AO WORLD PLC

INTERIM RESULTS FOR THE 6 MONTHS ENDED 30 SEPTEMBER 2016

AO delivers strong growth in sales and profits and strategic progress

AO World plc ("the Group" or "AO"), a leading European online electrical retailer, today announces its unaudited interim financial results for the six months ended 30 September 2016.

Financial Highlights [1]

- Total revenue for the period increased by 22.9% to £324.7m (2015: £264.3m) as both UK and Europe growth continued.
    - AO website sales[2] for the UK[3] up 20.8% to £259.4m (2015: £214.9m), with total UK revenue up 18.7% to £295.1m (2015: £248.7m).
    - Europe[4] revenue for the period increased by 66.9% to €36.2m (2015: €21.7m) (in sterling 2016: £29.6m; 2015: £15.6m).
- Group Adjusted EBITDA of £1.5m (2015: £4.5m loss).
    - UK Adjusted EBITDA[5] of £13.1m (2015: £5.1m) is driven by improved gross margin and brand awareness which consequently reduced acquisition costs.
    - Europe Adjusted EBITDA losses of €14.2m (2015: €13.3m) as we build scale (in Sterling 2016: £11.6m loss; 2015: £9.6m loss).
- In line with our expansion strategy we have continued to invest in Germany and the Netherlands. Such investment (together with non-cash share based payment charges) results in a statutory Group operating loss of £2.8m (down from an £8.9m loss in 2015).
- Group cash at 30 September 2016 was £32.4m (2015: £35.6m).
- Basic earnings per share of 0.11p (2015: 1.58p loss) primarily arising from foreign exchange gains £4.3m from inter-group funding. Reversing such foreign exchange gains gives adjusted loss per share of 0.92p (2015: 1.71p loss). [6]

Operational Highlights

- New 35,000 sq. metre Regional Distribution Centre in Bergheim now fully operational, serving Germany and the Netherlands.
- Successful launches of new categories: audio-visual ("A/V") in Germany and computing in the UK in October 2016.
- Overall brand awareness continues to grow and repeat business metrics improve further, helping us grow new and loyal customers we attract.
- Customer service remains exceptional with NPS[7] in all territories remaining in excess of 80.

John Roberts, Chief Executive Officer, said:

"AO has made a great start to the year, with Group revenue and profits growing well as we continue to deliver on our long-term strategy. We have made progress in our mission to become the best electrical retailer in Europe, cementing our operations in Europe with the opening of our distribution centre in Germany and launching new categories for customers in both the UK and Europe. Bringing our AO customers computing in the UK and A/V in Germany has been exciting and these are the natural next steps for us to take in the electricals market. We're retailing these categories the "AO Way," offering a simply better customer experience, executed brilliantly by a brand and team that customers and suppliers trust. "

Outlook

Looking ahead, while the economy clearly faces some uncertainty and the sterling softening during the year is likely to provide some pricing pressure, our strong first half performance sets us up well for the rest of the year, with our strengthening brand, excellent customer proposition and dedication to amazing service. We have been planning for Black Friday since last November; we have some great deals for customers and our teams are ready to deliver to our unwavering high standards.

Across our business we are on track with progress against our long-term strategic goals. At this mid-way point in the year we maintain our previous full year Group guidance[8], with the continued momentum in the UK balanced with the continued investment in Europe. We remain confident that the opportunity for AO in Europe is huge and that the market dynamics are shifting in our favour as customers continue to move online. Against that backdrop we are well placed to deliver sustainable long-term growth.

Webcast details

A results presentation hosted by John Roberts, Steve Caunce and Mark Higgins for analysts and investors will be held today, 22 November 2016 at 9:00am (GMT) at Jefferies Hoare Govett, Vintners Place, 68 Upper Thames St. London, EC4V 3BJ. 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 slides can also be viewed.[9]

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[1]The highlights are for the 6 month period ended 30 September 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 income and “adjustments”. 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]Please refer to the Earnings Per Share paragraph on page 10 of this announcement for further information.
[7]NPS is defined by the Group as Net Promoter Score which is an industry measure of customer loyalty and satisfaction.
[8] Our previous guidance for Group Revenue (using the exchange rate applicable at the time) was £700.3m-£735.9m with Group Adjusted EBITDA of £2.4m losses to £4.7m for the full year.
[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 Guidance and Transparency Rules and applicable laws, no undertaking is given to update the forward-looking statements contained in this document, whether as a result of new information, future events or otherwise. Nothing in this document should be construed as a profit forecast or an invitation to deal in the securities of the Company. This announcement has been prepared for the Group as a whole and therefore gives greater emphasis to those matters which are significant to AO World plc and its subsidiary undertakings when viewed as a whole.

PERFORMANCE AT A GLANCE

Summary Results[1]

6 months ended (£m)	30 September 2016			30 September 2015			*Change*		
	UK	Europe[2]	Total	UK	Europe	Total	*UK*	*Europe*	*Total*
Income Statement									
AO website sales	259.4	29.6	289.0	214.9	15.6	230.5	*20.8%*	*89.5%*	*25.4%*
Third-party website sales	22.9	-	22.9	26.3	-	26.3	*(13.1%)*	*n/a*	*(13.1%)*
Third-party logistics services	12.8	-	12.8	7.5	-	7.5	*69.8%*	*n/a*	*69.8%*
Revenue	295.1	29.6	324.7	248.7	15.6	264.3	*18.7%*	*89.5%*	*22.9%*
Adjusted EBITDA[3]	13.1	(11.6)	1.5	5.1	(9.6)	(4.5)	*154.5%*	*21.2%*	*(127.5%)*
Adjusted EBITDA margin[4]	4.4%	(39.3%)	0.4%	2.0%	(61.4%)	(1.7%)	*+2.3ppts*	*+22.1ppts*	*+2.1ppts*
Adjusted operating profit/(loss)[5]	11.1	(12.2)	(1.1)	3.1	(9.8)	(6.8)	*256.3%*	*23.2%*	*(81.7%)*
Adjustments[6]									
Share-based payment charge attributable to exceptional LTIP awards	(1.3)	-	(1.3)	(1.2)	-	(1.2)	*4.6%*	*n/a*	*4.6%*
Europe set-up costs[7]	(0.4)	-	(0.4)	(0.6)	(0.3)	(0.9)	*(30.0%)*	*n/a*	*(58.4%)*
Operating profit/(loss)	9.4	(12.2)	(2.8)	1.3	(10.2)	(8.9)	*598.1%*	*19.0%*	*(67.5%)*
Earnings /(loss) per share									
Basic earnings/(loss) per share (pence)			0.11			(1.58)			*(106.8%)*
Diluted earnings/(loss) per share (pence)			0.11			(1.58)			*(106.6%)*
Cash flow									
Cash generated /(absorbed) from operating activities	3.6	(0.2)	3.4	(7.4)	2.6	(4.7)	*(149.1%)*	*n/a*	*(170.9%)*
Cash generated/ (absorbed) from operating activities before intercompany funding[9]	15.7	(8.0)	7.7	3.9	(9.4)	(5.5)	*298.6%*	*(14.7%)*	*(240.5%)*
Period end net funds/(debt) position[10]	24.5	(3.2)	21.3	29.7	(0.1)	29.6	*(17.3%)*	*4324.1%*	*(28.1%)*

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[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 income, adjustments.
[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 income, "adjustments" and 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 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 and cash equivalents less borrowings.

BUSINESS REVIEW

Over the reporting period we have made further significant strategic and operational progress. Our growth strategy centres on our customers, our categories and the countries in which we operate, all underpinned by our culture and brand.

UK

Brand & Culture

Over the period we have continued to grow overall brand awareness and develop our brand strategy.

Whilst it was previously apparent that AO was predominantly known for selling white goods we have now started to focus on educating consumers about the broader range of categories we sell. We have refined our TV adverts to illustrate the strong customer testimonials we experience and have undertaken advertising campaigns in tandem with our manufacturers to drive awareness of both AO and our suppliers' brands. We have also sought to target those audiences where our sales profile is under-indexed, in particular in Greater London and amongst male shoppers. Further, we have explored new advertising channels including radio, both national and local, together with print media through some press advertising, billboards, tube advertising and other large formats.

This investment has improved our brand awareness over the period (including spontaneous awareness, prompted awareness and spontaneous purchase intent) and this strong customer advocacy together with manufacturer endorsement gives us an increasingly strong competitive advantage.

Our customer acquisition costs have fallen during the period as we refined our online advertising strategy, improved our SEO (search engine optimisation) rankings and benefited from branded traffic following our improved brand awareness.

Our culture remains our greatest asset and we have continued to sustain and nurture this key strength. To achieve our goal we need to be the best for our people, and our employee engagement and development is fundamental to the growth of the brand, and ultimately, to the Group. Our emerging talent schemes, such as our Future and Star Programmes, Apprenticeship Scheme and Duke of Edinburgh scheme continue, each under the sponsorship of a member of our Group Executive Team as we look to nurture and develop the employees who will help our brand to continue to flourish.

Customers

Delivering an excellent customer proposition remains paramount to our success. We continue to offer unbeatable prices, a huge range and availability, smart web content and, of course, amazing service as we strive to make the AO Way, the *better* way to buy electricals.

Our Net Promoter Score (an industry measure of customer loyalty and satisfaction) has again been maintained at its consistently high level of over 80 and our UK Trustpilot score was an excellent 9.5 at the period end. Shortly after the period end we were awarded 2nd place by Which? in their Best Online Retailer category, losing out narrowly on 1st place to a retailer in a different category, but importantly improving on our score from last year.

We have added two additional outbases to our UK logistics infrastructure over the reporting period, one in Slough and the other in Dundee. This will help ensure resilience in our delivery network and maintain market leading product availability for customers, whilst reducing stem mileage and improving efficiencies in our logistics division. We have invested further in our digital content team, which is now 40+ strong, and produces innovative and essential content, continuing with our goal to be the destination for information. Our customer labs, which take in feedback from real customers testing the ease and effectiveness of our site continue and we also launched our app "MyAO." Initially this provides "track your order" functionality and we will look to develop this further to provide transactional capability and to tie into "My Account" - launched last year.

Customer metrics remain healthy: repeat purchase and new order levels grew significantly during the six months to 30 September 2016 giving us an increasing customer base to leverage for future growth.

Categories

We recently launched our computing category in the UK with all parts of the business working well over the past 12 months to deliver a joined up customer journey. We believe we can transform the way this category is currently purchased, overcoming the difficulties and frustrations some customers have when buying a computer. Our aim is to make the shopping journey as easy as possible, to demystify often complex jargon in product specifications and give the category the AO proposition and service that it deserves. This means our offering is feature-led and we have developed a "Help me Choose" tool to help customers find the product that's right for them. Hardware and software brands have supported our refreshing take on the category and we have been able to leverage investments made in our web content, IT teams and products teams to add the category seamlessly to ao.com. Operationally, we have acquired new skills as the category is stocked and distributed utilising drop-ship vendor methodology which has required investment in back-end systems and amendments to our existing procedures and processes. This investment will reap rewards as we launch future category roll-outs.

Early trading in computing is encouraging and this should start to build as we begin to invest in attracting traffic to the category on the site. There is still much work to do as we expand the range and add peripherals, software and service plans into the mix, but we are confident in our ability to be able to retail the category successfully and profitably.

Our major domestic appliance ("MDA") category continues to grow, with more opportunities yet to be exploited in the built-in market and plans are in place to develop this subset of MDA. Further progress has been made with small domestic appliances ("SDA") and A/V with good relationships formed with new supplier brands and further product lines coming to our range. We have also made significant progress with product margin in both MDA and A/V, reflecting our increased importance as a channel to market for the leading brands.

Exploration of further categories continues.

EUROPE

We are continuing to drive our Europe operation as fast as we can with controlled growth. Our new countries are travelling the same journey that our UK operation experienced although we expect to go faster as we accumulate experience. Our strategy across Europe is identical to the UK as we focus on our customer proposition, categories, culture and brand.

Customers in Germany and the Netherlands are enjoying our proposition and, with their credit cards, are voting for the AO Way. We are enjoying good feedback in both Germany and the Netherlands with NPS scores in both these territories remaining outstanding at around 90 and Trustpilot scores at over 9. Promisingly, we are already seeing repeat business come through.

Our brand new regional distribution centre in Bergheim, which serves Germany and the Netherlands, is now fully operational. With 35,000m^2 of warehouse space, the RDC allows us to improve product availability for our customers. The RDC comprises a head office allowing the retail and logistics divisions to become more cohesive, drive efficiencies and promote a consistent AO culture. We have partnered with Rhenus, a third party logistics firm, to better serve customers in outlying areas whilst also reducing delivery costs, and we continue to work to ensure that their service meets our high expectations. To improve the customer proposition further we are also exploring how best to introduce premium installations and hope to provide this service before the end of the calendar year. Our warranty product has not resonated that well with the German consumer who have traditionally bought a pay-up-front warranty product. Together with Domestic and General we are looking to develop a product more suitable for the German consumer as we move into FY18.

Promotional activity over the period has been limited during our transition to Bergheim as planned (and as explained at our full year results), with no TV exposure from April to October. Accordingly there has been little growth in brand awareness. However, as we look to drive sales through the second half of the year, activity will ramp up, with our customer adverts being screened on TV alongside some print media advertising.

Category development has continued with the launch of A/V on ao.de early October. We now sell TVs, home cinema equipment, satellite receivers and Blu-ray players and early sales are promising. Our work in the category continues as we explore the opportunities with audio products and we look to build our SDA range adding small kitchen appliances to the floor-care range already available. We are making inroads with the MDA manufacturers and have seen improvements in product margin and an increase in marketing support.

The building blocks of our European operation are now in place, the trajectory of progress with manufacturers is good and we have recently appointed a German national retail director to lead the retail team. Accordingly, we now expect this segment to enter profitability in 2020. We expect this to be achieved on revenue of c.€250m and we need to continue to improve our product margin to a mature state and leverage our cost base through growth. We are well positioned on our journey and look forward to capitalising on the opportunities before us.

FINANCIAL REVIEW

Revenue

For the 6 months ended 30 September 2016 total Group revenue increased by 22.9% to £324.7m (2015: £264.3m).

6 months ended	30 September 2016			30 September 2015			*Change*		
(£m)[1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
AO website sales	259.4	29.6	289.0	214.9	15.6	230.5	*20.8%*	*89.5%*	*25.4%*
Third-party website sales	22.9	-	22.9	26.3	-	26.3	*(13.1%)*	*n/a*	*(13.1%)*
Third-party logistics services	12.8	-	12.8	7.5	-	7.5	*69.8%*	*n/a*	*69.8%*
Revenue	**295.1**	**29.6**	**324.7**	**248.7**	**15.6**	**264.3**	***18.7%***	***89.5%***	***22.9%***

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

In the UK segment, revenue growth was mainly attributable to "AO" branded sales, driven by increased brand awareness and TV advertising. Third-party logistics revenue also increased year on year as we benefitted from improved revenue per unit together with short-term additional volume throughput from one customer which is now returning to normal levels. As anticipated, revenue from third party websites has reduced on a like for like basis, continuing the previous trend, as we focus on growing own brand revenue.

Sales from our German website, AO.de, and also our Netherlands website AO.nl (totalled revenue of £29.6m (2015: £15.6m).

Across the Group AO branded website sales now account for 89.0% of total Group revenue (2015: 87.2%).

Gross margin

6 months ended (£m) [1]	30 September 2016			30 September 2015			*Change*		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Gross profit/(loss)	66.5	(1.7)	64.8	47.9	(2.2)	45.7	*38.7%*	*(23.0%)*	*41.6%*
Gross margin	**22.5%**	**(5.6%)**	**20.0%**	**19.3%**	**(13.9%)**	**17.3%**	***+3.3ppts***	***+8.3ppts***	***2.7ppts***

[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 profit for the Group grew by 41.6% to £64.8m (2015: £45.7m) with gross margin increasing by 2.7ppts to 20.0% for the reporting period (2015: 17.3%).

In the UK gross margin increased to 22.5% (2015: 19.3%). We have benefitted from improved supplier product margin in MDA and A/V reflecting our increased buying power in the market, although more recently this has seen pressure from supplier price increases following Brexit and adverse FX movements in their supply chain.

In Europe the gross loss of £1.7m (and a margin of -5.6%) reflects the early growth nature of the operation with low product margins and high costs to deliver due to low drop densities (2015: £2.2m loss). However, we have worked to improve the P&L over the reporting period, optimising product ranges and making headway with both supplier product margin and delivery efficiencies. The introduction of the Netherlands business just before the commencement of the reporting period has also helped leverage the German infrastructure cost base. As a result, gross loss reduced by £0.5m for the reporting segment year on year and gross margin improved by 8.3ppts.

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

	30 September 2016			**30 September 2015**			***Change %***		
6 months ended (£m) [1]	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Advertising and marketing	11.3	2.5	13.8	12.2	3.0	15.2	*(6.7%)*	*(15.2%)*	*(8.4%)*
% of revenue	*3.8%*	*8.6%*	*4.3%*	*4.9%*	*19.2%*	*5.7%*			
Warehousing	13.3	1.9	15.2	9.0	0.9	9.9	*47.8%*	*113.4%*	*53.8%*
% of revenue	*4.5%*	*6.5%*	*4.7%*	*3.6%*	*5.8%*	*3.7%*			
Other admin	31.3	6.0	37.3	23.7	3.8	27.5	*32.1%*	*58.6%*	*35.8%*
% of revenue	*10.6%*	*20.3%*	*11.5%*	*9.5%*	*24.2%*	*10.4%*			
Adjustments[2]	1.7	-	1.7	1.7	0.3	2.1	*(5.5%)*	*n/a*	*(21.2%)*
% of revenue	*0.6%*	-	*0.5%*	*0.7%*	*2.2%*	*0.8%*			
Administrative expenses	**57.6**	**10.4**	**68.0**	**46.6**	**8.0**	**54.6**	***23.6%***	***30.4%***	***24.6%***
% of revenue	19.5%	35.4%	21.0%	18.7%	51.4%	20.7%	*+0.8ppts*	*-16.0ppts*	*+0.3ppts*

[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.

Total SG&A costs across the Group as a percentage of revenue was broadly flat year on year.

In the UK, the advertising and marketing cost ratio reduced by 1.1% of revenue year on year reflecting our improved acquisition strategy and brand strength. The warehousing cost ratio to revenue increased following the entry into a lease of a second building at Crewe, in close proximity to our existing NDC, and the opening of new outbases in Slough and Dundee. Other Admin costs have also increased as a percentage of revenue with investments being made to strengthen our trading teams, in particular the engagement of additional team members with expertise in computing, and also software and multimedia teams together with increased charges for share based incentive payments.

In our Europe segment our SG&A cost ratio, as a percentage of sales, continues to improve as we gain more volume. For the period these costs represented 35.4% of revenue (2015: 51.4%). This favourable volume gearing effect also helped to improve our advertising and marketing costs, with the ratio to sales more than halving compared to the prior period, further assisted by reductions in above the line advertising cost in anticipation of the move to the new Regional DC in Bergheim. Warehousing costs have increased slightly due to opening of Bergheim, a facility that gives us huge capacity growth for the future. 'Other admin' costs have increased following the launch of the AO.nl website. With Germany in its growth phase, and the addition of the Netherlands in the reporting period, it is difficult to make meaningful comparisons but we would expect these costs to continue to be leveraged by growth as the Europe segment 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 was £1.5m (2015: £4.5m loss) after allowing for £11.6m of Europe Adjusted EBITDA losses (2015: £9.6m loss). On a constant currency basis Europe Adjusted EBITDA losses were €14.2m (2015: €13.3m).

UK Adjusted EBITDA for the 6 months to 30 September 2016 was £13.1m (2015: £5.1m) representing an increase of 154.5% against the prior year. This increase resulted from an improvement in sales and gross margin and a reduction in administrative expenses, as explained above.

Adjustments consist of (1) Europe set-up costs which comprise strategic post "go-live" costs in the Netherlands and Germany and our continuing research into further European countries and (2) share based payments charges that relate to long term incentives which the Board considers one-off in nature, namely awards made to senior staff under the Performance Share Plan at the time of the Company's IPO in 2014 and under the Employee Reward Plan in July 2016. AO sharesave scheme charges and LTIP charges relating to LTIP awards which are not considered to be one-off in nature are included in trading numbers.

6 months ended [1]	**30 September 2016**			**30 September 2015**			***Change***		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**	***UK***	***Europe***	***Total***
Operating profit/(loss)	**9.4**	**(12.2)**	**(2.8)**	**1.3**	**(10.2)**	**(8.9)**	***598.1%***	***19.0%***	***(67.5%)***
Add adjustments:									
Share-based payment charge attributable to exceptional LTIP award[2]	1.3	-	1.3	1.2	-	1.2	*4.6%*	*n/a*	*4.6%*
Europe set-up costs[3]	0.4	-	0.4	0.6	0.3	0.9	*(30.0%)*	*n/a*	*(58.4%)*
Adjusted operating profit/(loss)	**11.1**	**(12.2)**	**(1.1)**	**3.1**	**(9.8)**	**(6.8)**	***256.3%***	***23.2%***	***(81.7%)***
Add: Depreciation and amortisation	2.1	0.6	2.7	2.0	0.3	2.3	*6.2%*	*98.4%*	*16.7%*
Less: Profit on disposal	(0.1)	-	(0.1)	-	-	-	-	-	-
Adjusted EBITDA	**13.1**	**(11.6)**	**1.5**	**5.1**	**(9.6)**	**(4.5)**	***154.5%***	***21.2%***	***(127.5%)***
Adjusted EBITDA as % of revenue	4.4%	(39.3%)	0.4%	2.0%	-61.4%	-1.7%	*+2.4ppts*	*+22.1ppts*	*+2.1ppts*

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

[2] Certain LTIP awards of a significant magnitude were made to a number of senior staff under the 2014 Performance Share Plan at the time of the IPO and also under the 2016 Employee Reward Plan in July 2016. The Board considers that the magnitude and timing of these awards are one-off in nature and so add -back any charge/(credit) in arriving at Adjusted EBITDA.
[3]Europe set-up costs are costs incurred in connection with our European expansion strategy prior to the "go-live" of that territory, namely the launch of AO.de and AO.nl and our continuing research into other further countries along with strategic post "go-live" costs in Germany and the Netherlands.

Taxation

The tax charge is recognised based on management's best estimate of the weighted-average annual income tax rate expected for the full financial year multiplied by the pre-tax income of the interim reporting period. The Group's tax charge for the period is £2.1m (2015: £1.3m credit) as a result of the expected effective tax rate for the year of 80.2% (2015: 16.8%). The increase in the annualised effective rate is due to the release of a deferred tax asset in connection with the 2014 share scheme (£0.6m), as well as the unrecognised deferred tax asset on losses carried forward (£2.3m).

Retained Profit and Earnings/(loss) per share

Retained profit for the period was £0.2m (2015: £6.7m loss).

Basic earnings per share was 0.11p (2015: 1.58p loss) and diluted earnings per share was 0.11p (1.58p loss).

The positive EPS is predominately a reflection of a foreign exchange gain of £4.3m arising from inter-group funding arrangements.

Basic earnings per share is reconciled to adjusted BEPS (after excluding the impact of FX differences) of 0.92p loss (2015: 1.71p loss) as follows.

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015
Earnings/(loss)		
Earnings/(loss) attributable to owners of the parent company	0.4	(6.7)
Foreign exchange gains on intra-group loans	(4.3)	(0.5)
Adjusted earnings attributable to owners of the parent company	(3.9)	(7.2)
Number of shares		
Basic and adjusted weighted average number of ordinary shares	421,052,631	421,052,631
Earnings per share (in pence)		
Basic earnings/(loss) per share	0.11	(1.58)
Adjusted basic loss per share	(0.92)	(1.71)

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 £4.3m gain referenced above.

Cash resources and cash flow

At 30 September 2016, the Group's net funds position was £21.3m (2015: £29.6m), as cash decreased to £32.4m (2015: £35.6m) principally reflecting the trading losses incurred in the Europe segment over the period and capital expenditure in both businesses, while total borrowings (comprising asset finance and equivalent) increased to £11.1m from £6.0m in 2015. Surplus cash balances are held with UK-based banks, in line with the Group Treasury Policy.

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

The Group's cash inflow from operating activities was £3.4m (2015: £4.7m outflow).

Working Capital

6 months ended [1]	**30 September 2016**			**30 September 2015**		
(£m)	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
Inventories	35.0	6.9	41.9	31.5	2.4	33.9
As % of COGS	*15.3%*	*22.0%*	*16.1%*	*15.7%*	*13.4%*	*15.5%*
Trade and other receivables	68.9	3.5	72.4	53.3	4.2	57.5
As a % of revenue	*23.4%*	*11.6%*	*22.3%*	*21.4%*	*26.7%*	*21.8%*
Trade and other payables	(116.3)	(8.2)	(124.5)	(93.6)	(6.4)	(100.1)
As a % of COGS	*50.9%*	*26.1%*	*47.9%*	*46.6%*	*36.2%*	*45.8%*
Net working capital	**(12.4)**	**2.2**	**(10.2)**	**(8.8)**	**0.1**	**(8.7)**
Change in net working capital	(3.6)	2.1	(1.5)	0.1	0.5	0.6

[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.

At 30 September 2016, the Group had net current liabilities of £16.3m (30 September 2015: net current assets of £0.4m) principally as a result of (i) extended credit terms /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 30 September 2016 UK inventories were £35.0m (2015: £31.5m) reflecting an increase in sales volumes and an increase in our stock-holding to support the A/V category which is generally only bought in bulk loads. As a result, UK average stock days increased to 30 days (2015: 28 days). Going forward the addition of the computing category in the UK should not have a material effect on UK inventory levels as we utilise drop-ship vendor methodology.

UK trade and other receivables (both non-current and current) were £68.9m as at 30 September 2016 (2015: £53.3m) 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 £116.3m (2015: £93.6m) reflecting increased trade and manufacturers continuing to extend credit on the higher volume of sales.

Capital Expenditure

Total capital expenditure for the six months was £6.7m (2015: £3.9m), attributable to further additions to our infrastructure both in the UK and in Europe.

During the period our Regional DC in Bergheim was completed and an additional building at Crewe, in close proximity to the existing NDC in the UK, has been added to our property portfolio. During the period we have also seen new outbases open at Slough and Dundee in the UK which will help serve our customers in London and Scotland respectively, provide better availability and reduce the stem mileage of the local delivery vehicles. Fit out costs in relation to these leased assets are included in capital expenditure in the period. We have also purchased 50 new mega double-decker trailers as part of our natural replacement programme, and compared to the previous trailers these give us increased capacity and therefore greater efficiencies in our trunking.

The Recycling Group Limited, in which we have a 60% equity stake, has invested in a new solution for the recycling of WEEE (Waste Electrical and Electronic Equipment) which is currently being constructed at a new recycling site in Telford and which should be operational in the next six months. This facility will secure the recycling of collected products and enables the retail operation to meet its statutory obligations in this area, whilst providing a further stream of income.

John Roberts
CEO

Steve Caunce
COO

Mark Higgins
CFO

CONDENSED CONSOLIDATED INCOME STATEMENT
For the 6 months ended 30 September 2016

	Note	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Revenue	2	**324.7**	**264.3**	**599.2**
Cost of sales		(259.9)	(218.6)	(493.3)
Gross profit		**64.8**	**45.7**	**105.9**
Administrative expenses		(68.0)	(54.6)	(116.5)
Other operating income		0.4	-	-
Operating loss		**(2.8)**	**(8.9)**	**(10.6)**
Finance income	4	5.7	1.0	4.2
Finance costs	5	(0.6)	(0.1)	(0.3)
Profit/(loss) before tax		**2.3**	**(8.0)**	**(6.7)**
Taxation (charge)/credit		(2.1)	1.3	0.6
Profit/(loss) for the period		**0.2**	**(6.7)**	**(6.1)**
Profit/(loss) for the period attributable to:				
Owners of the parent company		0.4	(6.7)	(6.0)
Non-controlling interest		(0.2)	-	(0.1)
		0.2	**(6.7)**	**(6.1)**
Earnings/(loss) per share (pence)				
Basic earnings/(loss) per share	9	0.11	(1.58)	(1.44)
Diluted earnings/(loss) per share	9	0.11	(1.58)	(1.44)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the 6 months ended 30 September 2016

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Profit/(loss) for the period	0.2	(6.7)	(6.1)
Items that may be subsequently recycled to Income Statement			
Exchange differences on translation of foreign operations	(3.5)	(0.4)	(2.5)
Total comprehensive loss for the period	**(3.3)**	**(7.1)**	**(8.6)**

Loss for the period attributable to:			
Owners of the parent company	(3.1)	(7.1)	(8.5)
Non-controlling interest	(0.2)	-	(0.1)
Total comprehensive loss for the period	**(3.3)**	**(7.1)**	**(8.6)**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2016

	Note	At 30 September 2016 £m	At 30 September 2015 £m	At 31 March 2016 £m
Non-current assets				
Goodwill		13.5	12.2	13.5
Other intangible assets		2.0	2.2	2.1
Property, plant and equipment		23.0	15.1	18.0
Trade and other receivables	7	33.5	25.1	29.5
Derivative financial asset		0.8	-	0.8
Deferred tax asset		1.8	2.2	1.5
		74.6	**56.8**	**65.4**
Current assets				
Inventories		41.9	33.9	34.0
Trade and other receivables	7	38.8	32.4	34.4
Corporation tax receivable		-	0.7	0.7
Cash and cash equivalent	10	32.4	35.6	33.4
		113.1	**102.6**	**102.5**
Total assets		**187.7**	**159.4**	**167.9**
Current liabilities				
Trade and other payables	8	(124.5)	(100.1)	(109.0)
Corporation tax payable		(2.1)	-	-
Borrowings	10	(2.8)	(2.1)	(2.2)
		(129.4)	**(102.2)**	**(111.2)**
Net current (liabilities)/assets		**(16.3)**	**0.4**	**(8.7)**
Non-current liabilities				
Borrowings		(8.3)	(3.9)	(5.8)
Derivative financial liability		(2.7)	-	(2.7)
Provisions		(1.5)	(0.3)	(0.8)
Total liabilities		**(141.9)**	**(106.4)**	**(120.5)**
Net assets		**45.8**	**53.0**	**47.4**
Equity attributable to owners of the parent				
Share capital		1.1	1.1	1.1
Share premium account		55.7	55.7	55.7
Other reserves		2.0	7.6	3.8
Retained losses		(11.9)	(11.4)	(12.3)
Total		**46.9**	**53.0**	**48.3**
Non-controlling interest		**(1.1)**	**-**	**(0.9)**
Total equity		**45.8**	**53.0**	**47.4**

CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
At 30 September 2016

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

	Share capital	Share premium account	Merger reserve (Other reserves)	Capital redemption reserve (Other reserves)	Share-based payment reserve (Other reserves)	Translation reserve (Other reserves)	Other reserve (Other reserves)	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
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 period	-	-	-	-	-	-	-	(6.7)	**(6.7)**	-	**(6.7)**
Foreign currency gains arising on consolidation	-	-	-	-	-	(0.4)	-	-	**(0.4)**	-	**(0.4)**
Share-based payments charge net of tax	-	-	-	-	1.5	-	-	-	**1.5**	-	**1.5**
Balance at 30 September 2015	**1.1**	**55.7**	**4.4**	**(1.1)**	**4.3**	**-**	**-**	**(11.4)**	53.0	-	53.0

	Share capital	Share premium account	Merger reserve (Other reserves)	Capital redemption reserve (Other reserves)	Share-based payment reserve (Other reserves)	Translation reserve (Other reserves)	Other reserve (Other reserves)	Retained losses	**Total**	Non-controlling interest	**Total**
	£m	£m	£m	£m	£m	£m	£m	£m	**£m**	£m	**£m**
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 6 months ended 30 September 2016

	6 months ended 30 September 2016 £m	6 months ended 30 September 2015 £m	Year ended 31 March 2016 £m
Cash flows from operating activities			
Profit/(loss) for the period	0.2	(6.7)	(6.1)
Adjustments for:			
Depreciation and amortisation	2.7	2.3	4.8
Finance income	(5.7)	(1.0)	(4.2)
Finance costs	0.6	0.1	0.3
Profit on disposal of property, plant and equipment	(0.1)	-	-
Taxation charge/ (credit)	2.1	(1.3)	(0.6)
Share-based payment charge	1.7	1.5	0.2
Net operating cash flows before movement in working capital	**1.5**	**(5.1)**	**(5.6)**
Increase in inventories	(7.4)	(2.4)	(2.4)
Increase in trade and other receivables	(7.5)	(12.4)	(15.8)
Increase in trade and other payables	15.3	15.7	20.3
Increase/(decrease) in provisions	0.8	(0.5)	-
	1.2	**0.4**	**2.1**
Taxation repayments	0.7	-	-
Net cash from / (used in) operating activities	**3.4**	**(4.7)**	**(3.5)**
Cash flows from investing activities			
Interest received	0.1	0.5	0.2
Acquisition of property, plant and equipment	(6.6)	(3.6)	(6.1)
Acquisition of intangible assets	(0.1)	(0.3)	(0.5)
Net cash used in investing activities	**(6.6)**	**(3.4)**	**(6.4)**
Cash flows from financing activities			
Interest paid	(0.6)	(0.1)	(0.3)
New borrowings	4.2	-	0.9
Repayment of borrowings	(0.1)	-	-
Repayment of finance lease liabilities	(1.4)	(1.1)	(2.4)
Net cash from / (used in) financing activities	**2.1**	**(1.2)**	**(1.8)**
Net decrease in cash	**(1.1)**	**(9.3)**	**(11.7)**
Cash and cash equivalents at beginning of period	**33.4**	**44.9**	**44.9**
Exchange gains on cash & cash equivalents	0.1	-	0.2
Cash and cash equivalents at end of period	**32.4**	**35.6**	**33.4**

NOTES TO THE FINANCIAL INFORMATION

1. Basis of preparation

The interim financial information was approved by the Board on 21 November 2016. The financial information for the 6 months ended 30 September 2016 has been reviewed by the Group's external auditor. Their report is included within this announcement. The financial information for the 6 months ended 30 September 2015 was reviewed by the preceding external auditor. The financial information for the year ended 31 March 2016 is based on information in the audited financial statements for that period which are available online at http://ao.com/corporate/investor-centre.

The comparative figures for the year ended 31 March 2016 are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for the year ended 31 March 2016 has been delivered to the Registrar of Companies. The preceding auditor has reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

Basis of preparation and accounting policies

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

Going concern

The Directors have, at the time of approving the interim financial information, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for a period not less than 12 months. This takes into consideration the forecasted cash flow of the Group and the availability of a £30m Revolving Credit Facility. Thus they continue to adopt the going concern basis of accounting in preparing the interim financial information.

Significant accounting policies

As required by the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority, the condensed set of financial statements has been prepared by the Group by applying the same accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements as at 31 March 2016.

Critical accounting judgements and estimates

Two of the most critical accounting policies in determining the financial condition and results of the Group and requiring the greatest degree of subjective or complex judgements include revenue recognition of product protection plans and volume rebates.

Revenue recognition of product protection plans

Revenue recognised in respect of commissions receivable over the lifetime of the plan for the sale of product protection plans is recognised at fair value, when the Group obtains the right to consideration as a result of performance of its contractual obligations (when the plan is sold acting as an agent for a third party). Revenue in any one period therefore represents the fair value of the commission due on the plans sold, which management can estimate reliably based upon the estimated length of the plans and the historical rate of customer attrition. Reliance on historical data assumes that current and future experience will follow past trends. The Directors consider that the quantity and quality of such historical data available provides an appropriate proxy for current trends.

Commission receivable for certain transactions depends on customer behaviour after the point of sale. Assumptions are therefore required, particularly in relation to levels of customer default within the contract period, expected levels of customer spend, and customer behaviour beyond the initial contract period. Such assumptions are based on extensive historical evidence, and provision is made for the risk of potential changes in customer behaviour, but they are nonetheless inherently uncertain. Changes in estimates recognised as an increase or decrease to revenue may be made, where for example more reliable information is available, and any such changes are required to be recognised in the income statement. The commission receivable balance as at 30 September 2016 was £44.1m (2015: £32.3m). The discount rate used to unwind the commission receivable is 4.3% (2015: 5.3%).

Volume rebates

Volume rebates are deducted from cost of sales in line with the sale of the product to which the rebate is attributable. Calculation of the volume rebate for the final month of the financial period includes judgements for expected rebate values. Volume rebates receivable at 30 September 2016 are £10.3m (2015: £9.3m). At 31 October 2016 the balance outstanding was £4.7m (2015: £2.3m).

2. Revenue

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

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Own website sales	289.0	230.5	527.8
Third-party website sales and trade sales	22.9	26.3	53.6
Third-party logistics services	12.8	7.5	17.8
	324.7	264.3	599.2

Revenue split between sale of goods and services:

(£m)	6 months ended 30 September 2016			6 months ended 30 September 2015			Year ended 31 March2016		
	UK	Europe	Total	UK	Europe	Total	UK	Europe	Total
Product sales	261.9	27.6	289.4	225.0	14.6	239.6	497.6	37.9	535.5
Service sales	33.2	2.0	35.3	23.7	1.0	24.7	60.9	2.8	63.7
	295.1	29.6	324.7	248.7	15.6	264.3	558.5	40.7	559.2

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

3. Segmental analysis

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

Operating segments are determined by the internal reporting regularly provided to the Group's Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors and 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.

(£m)	6 months ended 30 September 2016			6 months ended 30 September 2015			Year ended 31 March 2016		
	UK	**Europe**	**Total**	**UK**	**Europe**	**Total**	**UK**	**Europe**	**Total**
AO website sales	259.4	29.6	289.0	214.9	15.6	230.5	487.1	40.7	527.8
Third-party website sales	22.9	-	22.9	26.3	-	26.3	53.6	-	53.6
Third-party logistics services	12.8	-	12.8	7.5	-	7.5	17.8	-	17.8
Total revenue	**295.1**	**29.6**	**324.7**	**248.7**	**15.6**	**264.3**	**558.5**	**40.7**	**599.2**
Cost of sales	(228.6)	(31.3)	(259.9)	(200.8)	(17.8)	(218.6)	(447.7)	(45.6)	(493.3)
Gross profit/(loss)	**66.5**	**(1.7)**	**64.8**	**47.9**	**(2.2)**	**45.7**	**110.8**	**(4.9)**	**105.9**
Administrative expenses	(57.5)	(10.5)	(68.0)	(46.6)	(8.0)	(54.6)	(98.4)	(18.1)	(116.5)
Other operating income	0.4	-	0.4	-	-	-	-	-	-
Operating profit/(loss)	**9.4**	**(12.2)**	**(2.8)**	**1.3**	**(10.2)**	**(8.9)**	**12.4**	**(23.0)**	**(10.6)**
Net finance income	0.8	4.3	5.1	0.4	0.5	0.9	1.2	2.7	3.9
Profit/(loss) before tax	**10.2**	**(7.9)**	**2.3**	**1.7**	**(9.7)**	**(8.0)**	**13.6**	**(20.3)**	**(6.7)**
Adjusted EBITDA:									
Operating profit/(loss)	9.4	(12.2)	(2.8)	1.3	(10.2)	(8.9)	12.4	(23.0)	(10.6)
Depreciation	1.9	0.5	2.4	1.8	0.3	2.1	3.8	0.5	4.3
Amortisation	0.2	0.1	0.3	0.2	-	0.2	0.3	0.2	0.5
Profit on disposal of non-current asset	(0.1)	-	(0.1)	-	-	-	-	-	-
EBITDA	**11.4**	**(11.6)**	**(0.2)**	**3.3**	**(9.9)**	**(6.6)**	**16.5**	**(22.3)**	**(5.8)**
Share-based payment (credit)/charge attributable to exceptional LTIP awards	1.3	-	1.3	1.2	-	1.2	(0.4)	-	(0.4)
Europe set-up costs	0.4	-	0.4	0.6	0.3	0.9	1.1	1.2	2.3
Adjusted EBITDA	**13.1**	**(11.6)**	**1.5**	**5.1**	**(9.6)**	**(4.5)**	**17.2**	**(21.1)**	**(3.9)**

Adjustments:

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. Adjusted EBITDA is calculated 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 period.

The adjustments include:

- Share-based payment charges attributable to the exceptional LTIP awards which are considered 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.

4. Finance income

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Bank interest received	0.1	0.1	0.2
Foreign exchange gains on intra group loans	4.3	0.5	2.7
Movement in valuation of put and call option	-	-	0.2
Unwind of discounting on long term receivables	1.3	0.4	1.1
	5.7	1.0	4.2

5. Finance costs

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Interest on obligations under finance leases	0.1	0.1	0.3
Other finance costs	0.5	-	-
	0.6	0.1	0.3

6. Capital expenditure and capital commitments

During the period, the Group acquired property, plant and equipment of £6.6m (2015: £3.6m) and intangible assets of £0.1m (2015: £0.3m).

This primarily relates to a replacement programme for the Group's trailer fleet in the UK, preparation of the Telford site for the new recycling plant and the costs of the new Regional distribution centre in Bergheim, Germany.

At 30 September 2016, the Group had a contractual commitments for the acquisition of property, plant and equipment amounting to £3.9m.

7. Trade and other receivables

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Trade receivables	9.3	8.1	9.7
Other receivables:			
- Accrued income	44.5	32.4	39.4
- Prepayments	18.4	16.3	14.5
- Other	0.1	0.7	0.3
	72.3	57.5	63.9

The trade and other receivables are classified as:

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Non-current assets – Accrued income	33.5	25.1	29.5
Current assets	38.8	32.4	34.4
	72.3	57.5	63.9

8. Trade and other payables

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Trade payables	92.6	62.7	79.3
Other payables:			
- Accruals	17.8	24.6	12.9
- Deferred income	8.7	7.4	8.6
- Other	5.4	5.4	8.2
	124.5	100.1	109.0

9. Earnings/(loss) per share

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

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Earnings/(loss) for the purposes of basic and diluted loss per share being profit/(loss) for the period	0.4	(6.7)	(6.0)
Number of shares			
Basic weighted average number of ordinary shares in issue	421,052,631	421,052,631	421,052,631
Potentially dilutive share options and shares	1,644,977	506,162	369,596
Weighted average number of diluted ordinary shares	422,697,608	421,558,793	421,422,227
Earnings/(loss) per share (pence)			
Basic earnings/(loss) per share	0.11	(1.58)	(1.44)
Diluted earnings per share	0.11	(1.58)	(1.44)

The adjusted loss per share for the period was 0.92p (2015: 1.71p) (see page 10).

10. Net Funds

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Cash and cash equivalents at period end	32.4	35.6	33.4
Borrowings – Repayable within one year	(2.8)	(2.1)	(2.2)
Borrowings – Repayable after one year	(8.3)	(3.9)	(5.8)
Net funds	**21.3**	**29.6**	**25.4**

Reconciliation of net cash flow to movement in net funds:

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Net decrease in cash and cash equivalents	(1.1)	(9.3)	(11.6)
Net increase in debt and lease financing	1.4	1.0	2.4
New loans in the period	(4.2)	-	(0.9)
Acquired debt on acquisition	-	-	(0.4)
Non cash movements:			
- Asset acquired under finance leases	(0.1)	-	(1.9)
- Foreign exchange on cash and cash equivalents	0.1	-	(0.1)
- Foreign exchange on bank borrowings	(0.2)	-	-
Movement in net debt	**(4.1)**	**(8.4)**	**(12.5)**
Opening net funds	25.4	37.9	37.9
Net funds at the period end	**21.3**	**29.6**	**25.4**

On 3 June 2016, AO Limited (“AOL”) a wholly owned subsidiary of AO World Plc entered into an agreement with Lloyds Bank Plc and Barclays Bank Plc (the “Banks”) whereby the Banks have provided a five-year £30m Revolving Credit Facility (“RCF”) to AOL and it’s direct subsidiaries AO Retail Limited and Expert Logistics Limited. The RCF is for general corporate and working capital purposes.

At 30 September 2016 the amount of headroom in the RCF was £25.9m.

11. Share-based payments

On 21 July 2016 the Group issued new options under the Long Term Incentive Plan (LTIP) and options under the Employee Reward Plan (ERP) to Directors and key members of staff.

The number of share options awarded under the new LTIP was 3.1m and 6.5m for the ERP respectively.

The total charge in the Income Statement in relation to LTIP's was £1.5m (2015: £1.3m) and SAYE Schemes was £0.2m (2015: £0.2m).

12. Financial instruments

As detailed in the Group's most recent annual financial statements, our principal financial instruments consist of a call and put option, trade and other receivables, accrued income, cash and cash equivalents, trade and other payables and borrowings. As indicated in Note 1, there have been no changes to the accounting policies for financial instruments, including fair value measurement, from those disclosed in the Company's Annual Report at 31 March 2016. In addition, there have been no changes to the categorisation or fair value hierarchy of our financial instruments. The fair values of cash and cash equivalents, trade and other receivables, accrued income, and trade and other payables and borrowings are all deemed to approximate their carrying values and these can be identified on the face of the Statement of Financial Position and accompanying notes. The fair value and carrying values of the put and call options are as disclosed in the 31 March 2016 Annual Report and there have been no movements since that date.

13. Related party transactions

Trading transactions

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

(£m)	6 months ended 30 September 2016	6 months ended 30 September 2015	Year ended 31 March 2016
Sale of goods and services			
The Recycling Group Ltd	0.7	-	0.7
WEEE Re-use It Limited	-	-	0.2
Re-Gen (Logistics) Limited	-	-	0.2
Purchase of goods and services			
The Recycling Group Ltd	0.3	-	0.9
Booker Limited	-	-	0.2

Transactions with Directors and key management personnel

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

14. Principal risks and uncertainties

There are a number of potential risks and uncertainties which could have a material impact on the Group's performance over the remaining six months of the financial year and could cause actual results to differ materially from expected or historical results. The Directors do not consider that the principal risks and uncertainties have changed materially since the publication of the Annual Report for the year ended 31 March 2016 save as set out below.

The principal risks as set out in the Annual Report are summarised below and further information on these together with information as to how the Group seeks to mitigate these risks is set out on pages 22-25 of the Annual Report and Accounts 2016 which can be found at www.AO.com/corporate:

- Risks relating to our failure to maintain our culture as we grow and dependence on members of the Group Executive and Senior Management Teams.
- Risks relating to our European expansion.
- Risks relating to brand recognition and damage.
- Risk relating to IT systems resilience.
- Risks of interruption to physical infrastructure.
- Risks relating to legal and/or regulatory changes.
- Risks in relation to significant accounting matters including revenue recognition, debtor recoverability and legal risk in respect of product protection plans.

The directors are also mindful of the uncertainty in the UK economy following the outcome of the EU Referendum (Brexit) and the implications this may have for the Group. Uncertainty in the economy may reduce consumer confidence and affect demand, particularly for the more "considered" (as opposed to "distressed") purchase and may also have an effect on the housing market, to which our MDA sales bear some correlation. Further whilst all our product purchases are bought in local currency (minimising the effects of the weakening of the pound against the Euro and Dollar), it is possible that the increase in our suppliers' supply chain costs could be passed on to the Group; indeed we have started to see some of this with certain manufacturers.

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

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

15. Responsibility statement

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

We confirm that to the best of our knowledge:

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

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

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

On behalf of the Board

John Roberts	**Steve Caunce**	**Mark Higgins**
CEO	COO	CFO
21 November 2016		

INDEPENDENT REVIEW REPORT TO AO WORLD PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 which comprises a Condensed Consolidated Income Statement, Condensed Consolidated Statement of Comprehensive Income, Condensed Consolidated Statement of Financial Position, Condensed Consolidated Statement of Changes in Equity, Condensed Consolidated Statement of Cash Flows and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the EU.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2016 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

Mick Davies
For and on behalf of KPMG LLP
Chartered Accountants
1 St. Peter's Square
Manchester
M2 3AE
21 November 2016