

# Half-year Report

RNS Number : 2453E  
Ocado Group PLC  
06 July 2021

This announcement contains inside information  
**OCADO GROUP PLC**

**Continued strong growth as lockdown restrictions ease**  
**Interim results for the 26 weeks ended 30 May 2021**

**6 July 2021**

## **Business Highlights**

- Continued strong Retail performance, even as Covid-19 restrictions ease; industry-leading margins
- Bristol CFC scaled to over 50% of mature capacity four months after go-live, ramping faster than any prior site
- 7 of 10 partners now live on OSP, using a full range of platform solutions; ISF through to standard CFC
- Go-live of first 2 CFCs for US partner, Kroger; delivered on time and performing well
- 4 CFCs now operating internationally, across 3 markets; positive feedback from all partners
- Ocado signs new OSP deal with Auchan Retail to develop Alcampo's online business in Spain

## **Financial Highlights**

- Group revenue growth of 21.4% to £1.3bn; growth across all business segments
- Retail growing to £1.2bn, up 19.8%; strong new customer and order growth as Covid-19 restrictions ease
- International Solutions revenues of £26.6m; Ocado Smart Platform ('OSP') fees building as expected
- Group EBITDA\* more than tripled to £61.0m despite increased investment in OSP roll out and platform
- Industry-leading performance in Ocado Retail; EBITDA margin\* of 8.5%
- Loss before tax reduced by £17.0m to £(23.6) million compared with £(40.6) million in the prior year
- Healthy liquidity; cash balance of £1.7 billion, supporting significant UK and International growth plans

£ million	H1 2021	H1 2020	Change
<b>Revenue</b>			
Retail	1,224.1	1,021.6	19.8 %
UK Solutions & Logistics	357.3	316.0	13.1 %
International Solutions	26.6	1.6	n.m.
Inter-segment and other	(288.1)	(252.4)	14.1 %
<b>Group<sup>1</sup></b>	<b>1,319.9</b>	<b>1,086.8</b>	<b>21.4 %</b>

<b>EBITDA*</b>			
Retail	104.1	45.7	+58.4
UK Solutions & Logistics	30.1	23.7	+6.4
International Solutions	(56.6)	(39.7)	(16.9)
Group and other	(16.6)	(9.9)	(6.7)
<b>Group*<sup>2</sup></b>	<b>61.0</b>	<b>19.8</b>	<b>+41.2</b>
Exceptional items <sup>3</sup>	57.3	39.1	
<b>Loss before tax</b>	<b>(23.6)</b>	<b>(40.6)</b>	
Capital expenditure	319.0	219.4	
Cash and cash equivalents and treasury deposits	1,657.8	1,300.3	
Net cash/(debt)*	188.5	196.2	

\* These measures are Alternative Performance Measures, refer to note 16 in the condensed financial statements. See page 6 for Notes

**Tim Steiner, Chief Executive Officer of Ocado Group, said:**

"As we head towards a post Covid-19 future, it is increasingly clear that the landscape for grocery worldwide has changed, for good. Over the last eighteen months, we have shown that the Ocado model works even in the most challenging and fluid of environments. That ours is a proven model in online grocery has been again demonstrated by the strong performance of Ocado Retail, the historic core of the Ocado business, which has led the market in customer experience, increasing sales by 20% in the period, thanks to a significant increase in customer numbers, while continuing to show sustainable and industry-leading profitable growth.

Speed to market and resilience are critical attributes of the very flexible Ocado Smart Platform ("OSP"), the hardware and software solution which enables our partners in the UK and around the world to bring the benefits of the Ocado model to their customers. Our first mini Customer Fulfilment Centre (CFC), in Bristol, U.K., is now ramping faster than any facility before it. The speed at which the OSP has developed means that our partners can bring the best customer experience and the best economics to their customers faster.

The model is resilient - as the imminent relaunch of Andover as a state of the art robotic CFC shows - and well suited to an environment where customers will ask grocers to offer solutions to a full range of customer missions from same day delivery to next day; big basket to immediacy; delivery to home or kerbside pick-up.

We continue to build strong partnerships with our clients and win new clients, based on our twenty year experience as a technology company and a food retailer, and these partnerships are the bedrock of our business. Our partners will continue to benefit from the full suite of options available from OSP as well as high levels of innovation and problem-solving which is at the heart of Ocado's DNA. Together, we are reshaping the grocery industry to the benefit of consumers around the world".

**Key milestones in H1 2021**

*Ocado Group provides end-to-end online grocery fulfilment solutions to some of the world's largest grocery retailers. It created the award winning UK online grocery business Ocado.com over twenty years ago, which is now a 50:50 joint venture with Marks & Spencer. Ocado has spent two decades innovating in the online grocery space, investing in a broad technology estate that includes robotics, AI & machine learning, simulation, forecasting, and edge intelligence. This know-how is embodied in the highly flexible Ocado Smart Platform, a hardware and software solution that has been developed in-house to enable the ten grocery companies we work with in the UK and around the world to bring the market-leading Ocado consumer experience to their own customers.*

## **Increasing the speed of CFC roll out**

- Ocado Group opened three CFCs in H1 2021 versus two in the corresponding period last year. These include the first "mini" CFC in Bristol, U.K and the first CFCs in the US for Kroger, in Monroe, Ohio, and Groveland, Florida. All these facilities were opened on time and are performing to expectation
- The Bristol CFC is now operating at over 50% of its capacity of 30,000 orders per week, just over four months after having gone live and a little over a year and a half since the site was acquired
- The momentum of CFC openings is building. 56 CFCs are committed and 15 are currently under construction outside the UK. We expect to open a total of 5 CFCs in FY21 and 9 in FY22 as the roll out of OSP gains pace globally
- We have continued to invest in our Technology and Group Operations functions, including an ongoing upgrade to cloud based financial systems, to ensure we are sufficiently resourced to support future growth

## **Reducing costs and creating a more resilient supply chain**

- If Ocado Group can fulfil its service obligations to its partners more efficiently, it retains the benefits. For this reason, Ocado is investing to reduce the long term cost of ownership of its assets. Engineering costs, required to keep the bots working on the grid, have fallen by 45% versus the prior year in Erith CFC, our most mature robotic site. This progress is ahead of plan, and we are targeting further, significant improvements in the years ahead
- Compared with our second generation 400 series bot, the 500 series bot now on the grid in the Bristol CFC benefits from improvements in reliability and maintainability that mean we expect it will be significantly cheaper to run. This bot will progressively be deployed across the platform
- We have made progress strengthening the resilience of the supply chain, with contracts with Flex and Jabil, for the manufacture of bots and peripherals, now operational. These are global electronics manufacturing solutions providers with the capacity to absorb greater demand for OSP and capability to build MHE closer to the partner

## **Enabling partners to serve more customer missions, faster**

- OSP is the opposite of a "one-size-fits-all" solution. It is a flexible ecosystem that allows partners to configure modules of capacity in any way they want, according to their strategic or tactical needs, through in-store fulfilment ("ISF") using our enhanced store-pick software as well as through a range of micro, mini, and standard-sized CFCs to accommodate customer demand for an immediacy offering as well as the big basket
- OSP partners have been enthusiastically embracing the flexibility of OSP over the period, with 7 out of our 10 partners now live on the platform, utilising a full range of fulfilment solutions
- OSP partners including Kroger and Sobeys are preparing national roll-outs of ISF, and ICA has opened its first "dark store" in Stockholm using ISF software to enhance the ability of its members to bring an online service to their customers. Five out of our ten partners are now using our ISF solution, in around five hundred stores globally
- Ocado Retail ("ORL") is the first of our partners to commission an extensive roll-out of Ocado Zoom, the micro-fulfilment concept which serves immediacy as part of the OSP ecosystem. We are planning to open more than 12 Zooms in UK cities
- Ocado Zoom benefits from the superior economics of the OSP, reducing handling costs through sophisticated automation, and offers customers a wide range of products (c.10,000 skus), at competitive prices, with an average delivery time under one hour. The strong customer response to the first site in Acton evidences this unique value proposition
- Through OSP, Ocado is now the only solutions provider actively operating a full range of fulfilment methods and customer missions from manual to automated, kerbside pick up to home delivery, within the hour, same day and next day

## **Signing new OSP clients**

- Ocado is announcing today the signing of an agreement with Auchan Retail to partner with Ocado Solutions to develop Alcampo's online business in Spain using the Ocado Smart Platform. A separate RNS has been issued this morning at 7am with further details. This RNS is available to view in the Investors section of [Ocadogroup.com](https://www.ocadogroup.com)
- We remain in conversation with prospects and continue to target further Solutions deals

### **Investing in new technologies and adjacencies to increase the future value of OSP**

- For two decades Ocado Group has been developing and improving upon its technological competencies and product suite, in pursuit of our mission to change the way the world shops by solving the most complex challenges in grocery fulfilment. This process of investment in future value creation continues
- Alongside a £10m investment in Oxbotica, we began a strategic collaboration on software and hardware interfaces for autonomous vehicles, ultimately targeting reduction in the logistics costs borne by OSP partners. Logistics are the single biggest operating cost in online grocery fulfilment and we see a multitude of use cases for autonomy in and around the CFC, in trunking and last mile delivery and kerb to kitchen. We expect the first prototypes of early use cases within two years, and have begun to build a dedicated team in our Advanced Technology division to work on these
- Following the acquisitions we made last year in robotic manipulation, the Ocado, Kindred and Haddington teams have been successfully integrated. Near term, revenues from Kindred have ramped more slowly than originally expected. We remain excited by the long-term opportunity for Kindred's robotic picking solution. The overall platform will now continue to be developed for all the business use cases, not just grocery. The Haddington Dexter arm has already been through a number of development iterations to make it more suitable for the grocery domain and we are now testing Kindred software in Erith
- Jones Food Company ("JFC"), the UK's leading vertical farming company, in which Ocado retains a controlling interest, has successfully raised £25m (£5m of which was provided by Ocado) to assist in the building of a second vertical farm near Bristol. The value of Ocado's original stake in JFC is now worth more than double our initial investment

*Ocado Retail, now a 50:50 JV between Ocado Group and M&S, is Ocado Group's original business and a leading pure play on-line grocer.*

### **Continued strong performance as social distancing restrictions ease and the basket returns to pre-Covid-19 levels**

- Ocado Retail achieved strong revenue growth of 20% (22% adjusted for the disposal of Fetch), including positive growth in the second quarter, even as Covid-19 restrictions began to ease and with annualisation against periods of Covid-19 related lockdown experienced in FY20
- With the easing of social distancing restrictions meaning fewer meals consumed at home, basket sizes in the second quarter have begun to move toward pre-Covid-19 levels, exiting the period 10% lower than the average for the half
- Demand for online grocery remains strong and incremental capacity made available by both the accelerated ramp up of Bristol CFC and trends in basket size has been quickly deployed to serve new customers. At the end of the period, Ocado Retail was serving 777,000 active customers, a 22% increase compared with 639,000 in 1H20
- Units picked per hour ('UPH') across mature CFCs increased to 172, primarily reflecting underlying progress at Erith as volumes have ramped
- Drops per van per week ('DPV') was 183, a 4.3% increase even as average basket size remained flat, at £138, as a smoother demand profile in 1H21, compared with 1H20, enabled roster improvements and so better delivery efficiency

- OSP is a model for online grocery fulfilment that enables scalable, sustainably profitable growth. Ocado Retail has continued to demonstrate strong operating leverage in the half, with an EBITDA margin of 8.5% after fees paid to Ocado Group, compared with 4.5% in 1H20

### **Strong pipeline of capacity to absorb current and future demand**

- We are supporting Ocado Retail's accelerated ambitions for capacity ramp in the UK, to meet strong demand for online grocery from new pools of customers now socialised to online grocery shopping
- CFC 3 (rebuild - Andover) and CFC 6 in Purfleet will go live in 3Q and 4Q, respectively, bringing a further 145k orders per week ('OPW') of growth capacity at maturity, taking total potential capacity (on a pre-Covid-19 basket) to 600k OPW. The build of CFC 7 in Bicester is on track for launch in 2022. This site will be the second mini CFC in the UK, with a mature capacity of 30k OPW
- Combined with Bristol, these sites bring a 50% increase to peak day capacity for the joint venture, expected to be achieved by the end of FY22. Ocado Retail is actively looking for further CFC sites
- Progress on the roll out of Ocado Zoom sites continues. The business is searching for 12 further sites in the next three years, with a further London site secured

### **Outlook statement**

#### **Update to guidance:**

- **Though uncertainties remain regarding the performance of Ocado Retail in H2 as COVID restrictions continue to ease, we are encouraged by performance in Q2** which shows a strong increase in customer transactions offsetting the normalisation of the value of the average basket
- **Offsetting the strong Retail performance, we now expect £30m lower EBITDA contribution between the International Solutions, UK Solutions & Logistics and Other segments**
  - **£10m impact to International Solutions from Kindred Systems:** whilst we are making good progress integrating the business, and remain very excited by the long-term opportunity for Kindred's robotic picking solution, in the near term revenues have ramped up more slowly than originally forecast due to finalisation of new pipeline contracts a little later than originally planned
  - **£15m additional investment to support the growth of the business in the UK and internationally:** in Technology and Group operations functions, including a significant one time upgrade and transition to cloud based finance systems
  - **£5m deferred consideration for Kindred Systems and Haddington Dynamics** to be recognised in the Other segment, in accordance with IFRS 2. A £3.2m charge has been recognised in 1H21
- **Overall, taking into account the encouraging performance of Ocado Retail, with these incremental investments and other impacts we are maintaining our full year outlook and do not expect a material change to consensus Group EBITDA forecast**

#### **This update builds on guidance from previous public statements made at the FY20 results:**

- **Revenue growth:**
  - YoY Retail revenue growth highly dependent on consumer behaviour following relaxation of Covid-19 restrictions. New capacity ramp up over the course of the year from 3 new UK CFCs. As of 1H21, Bristol CFC is now live, Andover expected to open in 3Q and Purfleet in 4Q
  - Double digit percentage revenue growth in UK Solutions & Logistics, reflecting ramp-up of new UK capacity

- International Solutions revenue from OSP partners expected to increase to around £50m, reflecting benefit of full year revenues from 2 CFC sites opened in FY20 and 2 new CFC sites expected to open in 1H21
- **Growth of around 30% for invoiced International Solutions fees**, reflecting the full year effect of existing CFC sites, together with fees for existing and new commitments
- **EBITDA:**
  - Covid-19 will continue to have a significant impact on Group performance
  - We are investing an additional £30m to accelerate investments in technology and platform compared to FY20, in response to the increased demand for online grocery
  - Additional capacity fees for UK CFC sites should broadly return UK Solutions & Logistics to 2019 EBITDA levels, including cost allocation changes
  - International Solutions EBITDA is expected to be lower, reflecting greater investment in building the business, more than offsetting the increase in revenue
- As a reminder, Ocado expects FY21 revenues to increase as a result of the acquisition of Kindred Systems and Haddington Dynamics. As of 1H21, due to a slower ramp in Kindred revenue than originally forecast, we now expect a negative impact on EBITDA of over £10m
- **Total capital expenditure for the Group is expected to be around £700m** reflecting increased investment in the UK and International CFC roll-out, whilst continuing to invest in our technology development and platforms
- **Continue to target further Solutions deals** which would generate additional cash fees but would negatively impact short term profits

### **AutoStore update**

The litigation between Ocado and AutoStore Technology AS ("AutoStore") continues, with claims brought by Ocado against AutoStore in the US, Germany and UK, and by AutoStore in the US and UK.

During the half-year period Ocado has successfully opposed 2 of the 6 AutoStore patents asserted in the UK, and these have been revoked in their entirety by the European Patent Office (EPO). Opposition proceedings on another 3 of the asserted AutoStore patents are pending.

In the same timeframe, the validity of Ocado's key Single Space Bot patent and proprietary Communications System patent has been confirmed by the EPO, as Opposition proceedings brought by AutoStore failed in their attempts to revoke these patents.

In June 2021, the US Patent Trial and Appeal Board (PTAB) began proceedings to review the validity of 2 of the 5 US patents asserted by AutoStore, with further PTAB decisions on the other patents expected over the next month. The PTAB has stated that "based on the evidence Ocado has demonstrated a reasonable chance of prevailing in its assertions that the challenged claims of the patents are unpatentable".

### **Litigation with Faiman, Hillary and T0day company**

Ocado has settled its litigation with its former COO Jonathan Faiman and former Head of Transformation Jon Hillary, and Project Today Holdings Limited ("T0day"), a competing company set up by Mr Faiman. Mr Faiman and Mr Hillary have acknowledged in an Agreed Statement of Facts their breach of various contractual and fiduciary obligations to Ocado in connection with the misappropriation of Ocado confidential information and documents.

The full Agreed Statement of Facts can be viewed at [Ocadogroup.com](https://www.ocadogroup.com). The Defendants have made a significant payment to Ocado as part of the settlement. Ocado will take robust action against anyone who attempts to steal, misuse or unlawfully appropriate its intellectual property.

In 1H21 total litigation costs were £11.4m for AutoStore and T0day, compared with £0.6m in the prior period.

### **Results presentation**

A results presentation will be available online for investors at 9.30am. This can be accessed via the Ocado Group website, [Ocadogroup.com](http://Ocadogroup.com). Following the presentation there will be an audio Q&A. To ask a question, dial into the conference call using the dial-in +44 (0)330 336 9434 and confirmation code 8268192.

## Contacts

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000  
Stephen Daintith, Chief Financial Officer on 020 7353 4200 today or 01707 228 000  
David Shriver, Director of Communications, on 020 7353 4200 today or 01707 228 000  
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### *Notes continued*

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax and the fees charged to international solutions clients. The recharge of costs to our UK Solutions clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation
2. EBITDA\* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items\*
3. Exceptionals include net £59.8 million income related to the Andover CFC fire

## Financial Calendar

The schedule for Ocado Retail results for the remainder of the year is for a Q3 Trading Statement on 14th September 2021 and a Q4 Trading Statement on 9th December 2021.

## Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Ocado does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

## Financial Review

- Revenue increased 21.4% to £1,319.9 million (H1 2020: £1,086.8 million), reflecting the continued strong demand for Ocado Retail's customer proposition and the increased popularity of UK online grocery in response to Covid-19.
  - Gross profit of £490.7 million and other income of £49.7 million, increased in total by 35.3%, ahead of the growth in Revenue, with strong margin performance in Retail following changes in sourcing arrangements and the start of a more material contribution from International Solutions.
  - Group EBITDA\* of £61.0 million (H1 2020: £19.8 million), with a significant increase in Retail EBITDA\* to £104.1 million (H1 2020: £45.7 million) on strong revenue and gross margin performance, good progress in UK Solutions and Logistics driven by increased volume throughput up 16.2% and productivity improvements, offset by continued investment in our technology capability and support functions.
  - Statutory loss before tax of £(23.6) million (H1 2020: £(40.6) million) after including depreciation, amortisation and impairment charges of £104.2 million, net finance costs of £37.7 million, and net exceptional income of £57.3 million principally due to insurance income for the Andover CFC.

- Strong balance sheet, with cash and cash equivalents of £1.66 billion as at the end of the period, supporting our significant UK and International growth plans.

£ million	H1 2021	H1 2020	Change
<b>Revenue<sup>1</sup></b>	<b>1,319.9</b>	<b>1,086.8</b>	<b>21.4 %</b>
Gross profit and other income <sup>2</sup>	540.4	399.5	35.3 %
Distribution and administrative costs	(478.0)	(379.6)	25.9 %
Share of results from joint ventures and associates <sup>3</sup>	(1.4)	(0.1)	n.m.
<b>EBITDA*</b>	<b>61.0</b>	<b>19.8</b>	<b>208.1 %</b>
Depreciation, amortisation and impairment	(104.2)	(76.6)	36.0 %
Net finance costs	(37.7)	(22.9)	64.6 %
<b>Loss before tax (pre-exceptional)</b>	<b>(80.9)</b>	<b>(79.7)</b>	<b>1.5 %</b>
Exceptional items	<b>57.3</b>	39.1	46.5 %
<b>Loss before tax</b>	<b>(23.6)</b>	<b>(40.6)</b>	<b>(41.9)%</b>

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax and the fees charged to international solutions clients. The recharge of costs and associated fees to our UK Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation.

2. Other income is income that is not generated through the primary trading activities of the segments (for example, media income in the Retail segment).

3. Share of results from joint ventures relates to joint ventures where the Group does not exercise control such as MHE JVCo Limited ("MHE JVCo") and Infinite Acres Holdings BV. The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated.

\* These measures are Alternative Performance Measures. Please refer to the section "Alternative Performance Measures" in the condensed financial statements.

The commentary is on a pre-exceptional basis to aid understanding of underlying performance of the business.

Group revenue for the period increased by 21.4% to £1,319.9 million (H1 2020: £1,086.8 million). Retail continued its strong trading momentum, albeit average order size began to return towards pre-Covid levels at the end of the period as lockdown restrictions eased. The International Solutions business recognised an increase in revenue contribution of £25.0 million with the go-live of two new CFCs for Kroger in the US.

Gross profit and other income grew strongly to £540.4 million, with Retail gross margin of 36.0%, consistent with H2 2020, benefiting from higher order volumes, improved product mix, changes in sourcing arrangements, and cost savings.

EBITDA\* for the period was £61.0 million (H1 2020: £19.8 million). Strong revenue growth across the Group was aided by further operational efficiency improvements across UK fulfillment and delivery. To support our ambitious plans for growth in both the UK and internationally, we continue to invest in our support and technology functions, scaling and improving the Ocado Smart Platform for our clients. The costs of this investment are largely in the International Solutions results.

Depreciation, amortisation and impairment increased by 36.0% to £104.2 million, primarily due to an increase in depreciation and amortisation costs relating to our investment and rollout of OSP hardware and software at live CFC locations.

Net finance costs increased from £22.9 million to £37.7 million, due to increased interest expense as a result of higher gross debt of £1,469.3 million (H1 2020: £1,104.1 million) following the £350 million unsecured convertible bond issued in June 2020. The majority of the additional costs year-on-year are non-cash items relating to the effective interest rate of these instruments, in addition to unrealised foreign exchange losses of £(7.8) million, and a reduction in interest income on cash deposits in the period.



As a result of the above, and after including exceptional income of £57.3 million relating to insurance proceeds from the Andover CFC, offset by litigation costs on other matters, the statutory loss before tax for the period was £(23.6) million (H1 2020: loss of £(40.6) million).

## Segmental summary

£ million	H1 2021	H1 2020	Change
<b>Revenue</b>			
Retail	1,224.1	1,021.6	19.8 %
UK Solutions & Logistics	357.3	316.0	13.1 %
International Solutions	26.6	1.6	n.m.
Inter-segment and other	(288.1)	(252.4)	14.1 %
<b>Group</b>	<b>1,319.9</b>	<b>1,086.8</b>	<b>21.4 %</b>
<b>EBITDA*</b>			
Retail	104.1	45.7	58.4
UK Solutions & Logistics	30.1	23.7	6.4
International Solutions	(56.6)	(39.7)	(16.9)
Group and other	(16.6)	(9.9)	(6.7)
<b>Group</b>	<b>61.0</b>	<b>19.8</b>	<b>41.2</b>

1. H1 2020 EBITDA re-presented following a detailed review of Group administration costs resulting in the re-allocation of certain administrative costs between UK, International and Other segments. For further details, please refer to note 5 of the condensed financial statements
2. 'Inter-segment and other' includes other revenue of £0.3 million, and Group eliminations of £(288.4) million
3. 'Group and other' includes Eliminations of £0.3 million in H1 2020

## Retail

£ million	H1 2021	H1 2020	Change
<b>Revenue<sup>2</sup></b>	<b>1,224.1</b>	1,021.6	19.8 %
Gross profit and other income	440.4	326.6	34.8 %
Distribution costs <sup>3</sup>	(270.0)	(235.2)	14.8 %
Marketing costs	(14.8)	(11.7)	26.4 %
Administrative costs <sup>3</sup>	(51.5)	(34.0)	51.5 %
<b>EBITDA*</b>	<b>104.1</b>	<b>45.7</b>	<b>127.8 %</b>
Average orders per week (000's)	356	298	19.7 %
Average basket size (£s) <sup>4</sup>	£138	£137	0.1 %

1. The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group
2. Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. Revenue growth excluding results from Fetch in H1 2020 and H1 2021 was +21.9%
3. Distribution and administrative costs exclude depreciation, amortisation and impairment
4. Average basket size refers to results of Ocado.com
5. EBITDA\* does not include the impact of exceptional items

Retail Revenue grew by 19.8% year-on-year (underlying growth of 21.9% adjusted for the disposal of Fetch) and EBITDA\* increased from £45.7 million to £104.1 million, driven by continued strong demand for online grocery and enabled by increased capacity, strong customer acquisition and operational efficiencies. The first mini CFC in Bristol went live in February and two further standard sized CFCs (in Andover and Purfleet) will open in the second half of this year, adding around 145,000 orders per week when all three sites reach maturity. Demand remained strong throughout the period, however average order size began to return towards pre-Covid levels with the shape of customer demand starting to return to a day by day trading pattern (less smooth week profile) as lockdown restrictions eased.

## Revenue

Retail Revenue grew by 19.8%, (21.9% on an underlying basis excluding Fetch) driven by a continuation of the strong customer demand for online grocery. The lockdown restrictions imposed in the UK during the winter saw a continuation of the smoothed week profile and a return to an increased average order size. Since the easing of restrictions, we have seen the average basket size fall and a return towards a more pre-covid peak day shopping profile. However, the average basket size and capacity utilisation both remain significantly above pre-covid levels. As new capacity has ramped up we have successfully increased average orders per week to 356,000 (+19.7% year-on-year) and active customers to 777,000 (+21.7% year-on-year from 640,000 at the end of H1 2020), due in part to a decline in average basket size.

Anticipating the return of normal shopper behaviours as UK lockdown eased, we doubled the number of customers with reserved delivery slots in the period. With two new CFCs opening in H2 2021, we look forward to offering more slots to existing customers and to welcoming new customers to ocado.com.

## Gross profit and other income

Gross profit and other income increased ahead of revenue growth by 34.8% to £440.4 million driven by a combination of higher order volumes, improved product mix, changes in sourcing arrangements, and cost savings. These efficiencies have allowed us to invest in retail prices and at the same time improve gross margins year-on-year to 36.0%.

## Distribution costs

£ million	H1 2021	H1 2020	Change
CFC	(89.0)	(76.2)	16.8 %
Trunking and delivery	(122.5)	(113.3)	8.1 %
Other operating costs	(58.5)	(45.7)	28.0 %
<b>Distribution costs</b>	<b>(270.0)</b>	<b>(235.2)</b>	<b>14.8 %</b>

**Distribution costs** primarily consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the UK Logistics operation of the Ocado Group.

**CFC costs** increased by 16.8% to £89.0 million compared to a growth in average orders per week in the period of 19.7%. This was achieved through improvements in productivity and economies of scale which saw Units per Hour ("UPH") in mature sites improve year-on-year to 172, combined with various non repeating Covid-19 related costs in the prior period falling away.

**Trunking and delivery costs** increased by 8.1% to £122.5 million, significantly below order growth and with total cost per order delivered reducing by 10% year-on-year. Despite a flat average order size year-on-year at £138, the number of customer orders delivered by each

van in a week improved by 4.3%, from 176 in H1 2020 to 183 in H1 2021. Additionally, in the same period last year, a number of Covid related costs were incurred in trunking and delivery which did not repeat in the current period.

**Other operating costs** of £58.5 million (H1 2020: £45.7 million) include the costs associated with the provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics. The increase is primarily due to the increase in OSP fees to UK Solutions from additional Erith ramp up capacity and the new Bristol CFC in the period.

**Marketing costs** increased by £3.1 million to £14.8 million, remaining broadly consistent as a percentage of revenue at 1.2% with the prior year. In the first part of the period we experienced a reduced level of customer acquisition activity, due in part to excess customer demand during the winter lockdown period. As restrictions eased, and we were able to release more capacity, we launched our first ever multi-media brand campaign in May, "There's An Ocado Just For You", to drive increased brand awareness. As further capacity becomes available through the second half of this year, we expect a continued increase in investment in customer acquisition.

**Administrative costs** increased by £17.5 million to £51.5 million, supporting underlying and future business growth. Key investments have included strengthening the buying team, which contributed to a strong margin performance in the period. In the second half of 2020, a new annual bonus plan and incentive scheme was implemented linked to long term valuation creation. The accounting charge for this scheme recognised in the period had no comparable charge in the prior period.

#### EBITDA\*

EBITDA\* for the Retail business was £104.1 million (H1 2020: £45.7 million). Amounts recoverable under business interruption insurance for Andover are included in Group Exceptional Income, and therefore are excluded from the Retail segmental result.

### UK Solutions & Logistics

£ million	H1 2021	H1 2020	Change
Fee revenue	73.2	56.0	30.7 %
Cost recharges	284.1	260.0	9.3 %
<b>Revenue</b>	<b>357.3</b>	<b>316.0</b>	<b>13.1 %</b>
Other Income and cost of sales	2.0	1.4	42.9 %
Distribution costs	(290.5)	(261.4)	11.1 %
Administrative costs	(38.7)	(32.3)	19.8 %
<b>EBITDA*</b>	<b>30.1</b>	<b>23.7</b>	<b>27.0 %</b>

1. Cost recharges include cost recharges to Ocado Retail of £229.0 million which eliminate on consolidation
2. Distribution and administrative costs excludes depreciation, amortisation and impairment
3. Segment has been re-presented for H1 2020. For further details refer to note 5 of the condensed financial statements

UK Solutions & Logistics saw a good performance in the period, with customer fee revenue (from Ocado Retail and Morrisons) increasing by 30.7% to £73.2 million. Orders per week grew to a new high of over 510,000 in the middle of April from additional ramp up capacity in Erith CFC, new capacity from our Bristol mini-CFC, and the re-entry of Morrisons into the Erith

CFC. With the addition of the Bristol CFC, live CFCs at the end of the period will have a total capacity of around 600,000 orders per week at maturity (on a pre-Covid basket basis).

Cost recharges to our UK partners increased by 9.3% to £284.1 million - a lower rate than total volume throughput (total eaches) growth of 16.2%, reflecting improvements shared with our UK partners in CFC efficiency, particularly in Erith, and reduced trunking and delivery costs year-on-year from lower fuel costs and an increase in the number of drops per van per week.

EBITDA increased from £23.7 million to £30.1 million as a result of the increase in fees from Ocado Retail and Morrisons. Two standard sized CFCs will open in the second half of the year, with a new CFC in Purfleet and the re-opening of the Andover CFC. These new sites will further enhance capacity by an additional 145,000 orders per week at maturity, taking total potential capacity in the UK across both of our retail partners to around 750,000 orders per week (on a pre-Covid basket basis) by the end of FY 2021.

## Revenue

Revenue from the UK Solutions & Logistics business increased by £41.3 million to £357.3 million, an increase of 13.1%.

**Fee revenue** comprises the fees charged to our UK partners Ocado Retail and Morrisons for access to Ocado's technology platforms, capital recharges, management fees and research and development. Total fees grew by 30.7% to £73.2 million, with fees to Ocado Retail growing broadly in line with overall capacity growth, with additional fees arising from the return of Morrisons to the Erith CFC in February 2021, following the end of an agreement to temporarily release the Morrisons' Erith capacity back to Ocado Retail following a fire in the Andover CFC in February 2019.

**Cost recharges** represent the relevant operational variable and fixed costs recharged by the UK Logistics operation to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on Group consolidation). These predominantly relate to fulfillment and delivery operations included in distribution costs, but also include certain central, head office activities, and transitional services fees to Ocado Retail reported within administrative costs.

## Other income

Other income, net of cost of sales, was £2.0 million (H1 2020: £1.4 million). Other income primarily relates to rent received from Morrisons in respect of Dordon CFC rent recharges.

## Distribution and administrative costs

**Distribution costs** comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons, and engineering and other support costs for the provision of the contracted services, for which fees are charged.

Total distribution costs grew by 11.1% to £290.5 million (H1 2020: £261.4 million), against a growth in average eaches shipped per week (total CFC throughput) of 16.2% to 25.8 million (H1 2020: 22.2 million eaches per week). Productivity improvements saw the average number of Units per Hour ("UPH") in mature CFCs improve year-on-year to 172 in the period, with the Erith CFC seeing an improvement of 5.8% year-on-year. Trunking and delivery operations saw average deliveries per van per week improve across both UK partners, driven by a smoother demand profile through the week enabling roster improvements. These productivity improvements are shared with our UK partners through reduced cost recoveries.

Distribution costs also include the engineering costs of operating CFCs for which a fee is charged to our UK partners. The Erith CFC constitutes the largest portion of engineering costs, supporting the automated grid picking which results in reduced labour costs. Due to the

significant increase in volumes in Erith, engineering costs have risen accordingly, but on a cost per each basis have reduced by around 45% compared to the same period last year, and continue to improve each period.

**Administrative costs** consist of direct and centrally allocated head office costs (some of which are recharged to Ocado Retail and Morrisons) and an allocation of central technology costs. Administrative costs grew by 19.8% to £38.7 million (H1 2020: £32.3 million), primarily as a result of a higher allocation charge arising from investment in additional headcount and technology resources to support and improve the platform and infrastructure required for UK growth.

#### EBITDA\*

EBITDA\* from UK Solutions & Logistics activities was £30.1 million, an increase of £6.4 million, driven by the growth in fees from additional Ocado Retail capacity and the re-entry of Morrisons into the Erith CFC. The value of Morrisons fees foregone prior to re-entry into Erith forms part of the business interruption insurance claim for Andover. Amounts recoverable under this claim are included in Exceptional Income, and therefore are excluded from the UK Solutions & Logistics segmental result.

### International Solutions

£ million	H1 2021	H1 2020	Change
<b>Fees invoiced</b>	<b>50.2</b>	<b>73.7</b>	<b>(31.9)%</b>
<b>Revenue</b>	<b>26.6</b>	<b>1.6</b>	n.m
Cost of sales	(4.2)	(0.2)	n.m
Distribution and administrative costs <sup>2</sup>	(79.1)	(41.1)	92.5 %
<b>EBITDA*</b>	<b>(56.6)</b>	<b>(39.7)</b>	<b>42.6 %</b>

1. Revenue includes £3.9 million contribution from Kindred Systems, and £3.3 million of equipment sales to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in Cost of sales, with the resulting impact on EBITDA of nil
2. Distribution and administrative costs excludes depreciation, amortisation and impairment
3. Segment has been re-presented for H1 2020. For further details refer to note 5 of the condensed financial statements

The first half of 2021 saw the go-live of the first CFCs in the US for Kroger in Monroe, Ohio, and Groveland, Florida. These facilities were opened on time and are performing to expectation. Combined with the existing international CFCs with Groupe Casino in Paris, and with Sobeys in the Greater Toronto area that opened in the second half of 2020, the International Solutions business started to deliver material revenue for the first time, with revenue in the period of £26.6 million. At the end of the period, we held a strong pipeline of CFC commitments in addition to in-store fulfillment capabilities across a number of our existing partners. We continue to invest in the OSP platform and build the support functions to support rapid international expansion with distribution and administrative costs growing to £79.1 million from £41.1 million in H1 2020. Losses in the period grew from £(39.7) million to £(56.6) million.

International Solutions also now includes results from the client facing part of Kindred Systems following completion of this acquisition in December 2020. We have made good progress integrating the team and creating collaborative ways of working. Whilst we have seen a slower ramp up in revenue to date compared to original expectations, we remain encouraged by the long-term opportunity for Kindred's robotic picking solution, in particular for customers within the general merchandise and logistics sectors.

#### Fees and revenue

**Fees invoiced** in the period totalled £50.2 million (H1 2020: £73.7 million), and includes design and capacity fees invoiced across a number of clients relating to existing and future

CFC and in-store fulfillment commitments, and fees associated with the go-live of operations with Kroger.

Under revenue recognition rules, fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the CFC "goes live".

**Revenue** in the period of £26.6 million reflects fees from existing operations with Sobeys and Groupe Casino which went live in April 2020 and May 2020 respectively, and the commencement of operations with Kroger in two new CFCs in April and May 2021 respectively. We expect to go-live with our second CFC with Sobeys after the end of this financial year, and a further 7 CFCs due to commence operations in 2022, including 6 with Kroger, and our first CFC with ICA. In addition to revenue contribution of £3.9 million from Kindred Systems, International Solutions revenue also includes £3.3 million relating to the sale of equipment to a number of partners that is recognised as revenue. This has nil impact on EBITDA.

### **Distribution and administrative costs**

Distribution and administrative costs primarily consist of the costs of operating the technology platform and CFCs for our international clients, other costs supporting our international partnership agreements and the non-capitalised costs of employees who are developing the OSP platform, such as research costs. These costs grew from £41.1 million in H1 2020 to £79.1 million in H1 2021 as a result of the increase in headcount to support building further capabilities to sign future clients, increased people and cloud costs to support existing international clients in launching the CFCs, and further improvements in our platform.

### **EBITDA\***

EBITDA\* from our International Solutions activities was a loss of £(56.6) million (H1 2020: £(39.7) million), principally due to the increased investment in our teams and technology to support our international growth ambitions, and the support costs relating to new CFCs.

### **Group and other**

The Group and other segment represent revenue and costs which do not relate to the Retail, UK Solutions and Logistics and International Solutions segments. This includes Board costs, the consolidated results of Jones Food Company and rental income. This segment reported an EBITDA\* loss of £(16.6) million in the current period (H1 2020 loss: £9.9) million). The increase in loss is primarily due to an increase in share-based senior management incentive charges, charges relating to deferred consideration in respect of the Kindred Systems and Haddington Dynamics acquisitions, and losses recognised for Jones Food Company in the period.

### **Exceptional items**

£ million	H1 2021	H1 2020
<b>Andover CFC</b>		
Insurance reimbursement	(62.7)	(36.3)
Other exceptional costs	2.9	1.8
<b>Total Andover exceptional (income) / cost</b>	<b>(59.8)</b>	<b>(34.5)</b>
Gain on disposal of Speciality Stores Limited ("Fetch")	(1.7)	-

Litigation costs	11.4	0.6
Changes in fair value of contingent consideration	(7.2)	(5.2)
<b>Total exceptional (income) / cost</b>	<b>(57.3)</b>	<b>(39.1)</b>

### **Andover CFC**

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

### **Insurance reimbursement**

Insurance reimbursements of £62.7 million in the period (H1 2020: £36.3 million) comprise reconstruction and other incremental costs of £34.3 million and reimbursement for business interruption losses of £28.4 million. Total income recognised to date, including prior periods, is £190.4 million. The difference between the expected value of the claim that has been incurred to date, based on discussion with our insurers, and the reimbursement received to date is recorded as accrued income.

The Group expects to receive further insurance reimbursement relating to reconstruction costs and business interruption losses. Claim negotiations are ongoing. It is expected that income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred, although the total insurance proceeds cannot yet be quantified accurately.

### **Other exceptional costs**

These include, but are not limited to, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs.

### **Gain on disposal of Speciality Stores Limited**

On 31 January 2021, Ocado Retail Limited completed the sale of the entire share capital of Fetch, its pets business, to Paws Holdings Limited ("Paws Holdings") resulting in a gain on disposal of £1.7 million.

### **Litigation costs**

Litigation costs principally related to patent infringement litigation between the Group and AutoStore Technology AS and also in respect of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited, in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property. These costs are considered to be material and one-off in nature and are therefore treated as exceptional items.

### **Change in fair value of contingent consideration**

In 2019 the Group completed two transactions. In August 2019 the Group completed the sale of 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S") and in July 2019 the Group completed the sale of Marie Claire Beauty Limited (trading as "Fabled") to Next plc. Part of the consideration agreed for each of these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. This resulted in a gain of £7.2 million recognised as a credit against exceptional administrative expenses during the period.

### **Depreciation, amortisation and impairment**

Total depreciation and amortisation costs were £104.2 million (H1 2020: £76.6 million), an increase of 36.0% year-on-year, and includes depreciation of property, plant and equipment of £38.9 million (H1 2020: £26.4 million), depreciation of right-of-use assets of £28.9 million (H1

2020: £28.4 million), amortisation expense of £35.7 million (H1 2020: £20.9 million), and impairment costs of £0.7 million (H1 2020: £0.9 million).

The increase in year-on-year costs reflects an increase of £366.6 million in the net book value of property, plant and equipment to £978.5 million, primarily relating to the construction and go-live of new CFCs in both the UK and internationally. An increased amortisation expense reflects an increase of £130.2 million year-on-year in other intangible assets to £341.2 million, primarily due to our continued investment and rollout of OSP software, together with the acquisition of £74.7 million of intangible assets relating to Kindred Systems and Haddington Dynamics.

### **Net finance costs**

Net finance costs of £37.7 million increased by £14.8 million (H1 2020: £22.9 million) predominantly due to a £365.2 million increase in gross debt to £1,469.3 million at end of the period (H1 2020: £1,104.1 million) following the issue of a £350 million unsecured Convertible Bond in June 2020. The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments, in addition to unrealised foreign exchange losses. These were offset by £1.0 million of finance income relating to cash balances and treasury deposits (H1 2020: £3.5 million).

### **Share of result from joint ventures and associates**

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group's share of MHE JVCo profit after tax in the period amounted to £0.1 million (H1 2020: £0.5 million). The Group's interest in Infinite Acres Holdings BV was acquired during FY 2019, and contributed a loss of £(1.2) million to the Group's results in the period (H1 2020: £(0.4) million). The Group's interest in Karakuri Limited contributed a loss of £(0.3) million in the period (H1 2020: £(0.2) million loss).

### **Loss before tax**

Loss before tax for the period was £(23.6) million after including the impact of depreciation, amortisation and impairment costs of £104.2 million, and net finance costs of £37.7 million (H1 2020: loss of £(40.6) million).

### **Taxation**

The Group's reported total tax charge for the period was £10.8 million (H1 2020: £0.4 million reported tax charge). This charge reflects a corporation tax charge of £12.5 million (H1 2021: £nil) mostly in respect of the Retail business. A deferred tax credit of £1.7 million (H1 2020: £0.4 million) was recognised in the period arising from the future change in the UK corporate tax rate from 19% to 25% and in expected overseas tax credits. At the end of the period, the Group had £507.1 million (H1 2020: £295.6 million) of unutilised carried forward tax losses.

### **Dividend**

During the period, the Group did not declare a dividend (H1 2020: nil).

### **Loss per share**

Loss and diluted loss per share were (10.53)p (H1 2020: (8.18)p).

### **Capital expenditure**



Capital expenditure totalled £319.0 million in the period (H1 2020: £219.4 million) as we continued to develop new CFCs in both the UK and with our International retail partners, investing in technology to support our OSP growth ambitions, and within our Group support functions.

£ million	H1 2021	H1 2020
UK Operations	136.0	77.0
International CFCs	105.7	84.7
Technology, Fulfilment Development and Innovation	75.3	57.4
<b>Total capital expenditure<sup>3</sup> (including MHE JVCo)</b>	<b>319.0</b>	<b>219.4</b>

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements
3. Capital expenditure includes MHE JVCo capital expenditure in H1 2021 of £2.0 million and in H1 2020 of £0.3 million
4. H1 2020 reflects changes in the allocation of certain expenditure between UK Operations, International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with H1 2021

In the period we invested £136.0 million in our UK operations (H1 2020: £77.0 million), of which £97.2 million relates to our CFCs in the UK. This includes £37.2 million for Andover and £35.5 million on Purfleet CFC which are both expected to go live in the second half of FY 2021. Combined with the Bristol CFC that went live in February 2021, this will add in excess of 40% more capacity for Ocado Retail at maturity to respond to the growing demand for online grocery, and with potential capacity in the UK across both Ocado Retail and Morrisons expected to be around 750,000 orders per week (assuming a pre-covid basket size). Capital expenditure on Andover represents the gross costs to Ocado Group and is offset by the insurance proceeds received to date or in the future and which is recognised as exceptional income as capital expenditure is incurred. The remaining £38.8 million of UK Operations includes the completion of the Bristol CFC, delivery vehicles £15.5 million, investment in our software upgrade implementation £8.8 million (including a new finance, procurement and supply chain ERP system), and pre go-live engineering costs of £6.4 million.

Investment in developing international CFCs for our partners continues to accelerate as our committed pipeline grows. In the period our capital expenditure on international CFCs was £105.7 million (H1 2020: £84.7 million), including £67.1 million related to the CFCs in North America and £14.8 million in Europe, with a total of 15 CFCs in development or construction phase including 9 for Kroger in the US.

We continue to invest in the development of our own technology, and we expanded technology and engineering headcount to over 2,400 staff as we increased investments to support the business' strategic initiatives. Total technology expenditure in the first half of the year was £122 million, of which £71 million was capitalised. The main areas of investment continue to be the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and support for the Erith CFC and existing partners' future CFCs. Within this, £22 million relates to Retrieval and Handling Robotics (for which total cash investment including operating expenditure in the period was £31 million), where we see a significant opportunity to drive further improvements in online grocery economics for Ocado, and our clients globally.

In addition, investment in the development of fulfilment equipment totalled £24.8 million (H1 2020: £23.4 million), enhancing our next generation fulfilment solutions for CFCs and delivery operations for all our Solutions partners, further reinforcing our 'lowest cost operator' pursuit.

## Cashflow

£ million	H1 2021	H1 2020
<b>EBITDA*</b>	<b>61.0</b>	<b>19.8</b>
Movement in contract liabilities	57.5	59.7
Other working capital movements	(32.4)	88.4
Insurance proceeds relating to business interruption	30.0	10.0
Finance costs paid	(16.9)	(17.2)
Taxation paid	(9.2)	-
Other	3.3	4.9
<b>Operating cash flow</b>	<b>93.3</b>	<b>165.6</b>
Capital investment	(297.2)	(192.1)
Insurance proceeds received relating to rebuilding Andover CFC	-	10.0
Business acquisitions	(196.2)	-
Increase in finance obligations	347.8	525.6
Proceeds from share issues	2.1	10.5
Interest received	0.7	3.5
Other investing and financing activities	7.4	(13.4)
<b>Movement in cash and cash equivalents</b>	<b>(42.1)</b>	<b>509.7</b>

1. EBITDA\* is stated before the impact of exceptional items

Operating cash flow of £93.3 million was primarily driven by a strong Retail trading performance and growth in fees in the International Solutions business, offset by an increase in working capital as business activity increases.

Cash received from our Solutions partners, excluding tax (shown in 'movement in contract liabilities'), was £57.5 million (H1 2020: £59.7 million). This reflects stage payments across a new number of clients as CFC build programs continue to progress, and includes go-live and ongoing capacity fees across our live CFCs with Kroger, Sobeys and Casino.

A net increase in other working capital (representing a net cash outflow) of £32.4 million (H1 2020: net decrease of £88.4 million), primarily reflects movements as a result of the growth in the Retail business. This gave rise to an increase in trade receivables of £21.5 million (net cash outflow), driven by an increase in Retail accrued income from the growth in promotional and media rebates that has contributed to an improvement in margins year-on-year. An increase in inventories of £26.4 million (net cash outflow), in part reflects the go-live of the new Bristol CFC.

This was offset by an increase in trade payables of £15.5 million (net cash inflow), driven by an increase in non Retail trade creditors as growth in our Solutions business continues to accelerate, in addition to an increase in accruals relating to Retail rebranding activity.

In the prior year, a net decrease in working capital (representing a net cash inflow) of £88.4 million reflected an increase in trade payables of £74.8 million due to an increase in capex accruals tied to greater business investment.

Net taxation paid of £9.2 million (H1 2020: £nil) reflects tax paid by Ocado Retail resulting from an increase in profitability and following the utilisation of all respective carried forward tax losses in FY 2020. This is offset by certain research and development tax expenditure credits.

Cash outflow for capital expenditure in H1 2021 amounted to £297.2 million (H1 2020: £192.1 million) as the Group continues to invest for future growth, incurring additional investment in new CFCs both in the UK and internationally, developing next generation fulfilment solutions, and investing in our central support capabilities.

The 'Business acquisition' cash outflow of £196.2 million (H1 2020: nil) represents the acquisitions of Kindred and Haddington that each completed in the period.

'Other investing and financing activities' include an investment of £10.0 million in Oxbotica, a leading autonomous vehicle software company, with an ambition to enable our partners that use the Ocado Smart Platform to reduce the costs of last-mile delivery and other logistics operations. This was offset by a net cash inflow of £20.0 million from a new investment partner into Jones Food Company, a vertical farming company whose results are fully consolidated in Ocado Group.

Net debt and financing cash flows for the period were an inflow of £347.8 million (H1 2020: £525.6 million), primarily reflecting the drawdown of £370.0 million of treasury deposits which matured in the period, and which were not defined as cash and cash equivalents at the beginning of the period.

## Balance Sheet

The Group had **cash and cash equivalents** totalling £1,657.8 million (FY 2020: £2,076.8 million including treasury deposits) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,469.3 million (H1 2020: £1,104.1 million), with net cash at the period-end of £188.5 million (H1 2020: £196.2 million). The balance of current financial assets comprises a contingent consideration receivable balance and a contribution to dilapidation costs.

£ million	H1 2021	H1 2020 (restated) <sup>1</sup>	FY 2020
Cash and cash equivalents	1,657.8	1,150.3	1,706.8
Other treasury deposits	-	150.0	370.0
<b>Total</b>	<b>1,657.8</b>	<b>1,300.3</b>	<b>2,076.8</b>

1. £150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition were reclassified from cash and cash equivalents to current financial assets as at 31 May 2020

**Trade and other receivables** includes £65.1 million (H1 2020: £50.4 million) of amounts due from suppliers in respect of commercial and media income with the increase year-on-year driven by new commercial agreements and reflected in the improvement in Retail gross margin. Of this amount, £24.3 million (H1 2020: £8.6 million) is within trade receivables and £40.8 million (H1 2020: £41.8 million) within accrued income. Trade and other receivables also includes accrued income of £22.3 million in respect of insurance proceeds recognised within exceptional income.

**Total contract liabilities** of £326.4 million (H1 2020: £263.4 million) relates to Solutions contracts, payments made for performance-based payments, or progress payments on ongoing service delivery. Where invoicing is greater than the revenue recognised at the end of a period, a contract liability is recognised for the difference. Within accrued income, £0.7 million (H1 2020: £0.2 million) is due from our Solutions customers.

**Deferred tax assets** increased by £7.8 million to £31.4 million mainly due to the future increase in the UK corporate tax rate from 19% to 25% with effect from April 2023. Deferred tax liabilities increased by £26.6 million to a balance of £45.9 million mainly due to the recognition of a deferred tax liability on intangible assets arising on new business acquisitions in the US. UK deferred tax liabilities have also increased due to the future UK corporate tax rate change.

Included within **property, plant and equipment and intangible assets** is capital work-in-progress of £383.6 million (H1 2020: £247.0 million) where depreciation has not yet commenced. The increase year-on-year relates to international CFCs, predominantly with Kroger, and the various UK CFCs that are in progress, specifically Andover and Purfleet.

## Financing

At the end of the period the Group had cash and cash equivalents totalling £1,657.8 million which we believe provides sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term. As we implement our growth plans, we expect further funding will be required to deliver additional CFC investments.

## Key performance indicators

The following table sets out a summary of selected unaudited operating information in the period:

£ million	H1 2021	H1 2020	Change
Average orders per week (000's)	<b>356</b>	298	19.7 %
Average basket size (£s) <sup>1</sup>	<b>138</b>	137	0.1 %
Average deliveries per van per week (DPV/week)	<b>183</b>	176	4.3 %
Mature CFC efficiency (units per hour) <sup>2</sup>	<b>172</b>	170	0.8 %
Active customers <sup>3</sup> (000's)	<b>777</b>	639	21.7 %

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited.

1. Average basket size refers to results of Ocado.com
2. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel. We consider the mature CFCs to be Hatfield, Dordon and Erith
3. Customers are classified as active if they have shopped on Ocado.com within the previous 12 weeks

## Subsequent events

### Contingent consideration

On 15 June 2021, The Group received deferred consideration of £16.8 million from Marks and Spencer Group plc, being the first of the three individual "triggers" relating to the part-disposal of Ocado Retail in 2019.

### Litigation with Faiman, Hillary and T0day company

In June 2021, Ocado settled its litigation with its former COO Jonathan Faiman (who resigned in 2008) and former Head of Transformation Jon Hillary (whose employment was terminated in 2019), and Project Today Holdings Limited ("T0day"), a competing company set up by Mr Faiman. Mr Faiman and Mr Hillary have acknowledged in an Agreed Statement of Facts their breach of various contractual and fiduciary obligations to Ocado.

The full Agreed Statement of Facts can be viewed at [OcadoGroup.com](http://OcadoGroup.com). The Defendants are subject to a permanent injunction, backed by a penal notice, and have made a payment of £1.75 million to Ocado as part of the settlement, in addition to the £413,000 recovered from Jon Hillary under the clawback provisions of Group incentive schemes. Ocado will take robust action against anyone who attempts to steal, misuse or unlawfully appropriate its intellectual property.

### Partnership with Auchan Retail in Spain

On 6 July 2021, Ocado announced the signing of an agreement with Auchan Retail to partner with Ocado Solutions to develop Alcampo's online business in Spain using the Ocado Smart Platform.

## Consolidated Income Statement for the 26 weeks ended 30 May 2021

		26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	Notes	£m (unaudited)	£m (unaudited)	£m (audited)
Revenue	5	1,319.9	1,086.8	2,331.8
Cost of sales		(829.2)	(724.5)	(1,517.9)
<b>Gross profit</b>	16	<b>490.7</b>	<b>362.3</b>	<b>813.9</b>
Other income		49.7	37.2	87.6
Distribution costs		(370.4)	(313.0)	(653.4)
Administrative expenses		(211.8)	(143.2)	(343.0)
<b>Operating loss before exceptional items and results from joint ventures and associate</b>		<b>(41.8)</b>	<b>(56.7)</b>	<b>(94.9)</b>
Exceptional items	6	57.3	39.1	104.6
<b>Operating profit/(loss) before results from joint ventures and associate</b>		<b>15.5</b>	<b>(17.6)</b>	<b>9.7</b>
Share of results from joint ventures and associate		(1.4)	(0.1)	(0.9)
<b>Operating profit/(loss)</b>		<b>14.1</b>	<b>(17.7)</b>	<b>8.8</b>
Finance income	8	1.0	3.5	5.5
Finance costs	8	(38.7)	(26.4)	(58.3)
<b>Loss before tax</b>		<b>(23.6)</b>	<b>(40.6)</b>	<b>(44.0)</b>
Taxation		(10.8)	(0.4)	(25.6)
<b>Loss for the period</b>		<b>(34.4)</b>	<b>(41.0)</b>	<b>(69.6)</b>
Attributable to:				
Owners of Ocado Group plc		(77.8)	(57.4)	(126.0)
Non-controlling interests		43.4	16.4	56.4
		<b>(34.4)</b>	<b>(41.0)</b>	<b>(69.6)</b>
<b>Loss per share</b>		Pence	Pence	Pence
	7	<b>(10.53)</b>	<b>(8.18)</b>	<b>(17.55)</b>

## Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA<sup>\*</sup>)

		26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	Note	£m (unaudited)	£m (unaudited)	£m (audited)
Operating profit/(loss)		14.1	(17.7)	8.8
Adjustments for:				
Depreciation of property, plant and equipment		38.9	26.4	57.2
Depreciation of right-of-use assets		28.9	28.4	57.3
Amortisation expense		35.7	20.9	49.0
Impairment of property, plant and equipment		0.4	0.4	2.1
Impairment of intangibles		0.3	0.5	3.3
Exceptional items	6	(57.3)	(39.1)	(104.6)
<b>EBITDA<sup>*</sup></b>		<b>61.0</b>	<b>19.8</b>	<b>73.1</b>

\* EBITDA before exceptionals is an alternative performance measure. See note 16 for further information.

## Condensed Consolidated Statement of Comprehensive Income for the 26 weeks ended 30 May 2021

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
<b>Loss for the period</b>	<b>(34.4)</b>	<b>(41.0)</b>	<b>(69.6)</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified to profit or loss in subsequent years:			
Cash flow hedges			
- Gains/(Losses) arising on hedging contracts	1.0	(1.1)	0.4
Foreign exchange (loss)/gain on translation of foreign subsidiaries	(20.9)	0.5	(0.9)
Items that will not be reclassified to profit or loss in subsequent years:			
Gains on equity instruments designated as at fair value through other comprehensive income	-	-	5.2
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(19.9)</b>	<b>(0.6)</b>	<b>4.7</b>
<b>Total comprehensive expense for the period</b>	<b>(54.3)</b>	<b>(41.6)</b>	<b>(64.9)</b>
Attributable to:			
Owners of Ocado Group plc	(97.7)	(58.0)	(121.3)
Non-controlling interests	43.4	16.4	56.4
	<b>(54.3)</b>	<b>(41.6)</b>	<b>(64.9)</b>

## Condensed Consolidated Balance Sheet as at 30 May 2021

		30 May 2021	31 May 2020 (restated) <sup>1,2</sup>	29 November 2020
	Notes	£m	£m	£m
		(unaudited)	(unaudited)	(audited)
<b>Non-current assets</b>				
Goodwill	4	136.4	4.7	4.7
Other intangible assets		341.2	211.0	239.5
Property, plant and equipment		978.5	611.9	785.0
Right-of-use assets		427.7	368.4	385.0
Deferred tax assets		31.4	29.3	23.6
Contract assets		0.1	0.7	0.3
Costs to obtain contracts		0.7	0.8	0.7
Financial assets	11	184.0	187.3	166.8
Investment in joint ventures		35.9	46.2	37.4
Trade and other receivables		1.3	-	-
Investment in associate		3.8	4.4	4.1
		<b>2,141.0</b>	<b>1,464.7</b>	<b>1,647.1</b>
<b>Current assets</b>				
Assets held for sale		4.2	4.2	4.2
Inventories		71.8	51.4	61.6
Contract assets		0.3	-	0.1
Costs to obtain contracts		0.1	0.1	0.1
Trade and other receivables		237.4	135.3	200.6
Insurance reimbursement asset		-	38.3	5.5
Derivative financial instruments	12	0.9	0.2	0.2
Financial assets	11	34.0	150.0	402.0
Cash and cash equivalents	10	1,657.8	1,150.3	1,706.8
		<b>2,006.5</b>	<b>1,529.8</b>	<b>2,381.1</b>
<b>Total assets</b>		<b>4,147.5</b>	<b>2,994.5</b>	<b>4,028.2</b>
<b>Current liabilities</b>				
Trade and other payables		(427.4)	(437.0)	(422.9)
Contract liabilities		(21.3)	(7.4)	(14.4)
Lease liabilities	9	(51.4)	(71.3)	(48.1)

Derivative financial instruments	12	-	(1.7)	(0.3)
Provisions		(1.2)	(40.2)	(8.4)
		<b>(501.3)</b>	<b>(557.6)</b>	<b>(494.1)</b>
<b>Net current assets</b>		<b>1,505.2</b>	<b>972.2</b>	<b>1,887.0</b>
<b>Non-current liabilities</b>				
Contract liabilities		(305.1)	(256.0)	(284.9)
Borrowings	9	(1,012.0)	(713.4)	(997.4)
Lease liabilities	9	(405.9)	(319.4)	(359.7)
Provisions		(44.6)	(17.3)	(35.6)
Deferred tax liabilities		(45.9)	(18.1)	(19.3)
		<b>(1,813.5)</b>	<b>(1,324.2)</b>	<b>(1,696.9)</b>
<b>Net assets</b>		<b>1,832.7</b>	<b>1,112.7</b>	<b>1,837.2</b>
<b>Equity</b>				
Share capital		15.0	14.3	15.0
Share premium		1,366.9	715.4	1,361.6
Treasury shares reserve		(113.1)	(113.3)	(113.2)
Other reserves		63.2	(5.6)	76.9
Retained earnings		373.6	478.0	425.5
Equity attributable to owners of Ocado Group plc		1,705.6	1,088.8	1,765.8
Non-controlling interests		127.1	23.9	71.4
<b>Total equity</b>		<b>1,832.7</b>	<b>1,112.7</b>	<b>1,837.2</b>

1. £150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to current financial assets as at 31 May 2020. The Group had cash and cash equivalents totalling £1,657.8 million and £nil treasury deposits, (FY 2020: £2,076.8 million including treasury deposits) at the end of the period.
2. As disclosed in the annual report for 29 November 2020, trade and other payables have been increased as at 1 December 2019 and 31 May 2020 by £1.0 million to correct immaterial historical errors, with a corresponding decrease of retained earnings.

## Condensed Consolidated Statement of Changes in Equity for the 26 weeks ended 30 May 2021

	Attributable to owners of Ocado Group plc							
	Share capital	Share premium	Treasury shares reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 29 November 2020 (audited)</b>	<b>15.0</b>	<b>1,361.6</b>	<b>(113.2)</b>	<b>76.9</b>	<b>425.5</b>	<b>1,765.8</b>	<b>71.4</b>	<b>1,837.2</b>
(Loss)/profit for the period	-	-	-	-	(77.8)	(77.8)	43.4	(34.4)
Other comprehensive income:								
Cash flow hedges								
- Gains arising on hedging contracts	-	-	-	1.0	-	1.0	-	1.0
Losses arising on the translation of foreign subsidiaries	-	-	-	(20.9)	-	(20.9)	-	(20.9)
<b>Total comprehensive expense for the period ended 30 May 2021 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(19.9)</b>	<b>(77.8)</b>	<b>(97.7)</b>	<b>43.4</b>	<b>(54.3)</b>
Transactions with owners:								
- Issue of ordinary shares	-	0.7	-	-	-	0.7	-	0.7
- Allotted in respect of share option schemes	-	4.6	-	-	-	4.6	-	4.6
- Disposal of treasury shares	-	-	0.1	-	-	0.1	-	0.1
- Share-based payments charge	-	-	-	-	16.3	16.3	-	16.3
- Issue of ordinary shares for the purchase of Haddington Dynamics Inc	-	-	-	6.2	-	6.2	-	6.2
- IFRS 3 portion of the rollover shares issued by Ocado for the purchase of Kindred Systems Inc	-	-	-	-	1.9	1.9	-	1.9

- Additional investment in Jones Food Company Limited	-	-	-	-	7.7	7.7	12.3	20.0
<b>Total transactions with owners</b>	-	<b>5.3</b>	<b>0.1</b>	<b>6.2</b>	<b>25.9</b>	<b>37.5</b>	<b>12.3</b>	<b>49.8</b>
<b>Balance at 30 May 2021 (unaudited)</b>	<b>15.0</b>	<b>1,366.9</b>	<b>(113.1)</b>	<b>63.2</b>	<b>373.6</b>	<b>1,705.6</b>	<b>127.1</b>	<b>1,832.7</b>

	Attributable to owners of Ocado Group plc							
	Share capital	Share premium	Treasury shares reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 1 December 2019 (restated)<sup>2</sup></b>	<b>14.2</b>	<b>705.3</b>	<b>(113.6)</b>	<b>(112.2)</b>	<b>554.2</b>	<b>1,047.9</b>	<b>9.4</b>	<b>1,057.3</b>
(Loss)/profit for the period	-	-	-	-	(57.4)	(57.4)	16.4	(41.0)
Other comprehensive income/(expense):								
Cash flow hedges								
- Losses arising on hedging contracts	-	-	-	(1.1)	-	(1.1)	-	(1.1)
Gains arising on the translation of foreign subsidiaries	-	-	-	0.5	-	0.5	-	0.5
<b>Total comprehensive expense for the period ended 31 May 2020 (unaudited)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.6)</b>	<b>(57.4)</b>	<b>(58.0)</b>	<b>16.4</b>	<b>(41.6)</b>
Transactions with owners:								
- Issue of ordinary shares	-	0.4	-	-	-	0.4	-	0.4
- Allotted in respect of share option schemes	0.1	9.7	-	-	-	9.8	-	9.8
- Disposal of treasury shares	-	-	0.3	-	-	0.3	-	0.3
- Share-based payments charge	-	-	-	-	10.8	10.8	-	10.8
- Adjustments arising from part-disposal of Ocado Retail Limited	-	-	-	-	(29.9)	(29.9)	(1.7)	(31.6)
- Issue of convertible bonds <sup>1</sup>	-	-	-	107.2	-	107.2	-	107.2
- Additional investment in Jones Food Company Limited <sup>3</sup>	-	-	-	-	0.3	0.3	(0.2)	0.1
<b>Total transactions with owners</b>	<b>0.1</b>	<b>10.1</b>	<b>0.3</b>	<b>107.2</b>	<b>(18.8)</b>	<b>98.9</b>	<b>(1.9)</b>	<b>97.0</b>
<b>Balance at 31 May 2020 (unaudited)</b>	<b>14.3</b>	<b>715.4</b>	<b>(113.3)</b>	<b>(5.6)</b>	<b>478.0</b>	<b>1,088.8</b>	<b>23.9</b>	<b>1,112.7</b>

- In December 2019, £600.0 million of convertible bonds were issued. The equity component of the bonds was valued at £107.2 million and recognised in other reserves.
- As disclosed in the annual report for 29 November 2020, trade and other payables have been increased as at 1 December 2019 and 31 May 2020 by £1.0 million to correct immaterial historical errors, with a corresponding decrease of retained earnings.
- In April 2021, Jones Food Company completed an equity raise of £25.0m, as part of which Ocado Ventures (JFC) invested an additional £5.0m in ordinary shares, this reduced the shareholding held by Ocado Ventures from 72% to 52%, overall retaining control.

## Condensed Consolidated Statement of Cash Flows for the 26 weeks ended 30 May 2021

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020 (restated) <sup>1</sup>	52 weeks ended 29 November 2020
	£m	£m	£m
	Note	(unaudited)	(audited)
<b>Cash flows from operating activities</b>			



Loss before tax	(23.6)	(40.6)	(44.0)
Adjustments for:			
- Depreciation, amortisation and impairment losses	104.2	76.6	168.9
- Movement in provisions	6.0	(1.2)	18.5
- Share of results from joint ventures and associate	1.4	0.1	0.9
- Net loss/(profit) on derivative financial instruments	1.0	(1.1)	0.4
- Revenue from long-term contracts	(7.6)	(1.3)	(6.1)
- Other income from insurance proceeds	(62.7)	(36.3)	(103.9)
- Share-based payments charge	16.3	10.8	22.4
- Net finance cost	8	37.7	22.9
- Other non-cash exceptional items	(8.9)	(5.2)	(7.4)
- Settlement of cash flow hedges	0.5	-	(2.5)
Changes in working capital:			
- Movement in inventories	(26.4)	0.9	38.5
- Movement in trade and other receivables	(21.5)	12.7	(59.2)
- Movement in trade and other payables	15.5	74.8	52.8
- Movement in contract liabilities	57.5	59.7	97.5
<b>Cash generated from operations</b>	<b>89.4</b>	<b>172.8</b>	<b>229.6</b>
Corporation tax paid	(9.2)	-	(18.4)
Interest paid	(16.9)	(17.2)	(25.8)
Insurance proceeds relating to destroyed inventory and business interruption	30.0	10.0	40.0
<b>Net cash flows from operating activities</b>	<b>93.3</b>	<b>165.6</b>	<b>225.4</b>
<b>Cash flows from investing activities</b>			
Insurance proceeds relating to rebuilding Andover CFC	-	10.0	25.0
Purchase of property, plant and equipment	(231.0)	(145.0)	(344.6)
Purchase of intangible assets	(66.2)	(47.1)	(107.2)
Proceeds from disposal of Speciality Stores Limited ("Fetch"), net of cash	(0.4)	-	-
Proceeds from disposal of Marie Claire Beauty Limited, net of cash sold	-	2.8	3.0
Dividends received from joint ventures	-	-	7.7
Net cash on business acquisitions	4	(196.2)	-
Purchase of unlisted equity investment	(10.0)	-	(0.7)
Purchase of other treasury deposits	-	(150.0)	(355.0)
Proceeds from other treasury deposits	370.0	110.0	95.0
Loan to joint venture	(2.2)	(4.7)	(11.2)
Interest received	0.7	3.5	5.2
<b>Net cash flows used in investing activities</b>	<b>(135.3)</b>	<b>(220.5)</b>	<b>(682.8)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary share capital, net of transaction costs	0.7	0.4	646.2
Proceeds from allotment of share options	1.3	9.8	10.8
Proceeds from disposal of treasury shares on exercise by participants	0.1	0.3	0.5
Proceeds from part-disposal of Ocado Retail Limited, net of transaction costs	-	(11.5)	(13.1)
Proceeds from issue of convertible bond, net of transaction costs	-	592.0	935.5
Net cash as a result of additional investment in Jones Food Group	20.0	-	-
Repayment of lease liabilities	(22.2)	(26.4)	(53.4)
Payment of financing fees	-	-	(0.5)
<b>Net cash flows (used in)/from financing activities</b>	<b>(0.1)</b>	<b>564.6</b>	<b>1,526.0</b>
Net increase/(decrease) in cash and cash equivalents	(42.1)	509.7	1,068.6
Cash and cash equivalents at the beginning of the period	1,706.8	640.6	640.6
Effects of changes in foreign exchange rates	(6.9)	-	(2.4)
<b>Cash and cash equivalents at the end of the period</b>	<b>1,657.8</b>	<b>1,150.3</b>	<b>1,706.8</b>

1. £150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 31 May 2020. The Group had cash and cash equivalents totalling £1,657.8 million and £nil treasury deposits, (FY 2020: £2,076.8 million including treasury deposits) at the end of the period.

## Notes to the condensed consolidated interim financial information

### 1. General information

Ocado Group plc (hereafter the "Company") is incorporated in the United Kingdom under the Companies Act 2006 (company number: 07098618). The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom. The condensed consolidated interim financial information (hereafter "Financial Information") comprises the results of the Company and its subsidiaries (hereafter the "Group").

The financial period represents the 26 weeks ended 30 May 2021. The prior financial periods represent the 26 weeks ended 31 May 2020 and the 52 weeks ended 29 November 2020.

## **2. Basis of preparation**

The Financial Information has been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and IAS 34 "Interim Financial Reporting", in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

The Financial Information does not amount to full statutory accounts within the meaning of Section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of Ocado Group plc for the 52 weeks ended 29 November 2020 which was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and was filed with the Registrar of Companies. This report is available either on request from the Company's registered office or at [www.ocadogroup.com](http://www.ocadogroup.com). The Independent Auditor's Report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The Financial Information is presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain financial assets and liabilities, which are held at fair value.

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 18 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At the end of the period, the Group had Cash and cash equivalents and Other treasury deposits of £1,657.8 million (29 November 2020: £1,076.8 million) and net current assets of £1,505.2 million (29 November 2020: £1,887.0 million), which the Directors believe would be sufficient to maintain the Group's liquidity over the going concern period, including continued investment to meet existing financial commitments and to deliver future growth. As we implement our growth plans, we expect further funding will be required to deliver additional CFC investments.

The Directors considered a range of scenarios as part of their assessment, each of which showed positive cash headroom throughout the 18 month period from the balance sheet date. In addition, the Directors considered mitigating actions available in the event of a deterioration in trading performance, notably the ability to reduce capital expenditure in the short term or to make cost efficiencies where appropriate.

Taking these factors together, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

## **3. Significant accounting policies**

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the 52 weeks ended 29 November 2020.

Taxes on income in the interim periods are accrued using the tax rate that is expected to be applicable to expected total annual earnings.

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and Accounts for the 52 weeks ended 29 November 2020, as well as additional estimates relating to business combinations.

### New standards, amendments and interpretations

The following new standards, interpretations and amendments to published standards and interpretations are relevant to the Group and have been deemed to have an immaterial effect on these interim financial statements.

	<b>date</b>	<b>Effective</b>
IFRS 7, IFRS 9, IAS 39	Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	1 January 2020
IAS 1, IAS 8	Definition of Material (Amendments to IAS 1 and IAS 8)	1 January 2020
Various	Amendments to References to the Conceptual Framework in IFRS Standards	1 January 2020

### IFRS 3 "Business Combinations" and Restatement of Condensed Consolidated Balance Sheet

The Group did not early adopt IFRS 3 "Business Combinations (amendments)" for the 52 week period ended 29 November 2020. The amendment to IFRS 3 "Business Combinations" provides guidance on assessing whether a transaction meets the definition of a business combination.

The amendment to the standard is effective for annual periods beginning on or after 1 January 2020, and will be adopted by the Group for the 52 week period ending 28 November 2021. This guidance has been applied to these interim financial statements when evaluating whether acquisitions in the period to 30 May 2021 should be deemed to be asset acquisitions or business combinations.

### Restatement of Condensed Consolidated Balance Sheet as at 31 May 2020

£150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 31 May 2020.

		<b>31 May 2020</b> <b>(previously reported)</b> <b>£m</b> <b>(unaudited)</b>	Effect of restatement <b>£m</b> <b>(unaudited)</b>	<b>31 May 2020</b> <b>(restated)</b> <b>£m</b> <b>(unaudited)</b>
	Notes			
<b>Non-current assets</b>		<b>1,464.7</b>	-	<b>1,464.7</b>
<b>Current assets</b>				
Other current assets		229.5	-	229.5
Other financial assets		-	150.0	150.0
Cash and cash equivalents	10	1,300.3	(150.0)	1,150.3
		<b>1,529.8</b>	-	<b>1,529.8</b>
<b>Total assets</b>		<b>2,994.5</b>	-	<b>2,994.5</b>
<b>Current liabilities</b>				
Trade and other payables		(436.0)	(1.0)	(437.0)
Other current liabilities		(120.6)	-	(120.6)
		<b>(556.6)</b>	<b>(1.0)</b>	<b>(557.6)</b>

Net current assets	973.2	(1.0)	972.2
Non-current liabilities	(1,324.2)	-	(1,324.2)
Net assets	1,113.7	(1.0)	1,112.7
Total equity	1,113.7	(1.0)	1,112.7

## Restatement of Condensed Consolidated Statement of Cash Flows for the 26 weeks ended 31 May 2020

	26 weeks ended 31 May 2020 (previously reported) £m (unaudited)	Effect of restatement £m (unaudited)	26 weeks ended 31 May 2020 (restated) £m (unaudited)
Note			
<b>Net cash flows used in operating activities</b>	<b>165.6</b>	<b>-</b>	<b>165.6</b>
<b>Cash flows from investing activities</b>			
Purchase of other treasury deposits	-	(150.0)	(150.0)
Proceeds from other treasury deposits	-	110.0	110.0
Other cash flows used in investing activity	(180.5)	-	(180.5)
<b>Net cash flows used in investing activities</b>	<b>(180.5)</b>	<b>(40.0)</b>	<b>(220.5)</b>
<b>Net cash flows from financing activities</b>	<b>564.6</b>	<b>-</b>	<b>564.6</b>
Net increase/(decrease) in cash and cash equivalents	549.7	(40.0)	509.7
Cash and cash equivalents at the beginning of the period	750.6	(110.0)	640.6
<b>Cash and cash equivalents at the end of the period</b>	<b>1,300.3</b>	<b>(150.0)</b>	<b>1,150.3</b>

## 4. Business Combinations

The cost of acquisitions is measured at the aggregate fair value of the consideration given. Identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 "Business Combinations (amendments)" are recognised at their fair values on the date the Group assumes control of the acquiree. Acquisition-related costs are recognised in the Consolidated Income Statement as incurred and are included in administrative expenses.

Where applicable, the consideration for acquisitions includes any asset or liability resulting from a contingent consideration arrangement measured at fair value at the date control is achieved. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments. All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant IFRS Standards.

### Kindred Systems Inc.

On 15 December 2020, the Group acquired 100% of the issued share capital of Kindred Systems Inc. (Kindred Systems), a company incorporated in Canada with its principal operations in the US that designs, supplies and services sophisticated piece-picking robots for e-commerce and order fulfilment. The total net consideration (after completion adjustments) was US\$ 251.8 million (£189.0 million). This represented goodwill of £135.5 million, intangibles acquired of £65.7 million and net liabilities of £12.2 million. Goodwill represents the future benefit of new technology, the ability to attract new customers, and future synergies through Ocado Group plc cost savings.

### Haddington Dynamics Inc.

On 21 December 2020, the Group acquired 100% of the issued share capital of Haddington Dynamics Inc. (Haddington Dynamics), an advanced research and development company incorporated in the US which specialises in the design and manufacture of highly dextrous, lightweight, low-cost robotic arms. The total net consideration (after completion adjustments) was US\$ 14.9 million (£11.0 million). This represented goodwill of £4.3 million, intangibles acquired of £9.0 million and net liabilities of £2.3 million. Goodwill represents the future benefit of new technology, the ability to attract new customers, and future synergies through Ocado Group plc cost savings.

The allocation of goodwill as a proportion of the total intangible assets has been benchmarked against comparable transactions in the sector. Both Kindred Systems and Haddington Dynamics were within the average range identified from comparable transactions (56% for

Haddington after adjusting for deferred consideration, and 67% for Kindred, against a comparable range of 52-74%).

Kindred Systems and Haddington Dynamics together contributed an EBITDA loss from trading of £4.8 million for the period ended 30 May 2021. Non-trading losses of £3.2m in the period have been presented in the 'Other' segment. The acquisitions of Kindred Systems and Haddington Dynamics, is expected to accelerate the development of the Group's robotic picking solutions, improving their speed, accuracy, product range and economics.

### Assets Acquired and Liabilities Assumed

The fair values of the identifiable assets and liabilities are provisional and may be subject to final adjustments. The fair values of the identifiable assets and liabilities of Kindred Systems and Haddington Dynamics as at the dates of acquisitions were:

	Kindred Systems Inc. £m	Haddington Dynamics Inc. £m	Total fair value on acquisition £m
<b>Assets</b>			
Fixed assets	9.1	-	9.1
Cash and cash equivalents	2.2	-	2.2
Investments	0.9	-	0.9
Working capital	2.7	0.1	2.8
Intangibles	65.7	9.0	74.7
	<b>80.6</b>	<b>9.1</b>	<b>89.7</b>
<b>Liabilities</b>			
Trade and other payables	(7.2)	(0.5)	(7.7)
Deferred tax liabilities	(19.9)	(1.9)	(21.8)
	<b>(27.1)</b>	<b>(2.4)</b>	<b>(29.5)</b>
<b>Total identifiable net assets at fair value</b>	<b>53.5</b>	<b>6.7</b>	<b>60.2</b>
Consideration transferred	189.0	11.0	200.0
Less: fair value of identifiable net assets	(53.5)	(6.7)	(60.2)
<b>Goodwill</b>	<b>135.5</b>	<b>4.3</b>	<b>139.8</b>

### Consideration

The total carrying value of the acquired assets recognised on the balance sheet is £200.0 million which allocates £139.8 million of the total consideration to goodwill with £74.7 million allocated to intangibles (mainly technology).

### Deferred Consideration and Replacement Share Awards

£2.6 million of the headline Kindred Systems consideration price comprised Deferred Cash Consideration payable to key members of the acquired management team. After applying a leaver assumption, £2.1 million will be treated as an employment cost under IAS19 (employee costs) through the post-acquisition Income Statement through the 'Other' segment, given the nature of the balance as effectively being part of the headline price paid. The resulting charge to the Income Statement for the 26 weeks ended 30 May 2021 is £0.6 million.

In addition, £7.9 million of Rollover Options (Replacement Share Awards) were awarded to key management personnel of Kindred Systems as part of the acquisition transactions. After adjusting for leaver assumptions, the net award is £6.3 million: £1.9 million is allocated as part of the consideration transferred under IFRS3 (Business Combinations). The remaining £4.4 million is spread over the vesting period of the award as additional employment compensation under IFRS2 (Share Based Payments) and will therefore be treated as an employment cost through the post-acquisition Income Statement through the 'Other' segment - the resulting charge to the Income Statement for the 26 weeks ended 30 May 2021 is £1.0 million.

For Haddington Dynamics, £6.9 million of deferred shares were awarded to key management personnel as part of the transaction. After applying a leaver assumption, and including provision for employers' NIC on the notional gain, £5.7 million will be spread over employees'

service periods as additional employment compensation under IFRS2 (Share Based Payments) and will therefore be treated as an employment cost under IFRS2 (Share Based Payments) through the post-acquisition Income Statement through the 'Other' segment over a three year period - the resulting charge to the Income Statement for the 26 weeks ended 30 May 2021 is £1.6 million.

A total of £3.2 million has therefore been charged to the post acquisition Income Statement through the 'Other' segment for the 26 weeks ended 30 May 2021, representing the deferred cash consideration and replacement share awards for Kindred Systems and the deferred shares for Haddington Dynamics.

## Goodwill

	Kindred Systems Inc. £m	Haddington Dynamics Inc. £m	Jones Food Company Ltd £m	Total Fair Value £m
<b>Balance as at 29 November 2020 (audited)</b>	-	-	4.7	4.7
Kindred Systems Inc acquisition	135.5	-	-	135.5
Haddington Dynamics Inc acquisition	-	4.3	-	4.3
	135.5	4.3	4.7	144.5
Retranslation adjustment	(7.9)	(0.2)	-	(8.1)
<b>Balance as at 30 May 2021</b>	<b>127.6</b>	<b>4.1</b>	<b>4.7</b>	<b>136.4</b>

As at 30 May 2021, the total goodwill which arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. on 15 December 2020 and 21 December 2020 respectively, was retranslated (IAS 21 "The Effects of Changes in Foreign Exchange Rates") to £131.7 million.

None of the total goodwill which arose on the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc. is deductible for tax purposes.

Other goodwill of £4.7 million as at 30 May 2021, related to the brought forward goodwill which arose on the acquisition of Jones Food Company Ltd on 7 June 2019.

## Acquisition related costs

A total of £5.0 million acquisition related costs was incurred for the acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.; £1.5 million of which has been recognised within administrative expenses in the Consolidated Income Statement for the 26 weeks ended 30 May 2021 (2020: £3.5 million).

## Analysis of Cash Flow on Acquisition of Kindred Systems Inc. and Haddington Dynamics Inc.

Analysis of cash flow on acquisition	Cash flow on acquisition £m
Cash acquired with subsidiary (included in cash flows from investing activities)	2.2
Cash paid	(198.4)
<b>Net cash flow on acquisition</b>	<b>(196.2)</b>

Cash paid includes £4.2 million of payments for the acquirees' borrowings and £2.0 million for the acquirees' advisor fees, payroll taxes and bonus costs which are not included as consideration under IFRS3. There are a number of adjustments between the total IFRS3 consideration figure of £200.0 million and cash paid on acquisition of £198.4 million, including payments of borrowing and advisors fees which reduce consideration, and share related consideration which is a non-cash item which does not form part of the consideration.

## 5. Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for online grocery retailing, fulfilment and logistics and services in the United Kingdom, Europe, North America, Australia and Japan. The Group is not currently reliant on any major customer for 10% or more of its revenue.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The Group has determined it has three reportable segments: Retail, UK Solutions & Logistics and International Solutions.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and comprises the Ocado Retail joint venture. The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics for customers in the United Kingdom (Wm Morrison Supermarkets plc and Ocado Retail Limited). The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom. In order to reconcile segmental revenues and EBITDA\* with the Group's revenue and EBITDA\* two other headings are used: "Group and Other" represents revenue and costs which do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions.

The Board assesses the performance of all segments on the basis of EBITDA\*. EBITDA\*, as reported internally by segment, is the key measure utilised in assessing the performance of operating segments within the Group.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segmental results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Retail	UK Solutions & Logistics	International Solutions	Other	Group eliminations	Total
	£m	£m	£m	£m	£m	£m
<b>Segmental revenue and EBITDA*</b>						
<b>26 weeks ended 30 May 2021 (unaudited)</b>						
Segmental revenue*	1,224.1	357.3	26.6	0.3	(288.4)	<b>1,319.9</b>
Segmental EBITDA*	104.1	30.1	(56.6)	(16.6)	-	<b>61.0</b>
<b>26 weeks ended 31 May 2020 (restated)<sup>1</sup> (unaudited)</b>						
Segmental revenue*	1,021.6	316.0	1.6	-	(252.4)	<b>1,086.8</b>
Segmental EBITDA*	45.7	23.7	(39.7)	(10.2)	0.3	<b>19.8</b>
<b>52 weeks ended 29 November 2020 (audited)</b>						
Segmental revenue*	2,188.6	654.3	16.6	-	(527.7)	<b>2,331.8</b>
Segmental EBITDA*	148.5	44.4	(83.3)	(36.5)	-	<b>73.1</b>

1. The 2020 restatement is due to a detailed review of Group administration costs resulting in the re-allocation of certain administrative costs between the UK Solutions & Logistics, International and Other segments. The net effect of these changes is a reduction of £(5.6) million to UK Solutions & Logistics EBITDA, an increase of £5.4 million to International Solutions EBITDA, and a reduction in the EBITDA loss of the Other segment of £0.2 million in the 26 weeks ended 31 May 2020. Revenue for UK Solutions & Logistics has also been restated for the effect of IFRS 16 in the 26 weeks ended 31 May 2020. The net effect of this is a reduction to UK Solutions & Logistics revenue of £(4.4) million (nil impact on EBITDA), and a reduction in Group eliminations and Other of £4.4 million (nil impact on EBITDA). There is nil impact on Group numbers

\* EBITDA, segmental revenue and segmental EBITDA are alternative performance measures. See note 16 for further information.

\* Other represents central unallocated income and costs including senior management and Board costs

## 6. Exceptional items

26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
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	£m (unaudited)	£m (unaudited)	£m (audited)
Andover CFC			
- Insurance reimbursement	(62.7)	(36.3)	(103.9)
- Other exceptional costs	2.9	1.8	4.0
Gain on disposal of Speciality Stores Limited ("Fetch")	(1.7)	-	-
Litigation costs	11.4	0.6	2.7
Change in fair value of contingent consideration receivable	(7.2)	(5.2)	(7.4)
<b>Net exceptional (income)</b>	<b>(57.3)</b>	<b>(39.1)</b>	<b>(104.6)</b>

## Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

### *Insurance reimbursement*

This includes insurance reimbursements for the retail price of destroyed inventory and other incremental costs plus a portion of business interruption losses. The reimbursement has been presented within "other income". A portion of reimbursements has been recorded as accrued income.

The Group expects to receive further insurance reimbursements in respect of reconstruction costs and business interruption losses. Claim negotiations are ongoing. It is expected that income will be recognised in the future as the costs of rebuilding the CFC and business interruption losses are incurred, although the likely total insurance proceeds cannot yet be quantified accurately.

### *Other exceptional costs*

These include, but are not limited to, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs.

## Gain on disposal of Speciality Stores Limited ("Fetch")

On 31 January 2021, Ocado Retail Limited ("Ocado Retail") completed the sale of the entire share capital of Speciality Stores Limited ("Fetch"), its pets business, to Paws Holdings Limited ("Paws Holdings") resulting in a gain on disposal of £1.7 million.

## Litigation costs

Litigation costs relate to legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hillary and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property, and patent infringement claims made against the Group by AutoStore Technology AS ("AutoStore") and subsequent claims made by the Group against AutoStore. These costs are considered to be material and one-off in nature and therefore treated as exceptional items.

After the period ended 30 May 2021, Ocado settled its litigation against Jonathan Faiman, Jonathan Hillary and T0day. The receipt of settlement monies of £1.75 million by Ocado is treated as a Post-Balance-Sheet event and is referred to in the Post-Balance-Sheet-Events note; the Group previously recovered £413,000 from Jon Hillary through the Malus and Clawback provisions of the Group's incentive schemes.

## Change in fair value of contingent consideration

In 2019 the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. At 30 May 2021 the



value of the contingent consideration was £180.8 million (2020: £173.6 million). A gain on revaluation of £7.2 million is reported through exceptional items.

## 7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme ("JSOS"), and linked jointly-owned equity ("JOE") awards under the Value Creation Plan ("VCP"), which are accounted for as treasury shares.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all dilutive potential shares. The Company has five classes of instruments that are potentially dilutive: share options, share interests held pursuant to the Group's JSOS, linked JOE awards under the VCP, shares under the Group's staff incentive plans and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	million (unaudited)	million (unaudited)	million (audited)
Weighted average number of shares at the end of the period	738.6	701.3	718.0
		£m	£m
Loss for the period attributable to the owners of Ocado Group plc		(77.8)	(57.4)
		Pence	Pence
<b>Basic and diluted loss per share</b>	<b>(10.53)</b>	<b>(8.18)</b>	<b>(17.55)</b>

## 8. Finance income and costs

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
Interest on cash balances	0.7	3.4	5.2
Interest on loan to joint venture	0.3	0.1	0.3
<b>Finance income</b>	<b>1.0</b>	<b>3.5</b>	<b>5.5</b>
Borrowing costs:			
- Interest on lease liabilities	(8.1)	(10.5)	(14.7)
- Interest on borrowings	(22.5)	(15.7)	(40.9)
Foreign exchange loss	(7.8)	-	(2.4)
Unwinding of discounting of provisions	(0.3)	(0.2)	(0.3)
<b>Finance costs</b>	<b>(38.7)</b>	<b>(26.4)</b>	<b>(58.3)</b>
<b>Net finance cost</b>	<b>(37.7)</b>	<b>(22.9)</b>	<b>(52.8)</b>

## 9. Borrowings and lease liabilities

	30 May 2021	31 May 2020	29 November 2020
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	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Current liabilities</b>			
Lease liabilities	51.4	71.3	48.1
<b>Non-current liabilities</b>			
Borrowings	1,012.0	713.4	997.4
Lease liabilities	405.9	319.4	359.7
	<b>1,417.9</b>	<b>1,032.8</b>	<b>1,357.1</b>
<b>Total borrowings and lease liabilities</b>	<b>1,469.3</b>	<b>1,104.1</b>	<b>1,405.2</b>

## 10. Analysis of net cash/(debt)\*

Net cash/(debt)\* is calculated as cash and cash equivalents less total debt (borrowings and lease liabilities as disclosed in note 9).

	30 May 2021 £m (unaudited)	31 May 2020 Restated <sup>1</sup> £m (unaudited)	29 November 2020 £m (audited)
<b>Current assets</b>			
Other treasury deposits	-	150.0	370.0
Cash and cash equivalents	1,657.8	1,150.3	1,706.8
	<b>1,657.8</b>	<b>1,300.3</b>	<b>2,076.8</b>
<b>Current liabilities</b>			
Lease liabilities	(51.4)	(71.3)	(48.1)
<b>Non-current liabilities</b>			
Borrowings	(1,012.0)	(713.4)	(997.4)
Lease liabilities	(405.9)	(319.4)	(359.7)
	<b>(1,417.9)</b>	<b>(1,032.8)</b>	<b>(1,357.1)</b>
<b>Net cash/(debt)*</b>	<b>188.5</b>	<b>196.2</b>	<b>671.6</b>

1. £150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition were reclassified from cash and cash equivalents to current financial assets as at 31 May 2020. The Group had cash and cash equivalents totalling £1,657.8 million and £nil treasury deposits (FY 2020: £2,076.8 million including treasury deposits) at the end of the period.

## Reconciliation of net cash flow to movement in net cash/(debt)\*

	30 May 2021 £m (unaudited)	31 May 2020 (restated) <sup>1</sup> £m (unaudited)	29 November 2020 £m (audited)
Net increase/(decrease) in other treasury deposits	(370.0)	40.0	260.0
Net increase/(decrease) in cash and cash equivalents	(49.0)	509.7	1,066.2
Net (increase)/decrease in debt and lease financing	7.6	(486.8)	(724.3)
Non-cash movements:			
- Assets acquired under leases	(71.7)	(9.1)	(72.7)
<b>Movement in net cash/(debt)* in the period</b>	<b>(483.1)</b>	<b>53.8</b>	<b>529.2</b>
Opening net cash*	671.6	142.4	142.4
<b>Closing net cash/(debt)*</b>	<b>188.5</b>	<b>196.2</b>	<b>671.6</b>

1. £150.0 million of treasury deposits with a maturity of more than three months at the date of acquisition have been reclassified from cash and cash equivalents to other financial assets as at 31 May 2020. The Group had cash and cash equivalents totalling £1,657.8 million and £nil treasury deposits (FY 2020: £2,076.8 million including treasury deposits) at the end of the period.

\* Net cash/(debt) is an alternative performance measure. See note 16 for further information.

## 11. Financial assets

Financial assets comprise treasury deposits with a maturity of more than three months at the date of acquisition, contingent consideration receivable, unlisted equity investments, loans to a joint venture and associate, and contributions towards dilapidations costs receivable.

Unlisted equity instruments includes an investment in the period of £10.0 million in Oxbotica, a leading autonomous vehicle software company.

	30 May 2021	31 May 2020 Restated <sup>1</sup>	29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
<b>Non - current assets</b>			
Contingent consideration receivable	147.6	171.4	141.6
Unlisted equity instruments	22.8	6.8	12.7
Loans to joint ventures	11.1	4.6	9.3
Convertible loan to associate	1.8	-	1.7
Prepaid finance fees	-	3.1	-
Contribution towards dilapidation costs receivable	0.7	1.4	1.5
	<b>184.0</b>	<b>187.3</b>	<b>166.8</b>
<b>Current assets</b>			
Other treasury deposits	-	150.0	370.0
Contingent consideration receivable	33.2	-	32.0
Contribution towards dilapidation costs receivable	0.8	-	-
	<b>34.0</b>	<b>150.0</b>	<b>402.0</b>

## 12. Financial instruments

### Financial assets and liabilities at fair value

Financial instruments carried at fair value on the Condensed Consolidated Balance Sheet comprise contingent consideration, unlisted equity investments and the derivative assets and liabilities. The Group uses the following hierarchy for determining and disclosing the fair value of these financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the assets or liabilities that are not based on observable market data (level 3).

The Group's derivative financial assets and liabilities are classified as level 2. The contingent consideration and unlisted equity investments are classified as level 3.

Set out below is an analysis of all financial instruments at fair value:

	30 May 2021			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
<b>Financial assets held at fair value</b>				
- Contingent consideration	-	-	180.8	180.8
- Unlisted equity investments	-	-	22.8	22.8
- Convertible loan to associate	-	-	1.8	1.8
- Derivative assets	-	0.9	-	0.9
<b>Total financial assets</b>	-	<b>0.9</b>	<b>205.4</b>	<b>206.3</b>
<b>Financial liabilities held at fair value</b>	-	-	-	-
- Derivative liabilities	-	-	-	-
<b>Total financial liabilities held at fair value</b>	-	-	-	-

	31 May 2020			
	Level 1	Level 2a	Level 3	Total

	£m (audited)	£m (audited)	£m (audited)	£m (audited)
<b>Financial assets held at fair value</b>				
- Contingent consideration	-	-	171.4	171.4
- Unlisted equity investments	-	-	6.8	6.8
- Derivative assets	-	0.2	-	0.2
<b>Total financial assets</b>	<b>-</b>	<b>0.2</b>	<b>178.2</b>	<b>178.4</b>
<b>Financial liabilities held at fair value</b>				
- Derivative liabilities	-	(1.7)	-	(1.7)
<b>Total financial liabilities held at fair value</b>	<b>-</b>	<b>(1.7)</b>	<b>-</b>	<b>(1.7)</b>

	29 November 2020			
	Level 1	Level 2	Level 3	Total
	£m (audited)	£m (audited)	£m (audited)	£m (audited)
<b>Financial assets held at fair value</b>				
- Contingent consideration	-	-	173.6	173.6
- Unlisted equity investments	-	-	12.7	12.7
- Convertible loan to associate	-	-	1.7	1.7
- Derivative assets	-	0.2	-	0.2
<b>Total financial assets</b>	<b>-</b>	<b>0.2</b>	<b>188.0</b>	<b>188.2</b>
<b>Financial liabilities held at fair value</b>				
- Derivative liabilities	-	(0.3)	-	(0.3)
<b>Total financial liabilities held at fair value</b>	<b>-</b>	<b>(0.3)</b>	<b>-</b>	<b>(0.3)</b>

The derivative assets and liabilities relate to forward commodity swap contracts.

The following table provides information about how the fair values of financial instruments classified as level 3 are determined:

The convertible loan to the associate was initially recognised at the amount of cash lent. Accrued interest is added to the carrying amount. It is held at fair value through profit or loss ("FVTPL") and is revalued at each reporting date

Description	Valuation techniques and key inputs	Significant unobservable inputs
	Discounted cash flows	Discount rate of 8.00%
Contingent consideration	Expected cash inflows are estimated based on the terms of the share purchase agreements and the Group's expectations of future performance and meeting financial and operational targets	Expected cash inflows of £226.9 million
	Market comparison	Market multiple
Unlisted equity investments	The valuation model is based on market multiples derived from market research reports for industries comparable to the investee and the EBITDA of the investee	

The contingent consideration relating to the part-disposal of Ocado Retail Limited valued at £177.9 million (1H 2020: £169.1 million) comprises three individual amounts, with three individual "triggers". On 15 June 2021, the Group received from Marks and Spencer Group plc consideration of £16.8 million - being the first of the three individual "triggers" relating to the part-disposal of Ocado Retail Limited to Marks and Spencer Group plc. Management considers it probable that all the "triggers" will be met, and this has been reflected in the calculation of the fair value.

The consideration relating to the disposal of Marie Claire Beauty Limited ("Fabled") valued at £2.9 million (1H 2020: £2.3 million) is based on an "earn-out" agreement whereby the Group will receive sums in proportion to Fabled's future sales.

### 13. Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £207.5 million (1H 2020: £154 million, FY 2020: £343.2 million) and intangible assets of £10.4 million (1H 2020: £8.1 million, FY 2020: £17.4 million). Internal development costs of £77.0 million (1H 2020: £54.5 million, FY 2020: £89.6 million) were capitalised. Capital expenditure relates to CFCs in the UK, investment in international CFCs and technology expenditure.

At 30 May 2021 capital commitments contracted, but not provided for by the Group, amounted to £370.8 million (1H 2020: £178.4 million, FY 2020: £328.7 million).

### 14. Related party transactions

#### Key management personnel

Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group.

Due to restrictions in place during the COVID-19 pandemic, chartered flights were required on a small number of occasions in order for key management personnel to be able to visit the Group's global sites and undertake client meetings. The Group chartered aircrafts through accessing flying hours owned by a family member of one of its key management personnel. The price paid was at the open market rate and amounted to £65,000 (2020: £nil). At the end of the period, no amounts (1H 2020: £nil) were owed in relation to the purchase of these flights.

#### Joint venture

The following transactions were carried out with MHE JVCo Limited ("MHE JVCo"), a company incorporated in the United Kingdom in which the Group holds a 50% interest:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Dividend received from MHE JVCo	-	-	7.7
Reimbursement/(settlement) of supplier invoices paid on behalf of MHE JVCo	0.7	(0.1)	2.3
Capital element of lease liability instalments accrued or paid to MHE JVCo	1.3	8.5	14.9
Interest element of lease liability instalments accrued or paid to MHE JVCo	1.2	1.6	3.0

Included within trade and other receivables is a balance of £1.5 million (1H 2020: £1.0 million) owed by MHE JVCo. Included within trade and other payables is a balance of £10.7 million (1H 2020: £10.7 million) owed to MHE JVCo. Included within lease liabilities is a balance of £42.0 million (1H 2020: £57.0 million) owed to MHE JVCo.

During the period, the Group lent an additional \$3.0 million to Infinite Acres Holding B.V. ("Infinite Acres"), a company incorporated in the Netherlands in which the Group holds a 33.3% interest, taking the total outstanding to \$15.0 million. The loan is held at amortised cost within other financial assets, and its carrying amount was £11.1 million (1H 2020: £4.7 million) at the reporting date. £0.2 million (1H 2020: £0.3 million) of interest income was recognised within finance income during the period.

#### Associate

The following transactions were carried out with Paneltex Limited ("Paneltex"), a company incorporated in the United Kingdom in which the Group holds a 25% interest:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
	£m	£m	£m

	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Consumables	0.3	0.2	0.4

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's leasing counterparties, were carried out with Paneltex to the value of £7.1 million (1H 2020: £nil). At the end of the period, the Group owed Paneltex £nil (1H 2020: £5,000).

During 2020, the Group lent £1.7 million to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 20.8% interest. The loan is held at fair value through profit or loss within other financial assets, and its carrying amount was £1.8 million (H1 2020: £nil) at the reporting date. £0.1 million (2019: £nil) of interest income was recognised within finance income during the period.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the current financial period. There are no changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the group in the first six months of the current financial year.

## 15. Post-Balance-Sheet events

### Contingent Consideration

On 15 June 2021, The Group received from Marks and Spencer Group plc consideration of £16.8 million - being the first of the three individual "triggers" relating to the part-disposal of Ocado Retail Limited to Marks and Spencer Group plc.

### Litigation

In June 2021 Ocado settled its litigation against its former CFO Jonathan Faiman (who resigned in 2008) and former Head of Transformation Jon Hillary (whose employment was terminated in 2019), and Project Today Holdings Limited ("T0day"), a competing company set up by Mr Faiman. This settlement includes an Agreed Statement of Facts in which the Defendants acknowledge that, among other things, Mr Hillary knowingly provided to Mr Faiman, at Mr Faiman's request, a significant number of confidential documents belonging to Ocado, including documents relating to the running of Ocado's automated warehouses, and the key agreement under which Ocado would provide its online grocery technology to the joint venture with M&S. The reason for obtaining these confidential documents was to use them for the purposes of T0day's business, which sought to compete with Ocado. Mr Faiman also provided some of these documents to T0day's advisors. In so doing, Mr Faiman, T0day and Mr Hillary breached their obligations of confidence to Ocado. Mr Hillary breached certain contractual and fiduciary duties owed to Ocado, and Mr Faiman induced Mr Hillary's breaches of contract. The Defendants have made a payment of £1.75 million to Ocado as part of the settlement, in addition to the £412,638 previously recovered from Jon Hillary under the malus and clawback provisions of the Group's incentive schemes. The Defendants are also subject to a permanent injunction, backed by a penal notice, against future use or possession of this Ocado confidential information. Breach of the injunction is a contempt of court, which is punishable by a fine or imprisonment. The full version of the Agreed Statement of Facts is available on the Group's website at <https://www.ocadogroup.com/ocado-settles-litigation-today>

### Investments

During June 2021, Ocado invested £1.1 million in Inkbit's Series B fundraising after which Ocado's share of the business was 5.0%.

### Partnership with Auchan Retail in Spain

On 6 July 2021, Ocado announced the signing of an agreement with Auchan Retail to partner with Ocado Solutions to develop Alcampo's online business in Spain using the Ocado Smart Platform.

## 16. Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures, which are not defined under IFRS and are therefore termed "non-GAAP" measures. These

measures provide additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures used by the Group are as follows:

- Exceptional items;
- EBITDA;
- Segmental EBITDA;
- External gross debt; and
- Net cash/(debt).

Reconciliations of these non-GAAP measures to the nearest measures prepared in accordance with IFRS are presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

In addition to the alternative performance measures, there are additional statutory measures that are also considered - these are segmental revenue, segmental gross profit, segmental other income, segment distribution and administrative costs.

### Exceptional items

The Group's Condensed Consolidated Income Statement identifies separately trading results before exceptional items. The Directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily. Exceptional items are disclosed in note 6.

The Group applies judgement in identifying significant exceptional items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include, but are not limited to corporate reorganisations, material litigation, and any material costs outside of the normal course of business as determined by management.

### Segmental revenue

Segmental revenue is a measure of reported revenue for the Group's Retail, UK Solutions & Logistics and International Solutions segments. A reconciliation of reported revenue, the most directly comparable IFRS measure, with the segmental revenues is disclosed in note 5.

### Segmental gross profit

Segmental gross profit is a measure which seeks to reflect the profitability of segments in relation to their revenues earned. A reconciliation of reported gross profit, the most directly comparable IFRS measure, with the segmental gross profits, is set out below:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020 (restated) <sup>1</sup>	52 weeks ended 29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
Retail gross profit	399.5	298.1	679.0
UK Solutions & Logistics gross profit	357.6	315.7	653.9
International Solutions gross profit	22.4	1.3	9.6
Other gross profit	(0.4)	(0.2)	(0.9)
Group eliminations	(288.4)	(252.6)	(527.7)
<b>Reported gross profit</b>	<b>490.7</b>	<b>362.3</b>	<b>813.9</b>

1. To be consistent with the 2020 Full Year Annual Report and Accounts, the 26 weeks ending 31 May 2020 restatement reflects the treatment of Revenue and Gross Profit on a post IFRS 16 basis, as well as the re-allocation of certain administrative costs between the UK, International and Other segments following a detailed review.

## Segmental other income

Segmental other income is a measure which seeks to reflect segmental income which is not generated through the primary trading activities of the segments (for example, volume-rebates from suppliers in the Retail segment). A reconciliation of reported other income, the most directly comparable IFRS measure, with the segmental other incomes, is set out below:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020 (restated) <sup>1</sup>	52 weeks ended 29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
Retail other income	40.9	28.5	70.0
UK Solutions & Logistics other income	1.7	1.8	3.8
International Solutions other income	-	-	-
Other segment other income	7.4	7.1	14.3
Group eliminations	(0.3)	(0.2)	(0.5)
<b>Reported other income</b>	<b>49.7</b>	<b>37.2</b>	<b>87.6</b>

1. To be consistent with the 2020 Full Year Annual Report and Accounts, the 26 weeks ending 31 May 2020 restatement reflects the treatment of Revenue and Gross Profit on a post IFRS 16 basis, as well as the re-allocation of certain administrative costs between the UK, International and Other segments following a detailed review.

## Segmental distribution and administrative costs

Segmental distribution and administrative costs is a measure which seeks to reflect the performance of the Group's segments in relation to the long-term sustainable growth of the Group. These measures exclude certain costs that are not allocated to a segment: depreciation, amortisation, impairment and other central costs. A reconciliation of reported distribution and administrative costs, the most directly comparable IFRS measure, with the segmental distribution and administrative costs, is set out below:

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020 (restated) <sup>1</sup>	52 weeks ended 29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
Retail distribution and administrative costs	336.3	280.9	600.5
UK Solutions & Logistics distribution and administrative costs	329.2	293.7	613.3
International Solutions distribution and administrative costs	79.1	41.1	92.9
Other distribution and administrative costs	22.2	17.1	49.0
Group eliminations	(288.8)	(253.2)	(528.2)
Depreciation, amortisation, impairment and other central costs	104.2	76.6	168.9
	<b>582.2</b>	<b>456.2</b>	<b>996.4</b>

  

	26 weeks ended 30 May 2021	26 weeks ended 31 May 2020 (restated) <sup>1</sup>	52 weeks ended 29 November 2020
	£m (unaudited)	£m (unaudited)	£m (audited)
Reported distribution costs	370.4	313.0	653.4
Reported administrative expenses	211.8	143.2	343.0
	<b>582.2</b>	<b>456.2</b>	<b>996.4</b>

1. To be consistent with the 2020 Full Year Annual Report and Accounts, the 26 weeks ending 31 May 2020 restatement reflects the treatment of Revenue and Gross Profit on a post IFRS 16 basis, as well as the re-allocation of certain administrative costs between the UK, International and Other segments following a detailed review.

## EBITDA



In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. A reconciliation of operating profit with EBITDA can be found on the face of the Condensed Consolidated Income Statement.

The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flows by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the Condensed Consolidated Statement of Cash Flows, and needs to be considered in the context of the Group's financial commitments.

### Segmental EBITDA

The financial performance of the Group's segments is measured based on EBITDA, as reported internally. A reconciliation of the EBITDA of the Group with the EBITDA for the segments is disclosed in note 5.

### External gross debt

External gross debt is calculated as total debt (borrowings and lease liabilities as disclosed in note 9), less lease liabilities payable to joint ventures of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered related parties of the Group. A reconciliation of gross debt with external gross debt is set out below:

		26 weeks ended 30 May 2021	26 weeks ended 31 May 2020	52 weeks ended 29 November 2020
		£m	£m	£m
	Note	(unaudited)	(unaudited)	(audited)
Gross debt	9	1,469.3	1,104.1	1,405.2
Lease liabilities payable to joint ventures		(42.0)	(57.0)	(49.7)
<b>External gross debt</b>		<b>1,427.3</b>	<b>1,047.1</b>	<b>1,355.5</b>

### Net cash/(debt)

Net cash/(debt) is calculated as cash and cash equivalents less total debt (borrowings and lease liabilities as disclosed in note 9). Total debt is measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt.

Net cash/(debt) is a measure of the Group's net indebtedness, and provides an indicator of the overall strength of the Condensed Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness. The use of the term "net cash" does not necessarily mean that the cash included in the net cash calculation is available to settle the liabilities included in this measure.

Net cash/(debt) is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities and cash and cash equivalents. A reconciliation of these measures with net cash/(debt) is disclosed in note 10.

### Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an adverse impact on the Group's operation, performance or future prospects.

The Board regularly assesses and monitors the principal risks of the business. Set out in the Group's Annual Report and Accounts for the 52 weeks ended 29 November 2020 were details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them, applicable at that time.

Our risk assessment has considered both the specific consequences of Covid-19 and its impact on the underlying principal risks managed by the business. Ocado has implemented and continues to adapt extensive measures to mitigate impacts of the pandemic on our business. These measures are intended to ensure the health and safety of our employees, customers and suppliers and to ensure the continuity of the business, both the Ocado Retail business and the Solutions business. These measures are wide-ranging and include: implementing rapid-response Coronavirus tests for frontline employees; following government guidance by closing our offices and introducing home working; introducing distancing and hygiene measures in CFCs, vehicles, spokes, construction sites and at the customer doorstep to keep employees and customers safe; engaging with government and specialist advisers; and instigating business continuity plans and regular monitoring.

We will continue to carefully monitor government guidance and where needed adapt our operational protocols and processes to safeguard Retail customers and employees, so as to cater for the continued operation of the Retail business and to allow the OSP programmes to progress to plan.

Although our principal risks remain largely unchanged in substance, the pandemic has increased the likelihood and impact of those risks. For example, international travel restrictions continue to impede our ability to bring technical expertise to bear on some Solutions client projects, increasing the possibility of delays or quality issues. Similar risks apply to the on-boarding of new overseas manufacturing and supply chain partners, further impacted by the challenges of available shipping.

As part of the ongoing risk management process, emerging risks are identified and assessed. These risks are deemed to be significant but are not listed as one of the Group's principal risks. The business will bring additional focus to these emerging risks and look at actions for addressing them. The Group's Annual Report and Accounts for the 52 weeks ended 29 November 2020 contains a description of the emerging risks for the Group.

The Board does not consider that the principal risks and uncertainties have changed and remain relevant for the remaining six months of the 2021 financial year.

- Risk of decline in high service levels in the retail business. Ongoing Covid-19 related disruption adds an additional element of risk.
- Risk of failing to maintain a retail proposition which appeals to a broad customer base and sustains growth rates.
- Risk that current Solutions pricing levels may not provide both acceptable returns for our shareholders and attractive long-term cost of ownership for our clients, whilst delivering a viable fully operational end-to-end customer experience.
- Risk of failing to deliver a sustainable operational infrastructure able to execute effectively the requirements for multiple Ocado Solutions contracts, simultaneously in many international locations, and risk of failing to develop suitable management, technological and engineering capabilities.
- Risk of delays in the generation of additional capacity in the UK and delivery of the international OSP programme.
- Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers.
- Risk of failing to protect Ocado's own IP or risk of infringing a third party's IP (including the risk of an adverse outcome in current litigation or patent office opposition/review proceedings) which could result in loss of use of the Group's IP, financial damages or harm to the Company's reputation or relationships.

- Risk of supply chain disruption, in particular for single source equipment, adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue.
- Risk of a safety incident.
- Risk of changes in regulations or noncompliance affecting our business model or the viability of Solutions' deals.
- Risk of negative effects due to changes in the global economic and geopolitical environment, including Brexit, which may impact our business model.
- Risk of failing to prevent or respond to a major cyber attack or data breach that could result in business disruption, reputational damage, significant fines or the loss of confidential business information.
- Risk of business interruption.

This principal risks section should be read in conjunction with the rest of this statement as the impact of Covid-19 on the business is explained there and helps provide an understanding of the risks and opportunities facing Ocado.

More information on these principal risks and uncertainties together with an explanation of the Group's approach to risk management is set out in Ocado Group plc's Annual Report and Accounts for the 52 weeks ended 29 November 2020, a copy of which is available on the Group's corporate website, [www.ocadogroup.com](http://www.ocadogroup.com).

## **Independent Review Report to Ocado Group plc**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 30 May 2021 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 16. 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.

### **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 Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards as adopted by the European Union. The condensed 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.

### **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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, 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 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 26 weeks ended 30 May 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

## **Use of our report**

This report is made solely to the company 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 Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review 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 formed.

Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
**6 July 2021**

## **Statement of Directors' Responsibilities**

The Directors confirm that, to the best of their knowledge, this set of condensed consolidated financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure Rules and Transparency Rules.

The Directors of Ocado Group plc as at the date of this announcement are as follows:

### **Executive Directors**

Tim Steiner, Chief Executive Officer  
Luke Jensen, Chief Executive Officer, Ocado Solutions  
Stephen Daintith, Chief Financial Officer  
Neill Abrams, Group General Counsel and Company Secretary  
Mark Richardson, Chief Operations Officer

### **Non-Executive Directors**

Richard Haythornthwaite, Chairman  
Andrew Harrison, Senior Independent Director  
Jörn Rausing  
Emma Lloyd  
Julie Southern  
John Martin

Michael Sherman

Approved by the Board and signed on its behalf by:

**Stephen Daintith**  
Chief Financial Officer

**Neill Abrams**  
Group General Counsel and Company Secretary

6 July 2021

Person responsible for arranging the release of this announcement:

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Group General Counsel and Company Secretary  
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