AO WORLD PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 31 MARCH 2016

CONTINUING TO GROW MARKET SHARE AND DELIVER OUR STRATEGY

AO World plc ("the Company" or "AO"), a leading European online electrical retailer, today announces its audited financial results for the year ended 31 March 2016.

Financial Highlights[1]

- Total revenue for the period increased by 25.7% to £599.2m (2015: £476.7m) as UK growth continued and the German business gained traction with customers.
    - AO website sales[2] for the UK[3] up 27.7% to £487.1m (2015: £381.5m), with total UK revenue up 18.6% to £558.5m (2015: £470.8m); a further gain in market share.
    - Europe[4] revenue for the year was £40.7m/€55.6m (2015: £5.9m/€7.7m).
- Group operating loss of £10.6m (2015: £2.2m) as previously guided reflecting investment and trading losses incurred in Germany and start-up costs in other European territories of £2.3m (2015: £4.3m).
- UK Adjusted EBITDA[5] of £17.2m (2015: £16.5m), with UK Adjusted EBITDA margin[6] of 3.1% (2015: 3.5%) due to investment in marketing to increase brand awareness and investment in overheads to drive further margin growth in the medium term.
- Europe Adjusted EBITDA losses of £21.1m (2015: £8.0m) representing trading losses in our European territories from launch bringing Group Adjusted EBITDA losses to £3.9m (2015: £8.5m EBITDA). The Group was profitable on an Adjusted EBITDA basis in the second half of the year.
- Group net funds position[7] as at 31 March 2016 was £25.4m (2015: £37.9m), with cash being £33.4m (2015: £44.9m). Since year end the Group has entered into a five year £30m revolving credit facility with Lloyds Bank plc and Barclays Bank plc for UK working capital purposes.
- Loss per share of 1.44p (2015: 0.60p).

Operational Highlights

- The consistent focus we place on delivering amazing customer service along with the investment we have been making in our brand continues to deliver huge benefits to the business:
    - Our UK business was jointly awarded "Best Online Shop" by Which? in October 2015.
    - UK NPS[8] remains excellent at over 80 with AO.de higher still.
    - Both spontaneous and prompted brand awareness have improved during the year in both the UK and Europe, demonstrating the success of both our proposition and our approach to marketing, representing a significant asset going forward.
    - Repeat business metrics continue to improve across both segments.
    - Deepening relationships with suppliers in the UK and improving buying terms in Europe as the business scales.
- All our current categories are growing market share and we will be introducing the computing category to AO.com during the current financial year.

- AO.de is gaining traction with customers and early indications for AO.nl, our Netherlands business launched in March 2016, are very encouraging.

Outlook

Trading in the current financial year has started well.

In the UK our expectations for revenue for the current financial year are between £630m to £650m and we expect Adjusted EBITDA to be slightly ahead of current consensus, in the range of £21m – £25m. In Europe (Germany and the Netherlands) we will focus on driving efficiencies until our new regional distribution centre in Bergheim is fully operational (expected Autumn 2016), as we guided in our pre-close announcement. We expect European revenue to be in the range of €90m - €110m and Adjusted EBITDA losses to be between €26m and €30m for the year.

Whilst we are mindful of the recent softening of UK consumer confidence and the recent reduction in property transactions, and in Europe we are in still in a start-up phase, the Board remains confident in the long-term prospects of the Group.

Commenting on these results, John Roberts, Chief Executive Officer said:

"It's been another year of great progress for AO. We have continued on our journey to become the best electrical retailer in Europe, having grown our market share in all our categories and expanded the AO brand into our next country, the Netherlands.

We are growing the business as fast as we can safely; expanding in our chosen categories and countries, whilst keeping a tight grip on our culture. Improving our brand awareness has been a key focus over the last year and this has increased significantly following successful investment in marketing; helping us attract new customers and improving repeat business metrics. Our customer proposition remains strong - our unbeatable prices, huge range and amazing service mean our customer satisfaction levels remain exceptional and we will continue to focus on this as we broaden into new categories. Our launch into computing this year will bring AO's amazing customer service to even more people and you'll see us take a different approach to the traditional 'feature-led' way of selling this category, to the benefit of all customers. Computing is a natural extension of our current categories and there is good potential for cross-selling to our existing customer base, making it an exciting opportunity for the business.

Online shopping seems now to be widely accepted, driven by technological advances, improving connectivity and cultural generational change. AO offers a simply better customer journey, executed brilliantly by a brand and team that customers and suppliers trust and, as a result, we are well placed to deliver sustainable long-term growth.

I would like to thank every single AO'er for their passion and dedication over the year and look forward to working together to grow the business further in the year ahead."

Webcast details

A results presentation hosted by John Roberts, Steve Caunce and Mark Higgins for analysts and investors will be held today, 8 June 2016 at 9:30am (GMT) at J.P. Morgan, 1 John Carpenter Street, London, EC4Y 0JP. 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 where the results presentation can also be viewed.[9]

For further information, please contact:

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[1] The highlights are for the year ended 31 March 2016 and the comparative 2015 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, net finance costs, "adjustments" and exceptional items. Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges/credits attributable to exceptional LTIP awards which the board considers one-off in nature.
[6] Adjusted EBITDA margin is defined by the Group as Adjusted EBITDA divided by revenue.
[7] Net funds are defined by the Group as cash as per the consolidated statement of financial position less borrowings.
[8] NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.
[9] The content of the AO.com website should not be considered to form a part of or be incorporated into this announcement.

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 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 2016			31 March 2015			*Change*		
	UK	Europe[2]	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
AO website sales	487.1	40.7	527.8	381.5	5.9	387.4	*27.7%*	*596.9%*	*36.2%*
Third-party website sales	53.6	-	53.6	70.3	-	70.3	*-23.7%*	*n/a*	*-23.7%*
Third-party logistics services	17.8	-	17.8	19.0	-	19.0	*-6.5%*	*n/a*	*-6.5%*
Revenue	558.5	40.7	599.2	470.8	5.9	476.7	*18.6%*	*596.9%*	*25.7%*
Adjusted EBITDA[3]	17.2	(21.1)	(3.9)	16.5	(8.0)	8.5	*4.6%*	*165.2%*	*n/a*
Adjusted EBITDA margin[4]	3.1%	-51.9%	-0.7%	3.5%	-137.1%	1.8%	*-0.4ppts*	*+84.9ppts*	*-2.4ppts*
Adjusted operating profit/(loss)[5]	13.1	(21.8)	(8.7)	12.8	(8.2)	4.6	*2.5%*	*167.3%*	*n/a*
Adjustments[6]									
Europe set-up costs[7]	(1.1)	(1.2)	(2.3)	(1.5)	(2.8)	(4.3)	*-22.9%*	*-58.8%*	*-46.6%*
Non-cash share-based payment credit/(charge) [8]	0.4	-	0.4	(2.5)	-	(2.5)	*-115.3%*	*n/a*	*-115.3%*
Operating profit/(loss)	12.4	(23.0)	(10.6)	8.8	(11.0)	(2.2)	*40.5%*	*109.5%*	*177.4%*
Loss per share									
Basic loss per share (pence)			(1.44)			(0.60)			*140.0%*
Cash flow									
Cash (absorbed)/ generated from operating activities	(7.0)	3.4	(3.6)	(0.7)	2.0	1.3	*969.6%*	*76.4%*	*n/a*
Cash generated/ (absorbed) from operating activities before intercompany funding[9]	2.4	(20.4)	(18.0)	12.8	(11.5)	1.3	*-81.2%*	*78.1%*	*n/a*
Period end net funds/(debt) position[10]	26.7	(1.3)	25.4	38.9	(1.0)	37.9	*-31.5%*	*25.9%*	*-33.0%*

[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] Adjusted EBITDA is defined by the Group as profit/(loss) before tax, depreciation, amortisation, net finance costs, adjustments and exceptional items.
[4] Adjusted EBITDA margin is defined by the Group as Adjusted EBITDA divided by revenue.
[5] Adjusted operating profit/(loss) is defined by the Group as profit/loss before tax, net finance costs, "adjustments" and exceptional items but after depreciation and amortisation.
[6] Adjustments is defined by the Group as set-up costs relating to overseas expansion and share-based payment charges or credit attributable to exceptional LTIP awards which the board considers one-off in nature.
[7] Relates to Europe set-up costs incurred by Group entities in the UK and Europe.
[8] Share-based payment charges or credit attributable to exceptional LTIP awards which the board considers one-off in nature.
[9] This eliminates the intercompany funding provided by the UK to Europe.
[10] Net funds/(debt) are defined as cash as per the consolidated statement of financial position less borrowings.

FINANCIAL AND BUSINESS REVIEW

Revenue

For the year ended 31 March 2016 total Group revenue increased by 25.7% to £599.2m (2015: £476.7m). Year on year growth in the first quarter of the year was less than our expectations as previously announced. Growth improved in the remaining quarters to the level we expected as we moved to more normalised comparisons.

	2016			**2015**			***Change***		
Year ended 31 March (£m) [1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
AO Website Sales	487.1	40.7	527.8	381.5	5.9	387.4	*27.7%*	*596.9%*	*36.2%*
Third-party Website	53.6	-	53.6	70.3	-	70.3	*-23.7%*	*n/a*	*-23.7%*
Third-party Logistics	17.8	-	17.8	19.0	-	19.0	*-6.5%*	*n/a*	*-6.5%*
Revenue	**558.5**	**40.7**	**599.2**	**470.8**	**5.9**	**476.7**	***18.6%***	***596.9%***	***25.7%***

[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.

Revenue growth in the UK during the year was largely attributable to the performance of our AO website which experienced a strong increase of 27.7% to £487.1m (2015: £381.5m). This was driven by our improving brand recognition, the continued migration of consumers to the online channel, and our commitment to exceptional levels of customer service which continues to stimulate repeat business and attract new customers.

Our UK product range now stands at nearly 5,500 stock keeping units (SKUs) across our major domestic appliance (“MDA”), audio-visual (“AV”) and small domestic appliance (“SDA”) categories. In our MDA category we continue to offer one of the broadest ranges in the market and are able to deliver most next day. Sales in our AV category have increased, helped by a wider product range, including premium models with cutting-edge technologies and some exclusive branded products. We have also made good progress in our SDA category, in particular with floor care and also the introduction of Heating and Air Treatment products, which have performed well.

Sales from our German website, AO.de, and also our Netherlands website AO.nl (which were delivered from 1 March 2016) totalled revenue of £40.7m (2015: £5.9m). Our range and proposition continues to evolve and during the year we commenced selling a range of Floor-care products on AO.de.

AO branded website sales (including AO.com, AO.de, AO.nl and AO branded eBay shops) now account for 88.1% of total Group revenue (2015: 81.3%).

Sales from third-party websites in the UK reduced to £53.6m (2015: £70.3m) as our focus remains on promoting the AO.com brand. Consequently AO branded sales eroded the market share of some of our partners. As previously announced, the loss of a third-party logistics contract in the latter half of the previous financial year, coupled with the share gains of AO impacted the performance of our UK third party logistics services which experienced a 6.5% reduction in revenue to £17.8m (2015: £19.0m). The fall in third party logistics revenue was offset, to a degree, by a short term logistics contract in the last quarter of the year.

“AO Website Sales” and, for the UK, “Third Party Website Sales” include revenue earned from the sale of physical products and also ancillary services such as delivery, installation, unpack and inspect and recycling, together with commission earned from the promotion of Domestic and General’s product protection plans and, in the UK, customer finance.

Gross Margin

Year ended 31 March (£m) [1]	2016 UK	2016 Europe	2016 Total	2015 UK	2015 Europe	2015 Total	*Change UK*	*Change Europe*	*Change Total*
Gross profit/(loss)	110.8	(4.9)	105.9	89.7	(2.1)	87.6	*23.5%*	*134.3%*	*20.9%*
Gross margin	19.8%	-12.1%	17.7%	19.0%	-36.1%	18.4%	*+0.8ppts*	*+24.0ppts*	*-0.7ppts*

[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 margin for the Group, which includes product margin, delivery costs, commissions from selling product protection plans and other ancillaries decreased to 17.7% for the reporting period. This was a reduction of 0.7ppts against the prior year although gross profit grew by 20.9% to £105.9m.

In the UK gross margin increased to 19.8% (2015: 19.0%). A small increase in MDA margin combined with the opening of additional out-bases masked the dilutive effect of AV product margin, which is likely to have an increased effect going forward as the AV category takes an increasing share of the overall UK business. In the UK the contribution from ancillary services increased slightly with additional next day delivery charges. The contribution relative to revenue from other ancillary services including product protection plans remained consistent with the previous year.

In Europe the gross loss of £4.9m (and a margin of -12.1%) reflected the early purchasing prices achieved in that operation, which are significantly behind those enjoyed in the UK. Whilst our European delivery volumes are comparatively small the drop densities of our routes mean that individual delivery costs are high, reflecting the start-up nature of the operation. Product margin remains a challenge in this market but we are encouraged by the progress we made in the second half of the financial year. During the period we commenced selling the AO Schutz+ protection policy, where we again have partnered with Domestic and General to provide a market-leading protection plan which should contribute to margin in the long-term.

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

Total Group administrative expenses increased over the year by £26.7m (29.8%) to £116.5m (2015: £89.8m). Of this increase, £9.2m was attributable to administrative expenses incurred in connection with our European expansion. UK administrative expenses for the year to 31 March 2016 increased by 21.7% to £98.4m (2015: £80.9m). The UK cost includes £1.1m which was incurred in connection with the set-up of new European territories.

Year ended 31 March (£m) [1]	2016 UK	2016 Europe	2016 Total	2015 UK	2015 Europe	2015 Total	*Change % UK*	*Change % Europe*	*Change % Total*
Advertising and Marketing	24.2	6.2	30.4	19.5	1.9	21.4	*24.2%*	*226.8%*	*42.2%*
% of sales	*4.3%*	*15.3%*	*5.1%*	*4.1%*	*32.5%*	*4.5%*			
Warehousing	21.1	2.2	23.3	16.8	1.2	18.0	*25.3%*	*90.4%*	*29.5%*
% of sales	*3.8%*	*5.5%*	*3.9%*	*3.6%*	*20.1%*	*3.8%*			
Other Admin	52.4	8.5	60.9	40.7	3.0	43.7	*29.0%*	*182.9%*	*39.5%*
% of sales	*9.4%*	*20.8%*	*10.2%*	*8.6%*	*51.1%*	*9.2%*			
Adjustments[2]	0.7	1.2	1.9	3.9	2.8	6.8	*-81.6%*	*-58.8%*	*-72.1%*
% of sales	*0.1%*	*2.8%*	*0.3%*	*0.8%*	*48.0%*	*1.4%*			
Administrative expenses	**98.4**	**18.1**	**116.5**	**80.9**	**8.9**	**89.8**	*21.7%*	*103.6%*	*29.8%*
% of sales	17.6%	44.4%	19.4%	17.2%	151.8%	18.8%			

[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 set-up costs relating to overseas expansion and share-based payment charges attributable to exceptional LTIP awards which the Board considers one-off in nature.

The increase in UK advertising and marketing expenditure as a percentage of sales from 4.1% to 4.3% year on year reflects the increase investment in the marketing of the AO brand, particularly via an increased television advertising campaign throughout the year. Going forward we intend to continue to grow and develop the brand, which in time should reduce our direct marketing costs (particularly traffic acquisition) as a percentage of sales. Branded traffic has increased and we have seen spontaneous awareness jump from c. 15% at the end of last year to c. 25% in recent months, with prompted brand awareness making similar progress. Repeat customers continue to be on the increase as are the number of new customers we are attracting to the brand.

UK “Other” administrative expenses increased by £11.7m to £52.4m (2015: £40.7m) and as a percentage of sales they increased to 9.4% (2015: 8.6%). We have invested in strengthening our UK category teams, both for short term margin and longer term category planning. We have also increased our software development team to serve both the UK and Europe. As previously explained, the greater than usual variance in volumes recorded in the first two quarters of the year caused some cost inefficiencies.

In our Europe segment our SG&A costs, as a percentage of sales, reflect the start-up nature of the operation. For the year the costs represented 44.4% of sales (2015: 151.8%) and as volumes have increased across the year these have fallen as a percentage of monthly sales. We would expect these costs to be leveraged by growth as the business increases in scale.

Adjusted EBITDA

When reviewing profitability, the Directors use an adjusted measure of EBITDA in order to give a meaningful year on year comparison.

Group Adjusted EBITDA loss was £3.9m (2015: £8.5m EBITDA) after allowing for £21.1m of Europe Adjusted EBITDA losses.

UK Adjusted EBITDA for the 12 months to 31 March 2016 was £17.2m (2015: £16.5m) representing an increase of 4.6% against the prior year. This increase resulted from an improvement in sales and gross margin offset by an increase in administrative expenses. As explained at the time of our interims, growth during the first quarter of the year fell below our projections and caused some inefficiencies within our logistics and call centre operations which had been planned for higher levels of revenue. During the second half of the year growth returned to the rates we had expected which corresponded to the cost base of the business.

	2016			**2015**			***Change***		
Year ended 31 March (£m) [1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Operating profit/(loss)	**12.4**	**(23.0)**	**(10.6)**	**8.8**	**(11.0)**	**(2.2)**	***40.5%***	***109.5%***	***381.6%***
Add adjustments:									
Europe set-up costs [2]	1.1	1.2	2.3	1.5	2.8	4.3	*-22.9%*	*-58.8%*	*-46.6%*
Non-cash share based payment (credit)/charge [3]	(0.4)	-	(0.4)	2.5	-	2.5	*-115.3%*	*n/a*	*-115.3%*
Adjusted operating profit/(loss)	**13.1**	**(21.8)**	**(8.7)**	**12.8**	**(8.2)**	**4.6**	***2.6%***	***-167.3%***	***n/a***
Add: Depreciation and amortisation	4.1	0.7	4.8	3.7	0.2	3.9	*12.0%*	*273.2%*	*22.7%*

Year ended 31 March (£m)[1]	2016 UK	2016 Europe	2016 Total	2015 UK	2015 Europe	2015 Total	*Change* *UK*	*Change* *Europe*	*Change* *Total*
Adjusted EBITDA	**17.2**	**(21.1)**	**(3.9)**	**16.5**	**(8.0)**	**8.5**	***4.6%***	***165.2%***	***n/a***
Adjusted EBITDA as % of sales	3.1%	-51.9%	-0.7%	3.5%	-137.1%	1.8%	*-0.4ppts*	*-84.9pts*	*-2.4ppts*

[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.
[2]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.
[3]At the time of the IPO, LTIP awards were made to a number of senior staff. The Board considers that the magnitude and timing of these awards are one-off in nature and so add -back any charge/(credit) in arriving at Adjusted EBITDA. The reduction in the add back for 2016 reflects the cumulative adjustment to the LTIP charge based on the assessment of the achievement of certain performance criteria.

Taxation

The tax credit for the year was £0.6m (2015: £0.4m). The effective rate of tax for the year was 9.2% (2015: 12.6%).

The Group is subject to taxes in the UK, Germany and the Netherlands. Through its registered branch structure in Germany, it is able to fully offset its German losses against profits in the UK. Due to the start-up nature and losses in Germany and the Netherlands, no overseas tax was attributable to the period.

Retained Losses and Loss per Share

Retained loss for the year was £6.1m (2015: £2.5m) after taking into account the impact of the adjustments noted in the table above. Loss per share was 1.44p (2015: 0.60p). This reflects the investment and losses incurred in the European segment of the business.

Cash resources and cash flow

Year end net funds position was £25.4m (2015: £37.9m), as cash decreased to £33.4m (2015: £44.9m) principally reflecting the loss for the year and capital expenditure in the UK and investment in overseas territories, while total borrowings (comprising asset finance and equivalent) increased to £8.0m from £7.0m in 2015. Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

The Group has recently put in place a revolving credit facility of £30m with Lloyds Bank plc and Barclays Bank plc in order to fund UK working capital movements in future.

The Group's cash outflow from operating activities was £3.5m (2015: £1.3m inflow).

Working Capital

Year ended 31 March (£m)[1]	2016 UK	2016 Europe	2016 Total	2015 UK	2015 Europe	2015 Total
Inventories	30.9	3.1	34.0	28.9	2.6	31.5
As % of COGS	*6.9%*	*6.8%*	*6.9%*	*7.6%*	*32.1%*	*8.1%*
Trade and other receivables	59.3	4.6	63.9	44.9	2.5	47.4
As a % of revenue	*10.6%*	*11.2%*	*10.7%*	*9.5%*	*42.3%*	*9.9%*
Trade and other payables	(102.8)	(6.3)	(109.0)	(82.2)	(4.4)	(86.6)
As a % of COGS	*23.0%*	*13.7%*	*22.1%*	*21.6%*	*55.3%*	*22.3%*
Net working capital	**(12.6)**	**1.4**	**(11.2)**	**(8.4)**	**0.6**	**(7.8)**
Change in net working capital	4.2	(0.8)	3.4	5.5	0.6	6.2

[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 31 March 2016, the Group had net current liabilities of £9.5m (31 March 2015: net current assets of £17.8m) principally as a result of (i) working capital management with the Group's suppliers and (ii) a reduction in cash which was used to fund losses in the Europe segment. As at 31 March 2016 UK inventories were £30.9m (2015: £28.9m) reflecting an increase in sales volumes and an increase in our stock-holding to support the AV category which is generally only bought in bulk loads. As a result UK average stock days increased to 29 days (2015: 27 days).

UK trade and other receivables (both non-current and current) were £59.3m as at 31 March 2016 (2015: £44.9m) 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 £102.8m (2015: £82.2m) reflecting increased trade and manufacturers continuing to extend credit on the higher volume of sales.

Capital Expenditure

Total capital expenditure for the year was £8.7m (2015: £7.6m).

We have strengthened our logistics infrastructure, by adding two further outbases to our UK operations bringing our total to ten. These sites, one in Basildon, Essex and the other in Heywood, North Manchester will help ensure resilience in our delivery network and maintain product availability for our customers when they want it. We have also made a number of changes to our fleet to drive further efficiencies. We added 20 new mega double-decker trailers which give us increased capacity and we also added 30 new 3.5 tonne "Hi-Cube" trucks to our home delivery fleet. These trucks are lighter and have a greater space and weight capacity than our previous fleet and also help to mitigate the 7.5 tonne vehicle driver shortage issue which arose in the industry following changes in legislation in 2015.

In June 2015 we committed to the construction of a brand new European regional office and distribution centre in Bergheim of 35,000 square metres. As well as serving customers in Germany, it will enable us to service additional neighbouring countries. Construction is on track and we expect the warehouse to be operational from this summer with the office following in the autumn when we will look to accelerate volume growth. The additional product volumes from the Netherlands will also increase volumes processed in Germany, helping it leverage the fixed assets and resources and move faster towards a break-even position. During the year we also established a further outbase on the outskirts of Frankfurt and expect to increase infrastructure in line with the growth in sales volumes to optimise availability for our customers and ensure our service levels are maintained.

End to End Control

In November 2015 we acquired a majority equity stake in The Recycling Group Limited, our product recycling partner. We would expect this to become a wholly owned subsidiary in the fullness of time. This investment secures a WEEE (Waste Electrical & Electronic Equipment) processing facility for the Group and gives us control in ensuring that waste is dealt with responsibly. In the long-term this will allow us to benefit from efficiencies in product recycling costs.

Non-financial KPIs

In the UK, our Net Promoter Score (an industry measure of customer loyalty and satisfaction) remains at an exceptionally high level of over 80 and our repeat purchase metrics continue their upward trend. We are encouraged by the growth in the volume of new customers and look forward to the repeat business these customers will bring. Our Deliver-To-Promise rate ("DTP") – which represents the average monthly number of deliveries made successfully, on the customer's first chosen delivery date and with the desired or higher specification product at no extra cost – remained outstanding.

We are delighted by the feedback we have received so far from our customers in our new territories. As at 1 June we ranked an "excellent" 9.6 on Trustpilot for both AO.de and AO.nl respectively and already repeat customer metrics are very encouraging. This is particularly pleasing given the relatively short amount of time we have been trading in these countries, especially the Netherlands. Additionally our NPS and DTP scores have been consistently high.

These metrics highlight that we are continuing to offer an unbeatable customer proposition through the use of bespoke technology and end to end supply management. This will build customer loyalty to drive our revenue and profitability.

During the reporting period, we won a number of awards, including being awarded joint best online shop by Which?. These awards demonstrate the continued industry wide recognition that we are 100% focused on and committed to the needs and wants of our customers. Our customers love us and they are returning faster and buying across categories.

Culture

Underpinning our performance is our culture. Towards the end of last year we documented our five core values to ensure consistency as our international footprint increases. As more and more people join the business it is critical that we do not lose sight of our values and we are delighted by our success in translating and replicating our culture in both Germany and the Netherlands. It is this culture and these values that have helped AO become the brand that customers love in all the markets in which we operate.

John Roberts	**Steve Caunce**	**Mark Higgins**
CEO	COO	CFO

8 June 2016

CONDENSED CONSOLIDATED INCOME STATEMENT

For the year ended 31 March 2016

	Note	31 March 2016 £m	31 March 2015 £m
Revenue	2	**599.2**	**476.7**
Cost of sales		(493.3)	(389.1)
Gross profit		**105.9**	**87.6**
Administrative expenses		(116.5)	(89.8)
Operating loss		**(10.6)**	**(2.2)**
Finance income	4	4.2	0.3
Finance costs	5	(0.3)	(1.0)
Loss before tax		**(6.7)**	**(2.9)**
Tax	7	0.6	0.4
Loss for the period		**(6.1)**	**(2.5)**
Loss for the year attributable to:			
Owners of the parent company		(6.0)	(2.5)
Non-controlling interest		(0.1)	0.0
		(6.1)	(2.5)
Loss per share (pence)			
Basic and diluted loss per share (in pence per share)	6	**(1.44)**	(0.60)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2016

	31 March 2016 £m	31 March 2015 £m
Loss for the period	(6.1)	(2.5)
Items that may be subsequently recycled to Income Statement		
Exchange differences on translation of foreign operations	(2.5)	0.4
Total comprehensive loss for the period	**(8.6)**	**(2.1)**
Loss for the year attributable to:		
Owners of the parent company	(8.5)	(2.1)
Non-controlling interest	(0.1)	-
	(8.6)	**(2.1)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2016

	At 31 March 2016 £m	At 31 March 2015 £m
Non-current assets		
Goodwill	13.5	12.2
Other intangible assets	2.1	2.1
Property, plant and equipment	18.0	13.5
Trade and other receivables	29.5	17.1
Derivative financial asset	0.8	-
Deferred tax asset	1.5	0.8
	65.4	**45.7**
Current assets		
Inventories	34.0	31.5
Trade and other receivables	34.4	30.3
Corporation tax receivable	0.7	0.7
Cash and cash equivalent	33.4	44.9
	102.5	**107.4**
Total assets	**167.9**	**153.1**
Current liabilities		
Trade and other payables	(109.0)	(86.7)
Borrowings	(2.2)	(2.1)
Provisions	(0.8)	(0.8)
	(112.0)	**(89.6)**
Net current (liabilities)/assets	**(9.5)**	**17.8**
Non-current liabilities		
Borrowings	(5.8)	(4.9)
Derivative financial liability	(2.7)	-
Total liabilities	**(120.5)**	**(94.5)**
Net assets	**47.4**	**58.6**
Equity attributable to owners of the parent		
Share capital	1.1	1.1
Share premium account	55.7	55.7
Other reserves	3.8	6.5
Retained losses	(12.3)	(4.7)
Total	**48.3**	**58.6**
Non-controlling interest	**(0.9)**	-
Total equity	**47.4**	**58.6**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2016

	Share capital £m	Share premium account £m	Other reserves: Merger reserve £m	Other reserves: Capital redemption reserve £m	Other reserves: Share-based payments reserve £m	Other reserves: Translation reserve £m	Other reserves: Other reserve £m	Retained losses £m	**Total £m**	Non-controlling interest £m	**Total £m**
Balance at 1 April 2014	1.1	55.7	4.4	(1.1)	0.2	-	-	(2.2)	**58.1**	-	**58.1**
Loss for the year	-	-	-	-	-	-	-	(2.5)	**(2.5)**	-	**(2.5)**
Foreign currency gains arising on consolidation	-	-	-	-	-	0.4	-	-	**0.4**	-	**0.4**
Share based payment charge	-	-	-	-	2.6	-	-	-	**2.6**	-	**2.6**
Balance at 1 April 2015	1.1	55.7	4.4	(1.1)	2.8	0.4	-	(4.7)	**58.6**	-	**58.6**
Loss for the year	-	-	-	-	-	-	-	(6.0)	**(6.0)**	(0.1)	**(6.1)**
Foreign currency gains arising on consolidation	-	-	-	-	-	(2.5)	-	-	**(2.5)**	-	**(2.5)**
Share-based payments charge net of tax	-	-	-	-	0.3	-	-	-	**0.3**	-	**0.3**
Put option over non-controlling interest	-	-	-	-	-	-	(2.1)	-	**(2.1)**	-	**(2.1)**
Transfer between reserves	-	-	-	1.6	-	-	-	(1.6)	**-**	**-**	**-**
Acquisition of subsidiary	-	-	-	-	-	-	-	-	**-**	(0.8)	**(0.8)**
Balance at 31 March 2016	**1.1**	**55.7**	**4.4**	**0.5**	**3.1**	**(2.1)**	**(2.1)**	**(12.3)**	**48.3**	(0.9)	**47.4**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 31 March 2016

	2016 £m	2015 £m
Cash flows from operating activities		
Loss for the period	(6.1)	(2.5)
Adjustments for:		
Depreciation and amortisation	4.8	3.9
Finance income	(4.2)	(0.3)
Finance costs	0.3	1.0
Taxation (credit)	(0.6)	(0.4)
Share-based payment charge	0.2	2.6
Operating cash flows before movement in working capital	**(5.6)**	**4.3**
Increase in inventories	(2.4)	(15.7)
Increase in trade and other receivables	(15.8)	(12.4)
Increase in trade and other payables	20.3	25.9
Increase in provisions	-	0.8
	2.1	**(1.4)**
Taxation paid	-	(1.6)
Cash (absorbed)/generated from operating activities	**(3.5)**	**1.3**
Cash flows from investing activities		
Interest received	0.2	0.3
Proceeds from sale of property, plant and equipment	-	0.1
Acquisition of property, plant and equipment	(6.1)	(4.4)
Acquisition of intangible assets	(0.5)	(1.7)
Costs settled from issue of new shares	-	(4.4)
Cash used in investing activities	**(6.4)**	**(10.1)**
Cash flows from financing activities		
Proceeds from new borrowings	0.9	1.2
Interest paid	(0.3)	(0.4)
Payment of finance lease liabilities	(2.4)	(2.0)
Net cash used in financing activities	**(1.8)**	**(1.2)**
Net decrease in cash	**(11.7)**	**(10.0)**
Cash and cash equivalents at beginning of period	**44.9**	**55.1**
Exchange gains/(losses) on cash & cash equivalents	0.2	(0.2)
Cash and cash equivalents at end of period	**33.4**	**44.9**

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 2016 or 2015, but is derived from those accounts. Statutory accounts for 2015 have been delivered to the Registrar of Companies and those for 2016 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 the foreseeable future. This takes into consideration the forecasted cash flow of the Group, the fact that the Group still has available proceeds from the Group's IPO in March 2014 and, in addition, the availability of a £30m Revolving Credit Facility (as disclosed in note 9 of this announcement). Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Cash flow statement

The prior year comparative for the cash flow statement has been restated to move "costs settled from the issue of shares" from financing activities to investing activities. There is no overall impact on the cash flow statement as a result of the change.

Non statutory measures

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

- Share based payment charges attributable to exceptional LTIP awards which the board considers one-off in nature (all other share based payment charges as part of the normal course of the business are not adjusted);
- Set up costs of expanding into overseas territories; and
- Early stage strategy costs relating to the overseas territories incurred in the UK when overseas businesses are in the start-up phase. The start-up phase is defined by a suite of KPI's determined by management which are used in the day to day running of the business.

2. Revenue

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

	2016 **£m**	2015 £m
Own website sales	527.8	387.4
Third-party website sales and trade sales	53.6	70.3
Third-party logistics services	17.8	19.0
	599.2	476.7

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 (£m)		**31 March 2016**			31 March 2015	
	UK	**Europe**	**Total**	UK	Europe	Total
AO website sales	487.1	40.7	527.8	381.5	5.9	387.4
Third-party website sales	53.6	-	53.6	70.3	-	70.3
Third-party logistics	17.8	-	17.8	19.0	-	19.0
Total revenue	**558.5**	**40.7**	**599.2**	**470.8**	**5.9**	**476.7**
Cost of sales	(447.7)	(45.6)	(493.3)	(381.1)	(8.0)	(389.1)
Gross profit/(loss)	**110.8**	**(4.9)**	**105.9**	**89.7**	**(2.1)**	**87.6**
Administrative expenses	(98.4)	(18.1)	(116.5)	(80.9)	(8.9)	(89.8)
Operating profit/(loss)	**12.4**	**(23.0)**	**(10.6)**	**8.8**	**(11.0)**	**(2.2)**
Net finance income /(cost)	1.2	2.7	3.9	(0.1)	(0.6)	(0.7)
Profit/(loss) before tax	**13.6**	**(20.3)**	**(6.7)**	**8.7**	**(11.6)**	**(2.9)**
Adjusted EBITDA						
Operating profit/(loss)	**12.4**	**(23.0)**	**(10.6)**	**8.8**	**(11.0)**	**(2.2)**
Depreciation	3.8	0.5	4.3	3.5	0.2	3.7
Amortisation	0.3	0.2	0.5	0.2	-	0.2
EBITDA	**16.5**	**(22.3)**	**(5.8)**	**12.5**	**(10.8)**	**1.7**
Share-based payments (credit)/charge attributable to exceptional LTIP awards	(0.4)	-	(0.4)	2.5	-	2.5
Europe set-up costs	1.1	1.2	2.3	1.5	2.8	4.3
Adjusted EBITDA	**17.2**	**(21.1)**	**(3.9)**	**16.5**	**(8.0)**	**8.5**

The Group has calculated Adjusted EBITDA by adding back those material items of income and expense 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 year.

Adjustments

European set-up costs

These are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.nl, along with strategic post "go-live" costs.

During the reporting period AO.nl was launched. The majority of these costs relate to staffing and services provided by the Group.

Share-based payment charges

At the time of the IPO share options were awarded to a number of senior staff. The Board considers that the magnitude and timing of this award is one-off in nature and so add back any credit or charge to Adjusted EBITDA. The AO Sharesave schemes and 2015 LTIP charges are not added back as they are considered to be normal recurring charges.

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			**2016 £m**
	Intangible assets	**PP&E**	**Depreciation**	**Amortisation**
UK	0.4	4.4	3.8	0.3
Europe	0.1	3.8	0.5	0.2
	0.5	**8.2**	**4.3**	**0.5**

	Additions			**2015 £m**
	Intangible assets	**PP&E**	**Depreciation**	**Amortisation**
UK	1.4	2.7	3.5	0.2
Europe	0.3	3.1	0.2	-
	1.7	5.8	3.7	0.2

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 (£m)	31 March 2016	31 March 2015
Bank interest	0.2	0.3
Foreign exchange gains on intra group loans	2.7	-
Movement in valuation of put and call option	0.2	-
Unwind of discounting on long term receivables (see note below)	1.1	-
Total	**4.2**	0.3

During the year ended 31 March 2015 the comparative figure for the unwinding of the long term receivable was £0.6m. The Directors do not consider the need for comparative columns to be restated given this is a non-material reclassification within revenue and finance income and therefore has no impact on the Group's result for the comparative year.

5. Finance costs

Year ended (£m)	31 March 2016	31 March 2015
Interest on borrowings	-	0.2
Interest on obligations under finance leases	0.3	0.2
Foreign exchange losses on intra group loans	-	0.6
Total	**0.3**	1.0

6. Loss per share

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

	31 March 2016	**31 March 2015**
Loss (£m)		
Loss for the purposes of basic and diluted loss per share being loss for the period	(6.0)	(2.5)
Number of shares		
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	421,052,631	421,052,631
Loss per share (pence)		
Basic loss per share (in pence per share)	**(1.44)**	(0.60)

7. Taxation

Year ended (£m)	**31 March 2016**	**31 March 2015**
Corporation tax:		
Current year	-	-
Adjustments in respect of prior years	-	(0.2)
	-	(0.2)
Deferred tax	(0.6)	(0.2)
Total tax credit	**(0.6)**	(0.4)

Corporation tax is calculated at 20% (2015: 21%) 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 (£m)	**31 March 2016**	**31 March 2015**
Loss before tax on continuing operations	(6.7)	(2.9)
Tax at the UK corporation tax rate of 20% (2015: 21%)	(1.3)	(0.6)
Ineligible expenses	0.2	0.4
Adjustments in respect of prior periods	-	(0.2)
Movement in unrecognised tax	0.5	-
Difference in overseas and UK tax rates	(0.1)	-
Impact of difference in current and deferred tax rates	0.1	-
Tax credit for the year	**(0.6)**	(0.4)

8. Net Funds

	2016 £m	**2015 £m**
Cash and cash equivalents at year end	33.4	44.9
Borrowings – Repayable within one year	(2.2)	(2.1)

Borrowings – Repayable after one year	(5.8)	(4.9)
Net funds	**25.4**	**37.9**

Reconciliation of net cash flow to movement in net funds:

	2016 **£m**	**2015** **£m**
Net decrease in cash and equivalents	(11.6)	(10.1)
Net (increase)/decrease in debt and lease financing	2.4	1.5
New loans in the year	(0.9)	-
Acquired debt on acquisition	(0.4)	-
Non cash movements		
- Asset acquired under finance leases	(1.9)	1.6
- Foreign exchange on cash and cash equivalents	(0.1)	-
Movement in net debt	**(12.5)**	**(7.0)**
Opening net funds	37.9	44.9
Net funds at the year end	**25.4**	**37.9**

9. Post balance sheet event

On 3 June 2016, AO Limited ("AOL"), a wholly owned subsidiary of AO World plc, entered into an agreement with Barclays Bank plc and Lloyds Bank plc (the "Banks") whereby the Banks have provided a 5 year £30m revolving credit facility ("RCF") to AOL and its direct subsidiaries AO Retail Limited and Expert Logistics Limited. The RCF is for UK working capital purposes.