leading customer service. We are now leveraging our skills and expertise to develop existing competencies and create new opportunities.

We sell major and small domestic appliances and consumer electronics in the UK, Germany and the Netherlands and deliver them via our in-house logistics business and carefully selected third parties. We also provide ancillary services such as the installation of new and collection of old products and offer product protection plans and customer finance. AO also has a majority equity stake in AO Recycling, a WEEE processing facility, allowing AO to ensure its customers' waste is dealt with responsibly in the UK.

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[1]The highlights are for the 12 month period ended 31 March 2018 and the comparative 2017 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
[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 £0.3m (2017: £0.7m), (ii) share-based payment charges of £3.5m (2017: £3.6m) attributable to the exceptional LTIP awards which the Board considers exceptional in nature and (iii) exceptional costs of £1.5m (2017: £nil) relating to the recent restructure of the Group Leadership Team including the impact of the acceleration of certain share option charges, which is considered to be one-off in nature due to its size and timing.
[6]Net funds are defined by the Group as cash less borrowings less overdrafts as per the consolidated statement of financial position
[7]Please refer to the loss per share paragraph on page 15 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. MDA means Major Domestic Appliances.
[10]By "run-rate" we mean achieving a positive Adjusted EBITDA for the Europe segment in at least one month of the financial year ending 31 March 2021, as we set out in our Capital Markets Day in February 2017
[11] Where Euro amounts are disclosed they represent the actual Euro revenue, cost or loss for the period. The term constant currency is used by the Group to describe the increase or decrease on actual Euro amounts for the relevant period. Providing this information eliminates the impact of foreign exchange movements.
[12]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. It is one of our key performance measures and has been used in the calculation of executive management bonus and long-term incentives. As such, this measure is 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 exceptional 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 exceptional in nature are included in trading numbers.
- Europe set-up costs are costs incurred in connection with our European expansion strategy and our continuing research into other further countries along with strategic post "go-live" costs.
- During the year, and following the appointment of Steve Caunce as Group CEO, the Group has undertaken a restructure of its executive team. The cost of this restructure, including the impact of the acceleration of certain share option charges, is considered to be one-off in nature due to its size and timing, and has therefore been added back in arriving at Adjusted EBITDA.

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]

	31 March 2018			31 March 2017			*Change*		
	UK	Europe[2]	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
AO website sales	606.6	115.7	722.3	557.9	71.5	629.4	*8.7%*	*61.9%*	*14.8%*
Third-party website sales	46.5	0.2	46.7	46.0	-	46.0	*1.0%*	*n/a*	*1.4%*
Other sales[3]	27.7	0.1	27.8	25.8	-	25.8	*7.6%*	*n/a*	*8.0%*
Revenue	680.8	116.0	796.8	629.7	71.5	701.2	*8.1%*	*62.3%*	*13.6%*
Adjusted EBITDA[4]	22.6	(26.0)	(3.4)	24.4	(26.5)	(2.1)	*(7.3%)*	*(1.6%)*	*64.4%*
Adjusted EBITDA margin[5]	3.3%	(22.4%)	(0.4%)	3.9%	(37.0%)	(0.3%)	*-0.6ppts*	*+14.6ppts*	*-0.1ppts*
Adjusted operating profit/(loss)[6]	16.8	(27.7)	(10.9)	19.9	(27.6)	(7.7)	*(15.3%)*	*0.7%*	*41.6%*
Adjustments[7]									
Europe set-up costs[8]	(0.3)	-	(0.3)	(0.7)	-	(0.7)	*(57.1%)*	*n/a*	*(57.1%)*
Non-cash share-based payment charge[9]	(3.5)	-	(3.5)	(3.6)	-	(3.6)	*(4.1%)*	*n/a*	*(4.1%)*
Executive restructuring costs	(1.4)	(0.1)	(1.5)	-	-	-	*n/a*	*n/a*	*n/a*
Operating profit/(loss)	11.6	(27.8)	(16.2)	15.6	(27.6)	(12.0)	*(25.3%)*	*1.1%*	*35.5%*
Loss per share (pence)									
Basic loss per share			(2.93)			(1.56)			*86.2%*
Diluted loss per share			(2.92)			(1.55)			*86.0%*
Adjusted loss per share[10]			(3.16)			(2.62)			*19.6%*

[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] Europe is defined by the Group as entities operating within Europe but excluding the UK and also includes exploratory costs in other European territories.

[3] Other revenue relates to Third party logistics revenue and recycling revenue.

[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] 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 £0.3m (2017: £0.7m), (ii) share-based payment charges of £3.5m (2017: £3.6m) attributable to the exceptional LTIP awards which the Board considers exceptional in nature and (iii) exceptional costs of £1.5m (2017: £nil) relating to the recent restructure of the Group Leadership Team including the impact of the acceleration of certain share option charges, which is considered to be one-off in nature due to its size and timing.

[8] Relates to Europe post go-live strategy costs incurred by UK.

[9] Share-based payment charges attributable to exceptional LTIP awards which the Board considers exceptional in nature, due to the magnitude and timing of the awards.

[10] Adjusted loss per share is basic earnings per share plus foreign exchange gains arising from inter-group funding. See note 6 on page 25.

Chief Executive Officer's Review

Overview

FY18 has been a year of clear progress for AO. In the UK we have executed against our plan and proven the strength of our business in an increasingly competitive market. Our European operations continue to build scale and we remain on track to achieve our objective of run-rate profitability in FY21.

At the time of our IPO in March 2014, AO was a one country, one category business and our strategy and model fitted that profile. Over time we have grown in both scale and complexity; we now operate in Europe and in the UK and serve not only retail customers – in multiple categories, but logistics customers, recycling customers and more. Accordingly, we have updated our purpose and reviewed our business model and our strategic objectives to ensure that these are still applicable to the AO of today. Our new purpose, "to have the happiest customers by relentlessly striving for a better way," will allow us to pursue our strategic objectives on a broader scale as we develop our existing competencies and branch into new areas.

Our strategy

The development of our business has involved expanding our UK retail category offering and diversifying into new opportunities that fit within our supply chain. As with our UK recycling business, we look for opportunities where we can leverage our brand, our core competencies and our culture and infrastructure. Each of our strategic objectives; Customers, Competencies and Countries, has its own value drivers underpinned by our brand and culture.

Our brand in the UK

The potential for the AO brand is significant; we are an exciting brand with an offering which we believe has broad appeal. Our data shows that once customers experience AO they shop with us again, but overall our levels of spontaneous and prompted brand awareness are relatively low. Effective marketing should therefore provide us with a significant opportunity.

As reported at the time of our half year results in November 2017, the sponsorship of ITV's Britain's Got Talent in the first half of the year was undertaken in that light and was designed to build brand awareness in the UK rather than directly drive sales. While the initiative generated incremental traffic to our site over the period, it fell short of our expectations.

In the second half of the year, our marketing expenditure in the UK has been limited but we have experienced good growth in a challenging market, demonstrating the underlying strength of our brand. During this period, we have implemented extensive consumer research looking at our proposition, messaging, positioning and creative routes. This research has revealed key insights enabling a new direction aimed at illustrating our strengths. The new UK brand platform will be brought to life through all channels and all customer touch points; it is going to shape our thinking on all aspects of the brand, not just TV advertising. We are set to launch a new creative campaign during the first half of our current financial year with our brand about to embark on a really exciting journey; becoming even more widely trusted, famous for our difference and loved by our customers.

One of our key strategic aims during the year was to significantly increase the number of MDA deliveries from ao.com in the UK to be delivered on AO liveried vans. I am pleased that the vast majority of these customers now receive their products on a green AO van, promoting and reinforcing our brand.

Customers - UK

We continue to focus on our market-leading proposition across all our competencies. We have invested over the years to create a delivery and service infrastructure that customers can depend on when they need it most. Our key offering in our core retail business remains strong; unbeatable prices, huge range, wide availability, smart and innovative web content and amazing service.

As a result, we made good progress across our key customer metrics over the period. Our UK customer base (defined as an individual customer who has purchased from us) continued to grow, and now approaches 5 million providing us with a fantastic asset of customers from which to leverage our brand. Our repeat business remains strong and we continue to attract new customers. Our customer satisfaction levels remain exceptional as our Net Promoter Score (an industry measure of customer loyalty and satisfaction) has been maintained at a consistently high level of over 80. There is no better testament to our service than the feedback from our customers and we were delighted to reach over 100,000 reviews on customer feedback website Trustpilot in the UK, being one of only 20 companies to achieve this. Our continual obsession over our customer service means that we also currently have a 95% "great" or "excellent" score on this platform which places us in the top 0.01% of companies to achieve this threshold. In November 2017 we were also proud to be voted third best online shop by Which? and to win UK IT Team of the year at the BCS & Computing UK IT Industry Awards, demonstrating how IT has been fundamental to developing our offering.

We have made many improvements to our customer proposition over the reporting period reflecting our values, our "care-more" culture and our purpose. We have worked to make the customer journey easier and have enhanced the retail experience with the launch of our fully transactional app on both iOS and android operating systems, which is highly rated on the app store and google play. This means that our customers now have the ability to shop easily from their desktop, tablet or mobile.

Early in the year we opened 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 by 31 March 2018) whilst reducing our stem mileage and improving efficiencies in our logistics business. Our premium installation fleet, which offers a full installation service on integrated products, has experienced strong growth over the period with improved lead times and an improving proposition. We have also developed a traineeship programme offering newly qualified gas engineers the opportunity to complete a 16 week programme and become experienced enough to install for us at the end. Towards the end of the year our logistics business also won a distribution contract with a new third party client as we look to refocus on this income stream and leverage our existing competencies.

We are also working with Domestic and General (for whom we act as agent) to further improve our product protection plans to ensure we have a product that is appropriate for all categories and territories that demonstrates our values and excels in service delivery and care. We expect that the legal form of our product protection plans will transform from being purely service backed to insurance or hybrid insurance and service plan later in the year, following which the existing AO Aftercare business will be rebranded as AO Care.

Competencies

This objective not only includes the categories we offer as an electrical retailer but also how we can leverage our competencies into new opportunities and expand into our supply chain.

We have made lots of progress over the last year to expand the products we offer our customer as we have bolted on complementary categories and expanded ranges within existing categories. 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, Smart Home devices and Photography, adding key brand names such as xBox, Playstation, Hive, Nest and Go Pro to our brand portfolio. We are encouraged by the progress made in these categories so far. In our core major domestic appliances ("MDA") market we believe we have 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.

Trade customers (or Business-to-Business “B2B”) have been buying from our ao.com website for some time, from schools and offices to large landlords and housebuilders. This year we have formalised this offering with the launch of ao-business.com and a dedicated team. Our proposition remains centred on AO’s amazing customer service but tailored to trade customers. Our agents and account managers are specialists in dealing with complex orders and offline queries. We have also made changes to payment methods, for example offering credit accounts and BACs payments. B2B is an important opportunity for us to further leverage our group logistics and recycling competencies, in a market where nationwide next day delivery or removal of products is not necessarily standard. Our suppliers have been fantastically supportive in this venture – their support is pivotal to its success. They recognise the power of AO’s offering and the difference we can make in this market. We have a large opportunity to grow this revenue stream.

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.

Our priority next year will be to leverage our existing competencies whilst exploring others where we can apply our skills and knowledge and increase profitability. For example we will focus more on our third party logistics and recycling businesses, which we expect to invest in further over the coming years.

Countries

In recent years the Group has launched its retail business in Germany and the Netherlands. Progress made in territories subsequent to the UK continues to give us confidence of the value of our retail business model and shows how we are able to leverage our brand and competencies giving us a strong platform for future growth.

We continue to drive our European operations responsibly in a controlled manner. As planned 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 and BOL in the Netherlands is giving our brand more visibility and the opportunity to reach new customers.

During the period, we launched our transactional app, the “help me choose” function we have in the UK, and we now sell warranties in the Netherlands, providing customers with protection for their products. 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. Work continues with a German distributor as we look to broaden our categories in these territories much as we have in the UK.

We have worked hard to transfer our culture across to our European operations, always respectful of different customs and ways. In essence this has been achieved; whilst certain aspects of our UK culture may not exactly be mirrored in our overseas territories it is enormously satisfying to know that the values shine in each and every one of them and that our European AOers strive for exactly the same purpose as those in the UK: to have the happiest customers by relentlessly striving for a better way.

Our People & Culture

Last year I reported that our business divisions had been restructured to give greater responsibility and accountability to senior management and their respective teams. In line with defining our purpose and reviewing our business model and strategy we further refined the senior organisational structure at the end of the reporting period. To better support our growth, a new UK Chief Operating Officer role has been created into which the UK divisional managing directors will report and we have created a Europe Chief Operating Officer role under which we will look to diversify our business, much as we have done in the UK. Our Chief Brand and People Officer will have responsibility for communicating and protecting our brand together with ensuring our culture remains true to AO across our entire Group. Importantly, this structure will also allow me to spend more time focussing on the business rather than being in the business.

Our people and culture is at the heart of our brand and provides us with a real advantage over our competitors; as always we will protect it fiercely. To achieve our goal we will nurture it, attracting the best people who live our five values and then retain them. That means being the best employer we can be for our people, so high employee engagement and development is fundamental to achieving our objectives. It is the combination of each of our values: Bold, Driven, Smart, Fun and Care that creates our behaviour and gives us our competitive advantage.

Summary & Outlook

We have made good progress over the year and I want to thank all our AOers for their hard work and dedication. There has been amazing collaboration across our business as we have come together to define what we really stand for. I've never been so excited about AO and look forward to the future with confidence.

Chief Financial Officer's Review

The Group has continued to execute against its strategy in the year to 31 March 2018.

We have continued to grow Group revenue despite a challenging trading environment in the UK. We are on track with our plans in Europe and have re-capitalised our balance sheet and increased our Revolving Credit Facility to give us headroom to continue our growth both in the UK and Europe. Going forward we expect to increase revenue and improve profitability by leveraging the assets we have built, driving out further efficiencies and, in the short to medium term, reinvesting our cash in the growth of our European operations.

In the UK, against a backdrop of a fiercely competitive market, total revenue increased by 8.1% to £680.8m. This growth was achieved despite the core UK MDA market experiencing overall lower volumes year-on-year (source: GfK), set against an environment of lower consumer confidence associated with the Brexit process (source: GfK's Consumer Confidence Index), as well as our relatively low level of marketing spend in the second half of the year. In Europe, both businesses continue to perform to plan with revenue increasing by 54.8% on a constant currency basis as the brand attracts both new and repeat customers with high levels of customer satisfaction.

Adjusted EBITDA losses increased slightly in the year with the UK impacted by pressure on margins and investment for future growth and higher marketing costs in the first half of the year reflecting TV sponsorship. Europe, on a constant currency basis, reduced its losses as it starts to benefit from scale. The European business overall continues to perform to plan and we expect these losses to continue to reduce. We remain confident of achieving a profitable run rate during the financial year ending 2021.

Mindful of the continued uncertainty in the UK markets, and to provide the Group with resources as it continues its growth and investment, we took steps in the year to strengthen the balance sheet of the Group as well as securing additional facilities to provide the Group with liquidity headroom. In April 2017 we successfully raised £50m of gross proceeds via a share placing with existing and new investors and in November 2017 we increased our Revolving Credit Facility by £30m to £60m (of which £58.6m remains undrawn at the end of March 2018).

Our customer base and repeat purchase metrics continue to be healthy, highlighting the strengths of our model which will help drive continued growth across our new territories. Our expanding range and categories together with our strategy to leverage our competencies into other opportunities should ensure resilience as we broaden our revenue streams. This, together with our strengthened balance sheet and outstanding customer proposition, will ensure that we are well positioned to trade well through any potential future/ continued challenging market conditions.

Revenue (see table 1)

For the year ended 31 March 2018 total Group revenue increased by 13.6% to £796.8m (2017: £701.2m).

Revenue in the UK increased by 8.1% to £680.8m (2017: £629.7m). This growth was largely driven by an 8.7% increase in "AO" website sales (which includes AO.com and AO branded eBay shops) to £606.6m (2017: £557.9m) and is in line with our strategy to consolidate our position in our core UK markets; driving growth through expanding our offering whilst continuing to deliver the highest levels of customer service. Progress in the UK has been achieved despite an increasingly competitive market as well as a year on year decline in the overall MDA market on a volume basis and is in line with our own expectations. It has also been achieved with a relatively low level of TV and marketing spend in the second half of the year following our levels of expenditure in the first half of the year on the BGT sponsorship; showing our strengths in repeat purchases and word of mouth recommendations.

In Europe, AO website sales from our German website AO.de, and also our Netherlands website, AO.nl, generated revenues of €131.2m (2017: €84.7m), an increase of 54.8%, which equates to £116.0m (2017: £71.5m) on a reported currency basis. This growth is in line with our expectations and is largely driven by; recommendations from our customers who have experienced the AO Way of shopping; expansion of our categories in both territories and the launch of new routes to market for example through Amazon Marketplace in Germany. It is also pleasing that growth has been delivered despite a planned and continued low level of promotional activity. Growth in the final quarter was however at a slightly slower pace as we consolidated our logistics operations with the benefits of this experienced in the first quarter of our current financial year.

AO branded website sales (including AO.com, AO.de, AO.nl and AO branded eBay shops) now account for 88.9% of total Group revenue (2017: 89.8%).

Sales from third-party websites in the UK were broadly in line with the prior year at £46.5m (2017: £46.0m). Our focus remains on promoting and investing in the AO.com brand but, in line with our strategy, we have been able to leverage our competencies to increase revenue generated from certain third parties.

Table 1:

	2018			2017			% change		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	606.6	115.7	722.3	557.9	71.5	629.4	8.7%	61.8%	14.8%
Third-party website sales	46.5	0.2	46.7	46.0	–	46.0	1.0%	n/a	1.4%
Other sales	27.7	0.1	27.8	25.8	–	25.8	7.6%	n/a	8.0%
Revenue	**680.8**	**116.0**	**796.8**	**629.7**	**71.5**	**701.2**	**8.1%**	**62.2%**	**13.6%**

Included within “Other sales” is revenue from UK third-party logistics services and our recycling business. This segment experienced a 7.6% increase in revenue to £27.7m (2017: £25.8m) driven by increased revenue from our recycling business following the successful commissioning of the new fridge recycling plan during the year partly offset by the impact of the completion of a short-term logistics contract in the prior year.

“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 broadly consistent with product sales representing 11.1% of total sales at £88.6m (2017: 11.5%, £81.0m).

Gross margin (see table 2)

Gross margin for the Group, which includes product margin, delivery costs, commissions from selling product protection plans and other ancillaries (which attract a higher margin as a percentage of revenue than product sales) reduced to 17.8% for the reporting period. This was a fall of 0.6ppts against the prior year with total gross profit increasing by 9.7% to £141.8m (2017: £129.2m).

Table 2:

	2018			2017			% change		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Gross profit/(loss)	144.6	(2.8)	141.8	133.2	(4.0)	129.2	8.5%	-28.4%	9.7%
Gross margin %	21.3%	-2.5%	17.8%	21.2%	-5.6%	18.4%	0.1ppts	3.1ppts	-0.6ppts

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.

Despite the competitive pricing environment in our more mature categories and the dilutive impact of new categories, in the UK, gross margin increased by 0.1ppts to 21.3% (2017: 21.2%). Product margins remained in line with the prior year with the improvement in the year largely driven by further efficiencies in delivery and trunking costs realised from our increased delivery base.

In line with the increase in revenue relative to the prior period, in the UK the contribution from ancillaries increased with a full year's benefit of the new product protection plan agency agreement with Domestic & General (which became effective 1 December 2016) at higher commissions and with customer cancellations improving.

In Europe the gross loss reduced to £2.8m (2017: £4.0m loss) and gross margin improved by 3.1ppts to -2.5% (2017: -5.6%). During the period we have continued to make significant progress with our supplier relationships resulting in further improvements to product margin. In addition, our costs to make an individual delivery continue to improve with increasing order levels and the use of a third party delivery model to serve some outlying areas. These have enabled the European operations to deliver on the first stage of the plans as set out in our Capital Markets Day in February 2017. As volumes, and therefore drop densities, continue to increase our Europe business will be able to leverage its existing cost base to drive further improvement in gross margin.

Selling, General & Administrative Expenses ("SG&A") (see table 3)

Total Group SG&A expenses increased by £17.4m to £159.8m (2017: £142.4m).

UK SG&A expenses for the year to 31 March 2018 increased by 13.1% to £134.3m (2017: £118.6m) and represented 19.7% of sales (2017: 18.8%). UK advertising and marketing expenditure as a percentage of revenue remained broadly unchanged year on year at 4.2% (2017: 4.1%) with lower than normal spend in the second half offsetting our BGT costs in the first half. Despite this, the UK business achieved sales growth in the second half of the year of 8.9% compared to the prior year. We expect these costs to revert to a more normalised average spend in the current financial year (FY19) as we seek to increase our brand awareness through investment in a new brand campaign. We continue to achieve a reduction across our traditional customer acquisition costs due to an increase in direct traffic and improved Search Engine Optimisation ("SEO") performance.

UK warehousing costs increased by £2.7m to £30.0m (2017: £27.3m) representing 4.4% of revenue (2017: 4.3%) as a result of a full year's costs for two outbases opened in the prior year and the opening of a new outbase in Bridgend in the current year. The addition of the further outbase helps to reduce stem mileage thus creating efficiencies in delivery costs which are reflected in gross margin. As we continue to grow we should continue to achieve greater efficiencies due to scale from this physical structure.

UK other administration expenses increased by £9.3m to £70.7m (2017: £61.4m) and as a percentage of sales increased to 10.4% (2017: 9.7%). The increase largely related to investments made in our IT, ecommerce and aftercare teams, including new premises costs in Manchester, to support our growing operation and generate additional revenue from warranty sales.

In Europe, our SG&A costs as a percentage of revenue continue to decrease as volumes increase and represented 22.0% of revenue (2017: 33.2%).

Europe advertising and marketing expenses reduced by £1.4m to £4.8m in the 12 months to 31 March 2018. This reduction is largely a result of us applying the learnings from our UK business, particularly in relation to customer acquisition costs and our continued policy of low TV spend as we seek to grow through word of mouth and customer recommendations. Warehousing costs increased slightly to £4.3m (2017: £4.0m) as we experience a full year of cost from our NDC in Bergheim and we will continue to leverage this asset as we grow our volume. Other administration expenses increased by 21.2% to £16.4m (2017: £13.6m) as we grew our headcount to support the increased complexity of the business.

Table 3:

	2018			2017			% change		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Advertising and marketing	28.4	4.8	33.2	25.7	6.2	31.9	10.5%	-22.6%	4.1%
% of revenue	*4.2%*	*4.1%*	*4.2%*	*4.1%*	*8.6%*	*4.5%*			
Warehousing	30.0	4.3	34.3	27.3	4.0	31.3	9.6%	6.2%	9.1%
% of revenue	*4.4%*	*3.7%*	*4.3%*	*4.3%*	*5.6%*	*4.5%*			
Other administration	70.7	16.5	87.2	61.4	13.6	75.0	15.2%	21.2%	16.3%
% of revenue	*10.4%*	*14.2%*	*10.9%*	*9.7%*	*19.0%*	*10.7%*			
Adjustments[1]	5.2	0.1	5.3	4.3	-	4.3	21.9%	n/a	23.1%
% of revenue	*0.8%*	*n/a*	*0.7%*	*0.7%*	*n/a*	*0.6%*			
Administrative expenses	134.3	25.5	159.8	118.6	23.8	142.4	13.1%	7.5%	12.2%
% of revenue	*19.7%*	*22.0%*	*20.1%*	*18.8%*	*33.2%*	*20.3%*			

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.

[1] Adjustments is defined by the Group as set-up costs and strategic post go-live costs relating to overseas expansion, share-based payment charges attributable to exceptional LTIP awards and exceptional restructuring costs which the Board considers one-off in nature.

Operating loss and Adjusted EBITDA (see table 4)

Operating loss was £16.2m for the period, with operating losses increasing by £4.2m against the prior year. However, when reviewing profitability, the 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 historic annual bonus and LTIP awards (along with other measures including revenue). Whilst we recognise that the measure is an alternative (non-Generally Accepted Accounting Principles ("non-GAAP")) performance measure which is also not defined within IFRS, this measure is important and should be considered alongside the IFRS measures. Operating profit is reconciled to Adjusted EBITDA as follows:

Table 4:

	2018			2017			% change		
Year ended 31 March (£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Operating profit/(loss)	**11.6**	**(27.8)**	**(16.2)**	**15.6**	**(27.6)**	**(12.0)**	**-25.4%**	**1.1%**	**35.5%**
Add adjustments: *Europe set-up costs*	*0.3*	*-*	*0.3*	*0.7*	*-*	*0.7*	*-57.1%*	*n/a*	*-57.1%*
Non-cash share-based payments charge for exceptional LTIP awards	*3.5*	*-*	*3.5*	*3.6*	*-*	*3.6*	*-4.1%*	*n/a*	*-4.1%*
Executive restructuring costs	*1.4*	*0.1*	*1.5*	*-*	*-*	*-*	*n/a*	*n/a*	*n/a*
Adjusted operating profit	**16.8**	**(27.7)**	**(10.9)**	**19.8**	**(27.6)**	**(7.8)**	**-15.0%**	**0.7%**	**40.7%**
Add: Depreciation and amortisation	*5.8*	*1.8*	*7.6*	*4.9*	*1.1*	*6.0*	*18.2%*	*53.5%*	*25.7%*
Less: Profit on disposal	*-*	*(0.1)*	*(0.1)*	*(0.3)*	*-*	*(0.3)*	*n/a*	*n/a*	*-77.0%*
Adjusted EBITDA	**22.6**	**(26.0)**	**(3.4)**	**24.4**	**(26.5)**	**(2.1)**	**-7.3%**	**-1.4%**	**68.1%**
Adjusted EBITDA as % of revenue	**3.3%**	**-22.5%**	**-0.4%**	**3.9%**	**-37.0%**	**-0.3%**	**-0.6ppts**	**14.5ppts**	**0.1ppts**

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.

Adjustments

Exceptional share-based payment charges/

LTIP awards were made to a number of senior staff under the Performance Share Plan at the time of the Company's IPO in 2014 and also under the Employee Reward Plan (ERP) in July 2016. The Board considers that the magnitude and timing of these awards are exceptional 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 exceptional in nature are not adjusted for.

Exceptional restructuring costs

During the year, and following the appointment of Steve Caunce as Group CEO, the Group has undertaken a restructure of its executive team. The cost of this restructure, including the impact of the acceleration of certain share option charges, is considered to be one-off in nature due to its size and timing, and has therefore been added back in arriving at Adjusted EBITDA.

Europe set-up costs

These are costs incurred in connection with our European expansion strategy and our continuing research into other further countries along with strategic post "go-live" costs.

Depreciation, amortisation and profit on disposal of fixed assets

These are non-cash costs in relation to the Group's tangible and intangible fixed assets which are added back to operating profit to arrive at EBITDA which is considered to be a relevant proxy for "cash operating profit".

Group Adjusted EBITDA losses increased to £3.4m (2017: £2.1m losses) after allowing for £26.0m of Europe Adjusted EBITDA losses (2017: £26.5m). In local currency (removing the impact of foreign exchange movements), European losses decreased by 6% to €29.6m (2017: €31.5m), reflecting the impact of increased volumes particularly in Germany.

UK Adjusted EBITDA for the 12 months to 31 March 2018 was £22.6m (2017: £24.4m) with the decrease primarily driven by the investment in SG&A costs noted above.

Taxation

The tax credit for the year was £0.2m (2017: £0.4m charge). The effective rate of tax for the year was 1.9% (2017: -6.3%). The Group is subject to taxes in the UK, Germany and the Netherlands. The Group continues to be able to offset its German losses against profits within the UK through its registered branch structure in Germany. The changes in the UK loss utilisation rules have not had an impact on this utilisation of current year losses. No overseas tax is attributable to Germany and the Netherlands as they continue in the start-up phase of their operations. As in the prior year, the deferred tax asset arising on these carried forward losses continues to be treated as not recognised on the basis that the Group does not expect these territories to be profitable in the short-term.

The above, along with movements in the deferred tax asset arising on share options included in the tax computations for the year ended 31 March 2018, have resulted in a small tax credit in the income statement.

Our tax strategy can be found at www.ao.com/corporate.

Retained loss for the year and loss per share

Retained loss for the year was £13.3m (2017: £7.4m). Basic loss per share was 2.93p (2017: 1.56p loss) which is positively affected by a foreign exchange gain of £1.1m (2017: £4.4m) arising from intra-Group funding arrangements.

The foreign exchange gain has arisen as a result of the movement in the exchange rate between sterling and the euro in the period. This has impacted the value of intra-Group loans held in GBP in the European entities and EUR loans in the UK giving rise to the £1.1m gain referenced above.

Table 5 below shows the adjusted basic loss per share excluding the foreign exchange gain mentioned above.

Table 5:

Year ended 31 March (£m)	**2018**	**2017**
Loss		
Loss attributable to owners of the parent company	(13.4)	(6.6)
Foreign exchange gains on intra-Group loans	(1.1)	(4.4)
Adjusted loss attributable to owners of the parent company	(14.5)	(11.0)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	458,788,480	421,052,631
Loss per share (in pence)		
Basic loss per share	(2.93)	(1.56)
Adjusted basic loss per share	(3.16)	(2.62)

Diluted loss per share was 2.92p (2017: 1.55p).

Cash resources and cash flow

Net cash balances at 31 March 2018 were £52.9m (2017: £29.4m). The increase in cash in the year reflects the proceeds from the successful share placing in April 2017 of £48.1m principally offset by a working capital outflow and capital expenditure in the UK (including investment in our new premises in Manchester).

Borrowings (which comprises bank borrowings and finance leases) reduced by £2.8m to £14.6m resulting in net funds at 31 March 2018 of £38.2m (2017: £12.0m).

In November 2017, the Group increased its existing revolving credit facility by £30m to £60m, with HSBC Bank plc joining Lloyds Bank Plc and Barclays Bank Plc in the banking syndicate. The facility is available for general corporate purposes, including UK working capital movements, with the undrawn amount at 31 March 2018 being £58.6m the balance being allocated against guarantees.

Working capital (see table 6)

At 31 March 2018, the Group had net current assets of £0.7m (31 March 2017: net current liabilities of £28.5m) principally as a result of the increase in cash balances resulting from the share placing in April 2017.

Movements in working capital in the year were as follows:

Table 6:

	2018			2017		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	42.1	11.1	53.2	35.7	9.1	44.8
As % of COGS	7.8%	9.3%	8.1%	7.2%	11.9%	7.8%
Trade and other receivables	91.5	11.2	102.7	76.9	4.0	80.9
As a % of revenue	13.4%	9.7%	12.9%	12.2%	5.6%	11.5%
Trade and other payables	(140.9)	(15.1)	(156.0)	(129.0)	(11.2)	(140.2)
As a % of COGS	26.3%	12.7%	23.8%	26.0%	14.8%	24.5%
Net working capital	**(7.3)**	**7.2**	**(0.1)**	**(16.3)**	**1.8**	**(14.5)**
Change in net working capital	9.0	5.4	14.4	(3.7)	0.4	(3.3)

As at 31 March 2018 UK inventories were £42.1m (2017: £35.7m) reflecting an increase in sales volumes and stock build ahead of the Easter bank holiday weekend. UK average stock days decreased to 27 days (2017: 31 days).

UK trade and other receivables (both non-current and current) were £91.5 m as at 31 March 2018 (2017: £76.9m) principally 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 £140.9m (2017: £129.0m) primarily reflecting the increased inventory noted above.

At 31 March 2018, European inventories were £11.1m (2017: £9.1m) principally as a result of the increase in sales volumes in both territories during the year. Trade and other receivables increased to £11.2m (2017: £4.0m) reflecting an increase in trade particularly through new payment providers and the impact of yearly supplier agreements. Trade and other payables increased to £15.1m (2017: £11.2m) reflecting the increase in stock levels and trade.

Capital expenditure

Total capital expenditure in the year returned to levels previously experienced at £5.5m (2017: £16.9m). The expenditure in 2018 principally comprised costs in relation to our new office in Manchester, continued investment in our recycling facility in Telford and the purchase of a number of delivery vehicles in Germany. The prior year included significant expenditure in relation to our distribution centre in Bergheim, the opening of two new outbases in the UK, the initial investment to develop our recycling facility and the refresh of trailers in our logistics operation.

Going forward, the Group is assessing the possibility of further developing our recycling capabilities with an investment in a plastic recycling plant and therefore expects capital expenditure levels in the coming year to be higher than usual.

Mark Higgins
Group Chief Financial Officer
4 June 2018

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2018

	Note	31 March 2018 £m	31 March 2017 £m
Revenue	2	**796.8**	**701.2**
Cost of sales		(655.0)	(572.0)
Gross profit		**141.8**	**129.2**
Administrative expenses		(159.8)	(142.4)
Other operating income		1.8	1.2
Operating loss		**(16.2)**	**(12.0)**
Finance income	4	4.8	6.8
Finance costs	5	(2.1)	(1.8)
Loss before tax		**(13.5)**	**(7.0)**
Tax credit/(charge)	7	0.2	(0.4)
Loss for the period		**(13.3)**	**(7.4)**
Loss for the year attributable to:			
Owners of the parent company		(13.4)	(6.6)
Non-controlling interest		0.1	(0.8)
		(13.3)	**(7.4)**
Loss per share (pence)			
Basic loss per share	6	**(2.93)**	**(1.56)**
Diluted loss per share	6	**(2.92)**	**(1.55)**

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2018

	31 March 2018 £m	31 March 2017 £m
Loss for the period	(13.3)	(7.4)
Items that may be subsequently recycled to Income Statement		
Exchange differences on translation of foreign operations	(1.0)	(3.5)
Total comprehensive loss for the period	**(14.3)**	**(10.9)**
Loss for the year attributable to:		
Owners of the parent company	(14.4)	(10.1)
Non-controlling interest	0.1	(0.8)
	(14.3)	**(10.9)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Note	At 31 March 2018 £m	At 31 March 2017 £m
Non-current assets			
Goodwill		13.5	13.5
Other intangible assets		1.2	1.8
Property, plant and equipment		28.0	29.3
Trade and other receivables		47.9	39.8
Derivative financial asset		2.2	1.3
Deferred tax asset		1.7	1.8
		94.5	**87.5**
Current assets			
Inventories		53.2	44.8
Trade and other receivables		54.8	41.1
Derivative financial asset		0.2	-
Corporation tax receivable		0.2	0.2
Cash and cash equivalents	8	56.0	29.4
		164.4	**115.5**
Total assets		**258.9**	**203.0**
Current liabilities			
Bank overdraft	8	(3.1)	-
Trade and other payables		(156.0)	(140.2)
Borrowings	8	(4.2)	(3.7)
Derivative financial liability		(0.4)	-
Provisions		-	(0.1)
		(163.7)	**(144.0)**
Net current assets/(liabilities)		**0.7**	**(28.5)**
Non-current liabilities			
Borrowings	8	(10.4)	(13.7)
Derivative financial liability		(3.4)	(3.4)
Provision		(1.8)	(1.4)
Total liabilities		**(179.3)**	**(162.5)**
Net assets		**79.6**	**40.5**
Equity attributable to owners of the parent			
Share capital		1.1	1.1
Share premium account		103.7	55.7
Other reserves		5.3	1.0
Retained losses		(28.9)	(15.6)
Total		**81.2**	**42.2**
Non-controlling interest		**(1.6)**	**(1.7)**
Total equity		**79.6**	**40.5**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2018

			Other reserves								
	Share capital £m	Share premium account £m	Merger reserve £m	Capital redemption reserve £m	Share-based payments reserve £m	Translation reserve £m	Other reserve £m	Retained losses £m	**Total £m**	Non-controlling interest £m	**Total £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)**
Foreign currency gains arising on consolidation	-	-	-	-	-	(3.5)	-	-	**(3.5)**	-	**(3.5)**
Share-based payments charge net of tax	-	-	-	-	4.0	-	-	-	**4.0**	-	**4.0**
Transfer between reserves	-	-	-	-	(3.3)	-	-	3.3	**-**	**-**	**-**
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 year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	(13.4)	**(13.4)**	0.1	**(13.3)**
Share-based payments charge net of tax	**-**	**-**	**-**	**-**	5.4	-	**-**	**-**	**5.4**	-	**5.4**
Foreign currency gain on consolidation	**-**	**-**	**-**	**-**	-	(1.0)	**-**	**-**	**(1.0)**	-	**(1.0)**
Issue of shares (net of expenses)	**-**	48.0	-	**-**	-	-	-	-	**48.0**	-	**48.0**
Movement between reserves	**-**	**-**	**-**	**-**	(0.1)	-	**-**	0.1	-	-	**-**
Balance at 31 March 2018	**1.1**	**103.7**	**4.4**	**0.5**	**9.1**	**(6.6)**	**(2.1)**	**(28.9)**	**81.2**	**(1.6)**	**79.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2018

	2018 £m	2017 £m
Cash flows from operating activities		
Loss for the period	(13.3)	(7.4)
Adjustments for:		
Depreciation and amortisation	7.6	6.0
Finance income	(4.8)	(6.8)
Finance costs	2.1	1.8
Profit on disposal of property, plant and equipment	(0.1)	(0.3)
Taxation (credit)/charge	(0.2)	0.4
Increase in provisions	0.3	0.7
Share-based payment charge	5.5	4.0
Operating cash flows before movement in working capital	**(2.9)**	**(1.6)**
Increase in inventories	(8.4)	(10.3)
Increase in trade and other receivables	(21.5)	(13.3)
Increase in trade and other payables	17.1	28.9
Total movement in working capital	**(12.8)**	**5.3**
Taxation received/(paid)	0.3	(0.2)
Cash (used in)/generated from operating activities	**(15.4)**	**3.5**
Cash flows from investing activities		
Interest received	-	0.2
Proceeds from sale of property, plant and equipment	0.1	0.9
Acquisition of property, plant and equipment	(4.8)	(5.7)
Acquisition of intangible assets	(0.5)	(0.3)
Cash used in investing activities	**(5.2)**	**(4.9)**
Cash flows from financing activities		
Movement in bank overdraft	3.1	-
Proceeds from new borrowings	1.1	2.1
Interest paid	(1.0)	(1.1)
Repayments of borrowings	(0.9)	(0.4)
Payment of finance lease liabilities	(3.2)	(3.4)
Proceeds from issue of new shares	50.0	-
Costs in relation to share issue	(1.9)	-
Net cash from (used in) financing activities	**47.2**	**(2.8)**
Net increase/(decrease) in cash	**26.6**	**(4.2)**
Cash and cash equivalents at beginning of period	**29.4**	**33.4**
Exchange gains on cash & cash equivalents	-	0.2
Cash and cash equivalents at end of period	**56.0**	**29.4**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The financial information has been prepared under International Financial Reporting Standards (IFRSs) issued by the IASB and as adopted by the European Union (EU).

Whilst the financial information included in this preliminary announcement has been prepared in accordance with the recognition and measurement criteria of International Financial Reporting Standards (IFRSs), this announcement does not itself contain sufficient information to comply with IFRSs.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2018 or 2017, but is derived from those accounts. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those for 2018 will be delivered following the Company's Annual General Meeting. The auditor has reported on those accounts; the report was unqualified, did not draw attention to any matters by way of emphasis and did not contain statements under section 498(2) or (3) Companies Act 2006.

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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period of not less than 12 months from the date of this Report. This takes into consideration 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 financial statements.

Non statutory measures

One of the Group's key performance indicators is Adjusted EBITDA as defined in page 3. EBITDA is adjusted for one off items that do not reflect the underlying trading of the business. Such adjustments are:

- ***Exceptional share-based payment charges***
  LTIP awards were made to a number of senior staff under the Performance Share Plan at the time of the Company's IPO in 2014 and also under the Employee Reward Plan (ERP) in July 2016. The Board considers that the magnitude and timing of these awards are exceptional 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 exceptional in nature are not adjusted for.
- ***Exceptional restructuring costs***
  During the year, and following the appointment of Steve Caunce as Group CEO, the Group has undertaken a restructure of its executive team. The cost of this restructure, including the impact of the acceleration of certain share option charges, is considered to be one-off in nature due to its size and timing, and has therefore been added back in arriving at Adjusted EBITDA.
- ***Europe set-up costs***
  These are costs incurred in connection with our European expansion strategy and our continuing research into other further countries along with strategic post "go-live" costs.

2. Revenue

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

Year ended 31 March (£m)	2018	2017
Own website sales	722.3	629.4
Third-party website sales and trade sales	46.7	46.0
Other sales	27.8	25.8
	796.8	**701.2**

Year ended 31 March (£m)		2018			2017	
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
Product sales	593.9	114.3	708.2	552.5	67.7	620.2
Service sales	86.9	1.7	88.6	77.2	3.8	81.0
	680.8	**116.0**	**796.8**	**629.7**	**71.5**	**701.2**

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 has 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.

a. Income statement

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

Year ended 31 March (£m)		2018			2017	
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	606.6	115.7	722.3	557.9	71.5	629.4
Third-party website sales	46.5	0.2	46.7	46.0	-	46.0
Other sales	27.7	0.1	27.8	25.8	-	25.8
Total revenue	**680.8**	**116.0**	**796.8**	**629.7**	**71.5**	**701.2**
Cost of sales	(536.2)	(118.8)	(655.0)	(496.5)	(75.5)	(572.0)
Gross profit/(loss)	**144.6**	**(2.8)**	**141.8**	**133.2**	**(4.0)**	**129.2**
Administrative expenses	(134.3)	(25.5)	(159.8)	(118.6)	(23.8)	(142.4)
Other operating income	1.3	0.5	1.8	1.1	0.1	1.2
Operating profit/(loss)	**11.6**	**(27.8)**	**(16.2)**	**15.6**	**(27.6)**	**(12.0)**
Finance income	4.0	0.8	4.8	3.3	3.5	6.8
Finance cost	(2.0)	(0.1)	(2.1)	(1.7)	(0.1)	(1.8)
Profit/(loss) before tax	**13.6**	**(27.1)**	**(13.5)**	**17.2**	**(24.2)**	**(7.0)**
Tax (credit)/charge/	0.4	(0.2)	0.2	(0.5)	0.1	(0.4)
Profit/(loss) after tax	**14.0**	**(27.3)**	**(13.3)**	**16.7**	**(24.1)**	**(7.4)**

The Group uses alternative performance measures which are not defined within IFRS, as well as IFRS measures. One of these is adjusted EBITDA which is defined in note 1

The reconciliation of operating profit/(loss) to Adjusted EBITDA is as follows:

	2018			2017		
£m	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Operating profit/(loss)	**11.6**	**(27.8)**	**(16.2)**	**15.6**	**(27.6)**	**(12.0)**
Depreciation	4.9	1.7	6.6	4.3	1.0	5.3
Amortisation	0.9	0.1	1.0	0.6	0.1	0.7
Profit on disposal	-	(0.1)	(0.1)	(0.3)	-	(0.3)
EBITDA	**17.4**	**(26.1)**	**(8.7)**	**20.1**	**(26.5)**	**(6.4)**
Share-based payments charge attributable to exceptional LTIP awards	3.5	-	3.5	3.6	-	3.6
Europe set-up costs	0.3	-	0.3	0.7	-	0.7
Executive restructuring costs	1.4	0.1	1.5	-	-	-
Adjusted EBITDA	**22.6**	**(26.0)**	**(3.4)**	**24.4**	**(26.5)**	**(2.1)**

b. Geographical analysis

Revenue by location is the same as that shown in section (a) by reportable segment. Information on non-current assets and share based payments by geographical location is shown in section (c).

c. Other information

	Additions				
2018 (£m)	**Intangible assets**	**PP&E**	**Depreciation**	**Amortisation**	**Profit on disposal**
UK	0.5	4.2	4.9	0.9	-
Europe	-	0.8	1.7	0.1	(0.1)
	0.5	**5.0**	**6.6**	**1.0**	**(0.1)**

	Additions				
2017 (£m)	**Intangible assets**	**PP&E**	**Depreciation**	**Amortisation**	**Profit on disposal**
UK	0.2	14.1	4.3	0.6	(0.3)
Europe	-	2.6	1.0	0.1	-
	0.2	**16.7**	**5.3**	**0.7**	**(0.3)**

Due to the nature of its activities, the Group is not reliant on any individual major customers or group of customers.

No analysis of the assets and liabilities of each operating segment is provided to the Chief Operating Decision Maker in the monthly board presentation, therefore no measure of segmental assets or liabilities is disclosed in this note.

4. Finance income

Year ended 31 March (£m)	**2018**	**2017**
Bank interest	-	0.2
Foreign exchange gains on intra-Group loans	1.1	4.4
Movement in valuation of put and call option	1.8	0.5
Unwind of discounting on long term receivables	1.9	1.7
Total	**4.8**	**6.8**

5. Finance costs

Year ended 31 March (£m)	2018	2017
Interest on obligations under finance leases	0.5	0.5
Finance costs in relation to debt	0.4	0.6
Movement in valuation of put and call option	1.1	0.7
Other interest	0.1	-
Total	**2.1**	**1.8**

6. Loss per share

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

Year ended 31 March (£m)	2018	2017
Loss		
Loss for the purposes of basic and diluted earnings per share being loss attributable to the owners of the parent company	(13.4)	(6.6)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic loss per share	458,788,480	421,052,631
Potentially dilutive shares options	1,885,206	1,337,071
Weighted average number of diluted ordinary shares	460,673,686	422,389,702
Loss per share (pence)		
Basic loss per share	(2.93)	(1.56)
Diluted loss per share	(2.92)	(1.55)

Adjusted loss per share

The basic loss per share is positively affected by foreign exchange gains arising from intra-group funding arrangements therefore an adjusted loss per share has been calculated below excluding this impact. 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. This has impacted the value of intra-group loans held in GBP in the European entities giving rise to the £1.1m (2017: £4.4m) gain referenced below.

Year ended 31 March (£m)	2018	2017
Loss		
Loss attributable to owners of the parent company	(13.4)	(6.6)
Foreign exchange gains on intra-group loans	(1.1)	(4.4)
Adjusted loss attributable to owners of the parent company	(14.5)	(11.0)
Number of shares		
Basic, and adjusted weighted average number of ordinary shares	458,788,480	421,052,631
Potentially dilutive shares options	1,885,206	1,337,071
Weighted average number of diluted ordinary shares	460,673,686	422,389,702
Loss per share (in pence)		
Basic loss per share	**(2.93)**	**(1.56)**
Diluted loss per share	**(2.92)**	**(1.55)**
Adjusted basic loss per share	**(3.16)**	**(2.62)**

7. Taxation

Year ended 31 March (£m)	2018	2017
Corporation tax:		
Current year	-	0.6
Adjustments in respect of prior years	(0.2)	-
	(0.2)	**0.6**
Deferred tax		
Current year	(0.3)	(0.2)
Adjustments in respect of prior years	0.3	-
Total tax (credit)/ charge	**(0.2)**	**0.4**

Corporation tax is calculated at 19% (2017: 20%) of the taxable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

The credit for the year can be reconciled to the loss in the income statement as follows:

Year ended 31 March (£m)	2018	2017
Loss before tax on continuing operations	(13.5)	(7.0)
Tax at the UK corporation tax rate of 19% (2017: 19%)	(2.6)	(1.4)
Ineligible expenses	0.3	0.3
Income not taxable	(0.5)	(0.8)
Movement in unrecognised tax	2.0	1.7
Difference in overseas and UK tax rates	(0.3)	(0.3)
Impact of difference in current and deferred tax rates	-	0.1
Share based payments	0.8	0.8
Prior period adjustments	0.1	-
Tax (credit)/ charge for the year	**(0.2)**	**0.4**

8. Net Funds

	2018 £m	2017 £m
Cash and cash equivalents at year end	56.0	29.4
Bank Overdraft	(3.1)	-
Net cash and cash equivalents at year end	52.9	29.4
Borrowings – Repayable within one year	(4.2)	(3.7)
Borrowings – Repayable after one year	(10.4)	(13.7)
Net funds	**38.3**	**12.0**

Movement in financial liabilities in the year was as follows:

	Bank loans	Finance leases liabilities
	£m	£m
Balance at 1 April 2017	**4.3**	**13.1**
Changes in financing cash flows		
Proceeds from new loans	1.1	-
Repayment of bank loans	(0.9)	(3.2)
Repayment of finance lease liabilities	-	-
Total changes from financing cash flows	**0.2**	**(3.2)**
Other changes		
New finance leases	-	0.1
Exchange differences	0.1	-
Total other changes	**0.1**	**0.1**
Balance at 31 March 2018	**4.6**	**10.0**

At 31 March 2018, AO Limited, a direct subsidiary of AO World Plc, had undrawn amounts on its Revolving Credit Facility of £58.6m. The total facility is £60m (increase of £30m in the prior year following the addition of HSBC Bank plc to, and increases in Barclays Bank plc and Lloyds Bank plc holdings in, the facility in November 2017). The amount drawn at the year end was in relation to letters of credit. The Revolving Credit Facility expires in June 2021.

Ends