Final Results

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Ocado Group PLC
06 February 2018

This announcement contains inside information

OCADO GROUP PLC

Ocado, preparing to take advantage of important new growth opportunities

Preliminary results for the 53 weeks ended 3 December 2017

6 February 2018

Financial and statutory highlights

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016 (52 weeks) £m	Change (52 vs 52) v 2016 %
Retail Revenue[1]	1,346.1	1,317.4	1,171.6	12.4%
Solutions Revenue	117.7	115.5	99.4	16.2%
Group Revenue	1,463.8	1,432.9	1,271.0	12.7%
Retail EBITDA*[2]	81.0	79.2	75.8	4.5%
Solutions EBITDA*[2]	2.5	2.7	5.5	(50.9%)
Group EBITDA*[2]	86.0	84.3	84.3	0.0%
Profit / (Loss) after tax[6]	1.0	(0.5)	12.0	
Cash and cash equivalents	150.0	150.0	50.9	
Statutory net debt	228.0	228.0	164.9	
External net debt*[3]	133.9	133.9	56.2	

Tim Steiner, Chief Executive Officer of Ocado, said:

"The last twelve months have been transformational for Ocado. We have primed our Ocado Solutions business for growth and received an important validation of the business model through our latest partnerships with Groupe Casino and Sobeys. Looking ahead, we are confident that we will be able to do further deals with the momentum of new signings building over time.

At the same time, our unrelenting focus on our customers in the UK has delivered 12.4% growth in retail revenue and further significant market share gains as well as a 4.5% increase in Retail EBITDA. We have ramped up capacity in our revolutionary CFC at Andover, which opened at the end of 2016, and prepared the way for the opening of our fourth CFC, in Erith, this year.*

Now is the time to take advantage of our growth opportunities. We will invest to ramp up our new solution in both Erith and Andover and to have the right resources in place to meet growing demand for the Ocado Solutions offer. We believe that taking advantage of these international opportunities now will make our virtuous cycle turn faster in the years ahead and we expect that to translate into higher returns on capital. We look forward to our future opportunities and challenges".

Key milestones

2017 has seen significant progress for both our Retail and Solutions businesses.

Improving the customer experience

- We became the first UK grocer to develop and enable Alexa voice-activated capabilities to make grocery shopping even easier
- Customers can now choose from our extensive range at Ocado.com of 49,000 SKUs
- We continue to lead the market with the introduction of new ranges such as Hotel Chocolat and new shop-in-shops including our Vegan webshop

Consistent high levels of execution

- We continue to be market leading with delivery punctuality of 95.0% (2016: 94.9%) and order accuracy of 98.8% (2016: 99.0%)
- Our exceptional customer service levels were recognised through being shortlisted at the European Customer Call Centre Awards
- Voted the best Organic Online Retailer 2017 at the Best of Organic Market Awards

Growing our customer base

- Active customers[4] were up 11.2% to 645,000 (2016: 580,000)
- Total order volumes have grown by 14.3% to an average of 263,000 orders per week (2016: 230,000 OPW), with the highest number of orders delivered in a week exceeding 296,000
- Average Ocado.com basket value declined slightly to £107.2, impacted by continued uptake of Ocado Smart Pass and the ongoing trend of ordering on mobile phones, resulting in customers ordering slightly smaller baskets more frequently
- Customer loyalty remained strong, with double digit order growth being exhibited even in our most densely penetrated catchment areas
- Continued year-on-year growth close to 35% in General Merchandise revenues

Adding new capacity and improving efficiency

- We successfully ramped up capacity at Andover over the course of 2017 and expect to make further significant progress in 2018
- Excellent progress in the build out and development of our fourth CFC in Erith, due to open in mid 2018
- Mature CFC[5] operational productivity improved further to 164 UPH (2016: 160 UPH). Further improvements in UPH are now largely going to come from the new MHE solution in our latest CFCs as they become mature
- Delivery efficiency improved further to an average of 182 DPV (2016: 176 DPV)

Licensing our revolutionary technology and unique expertise

- Continued to enable the strong growth of our first commercial partner, Morrisons.com, supported by the provision and initial roll out of store picking capabilities for them
- Announced our first international partnership with a regional European retailer for the provision of our full software platform, capabilities and ongoing services to help launch their online operations
- Signed our second and third international partnerships with Groupe Casino and Sobeys to develop the Ocado Smart Platform in France and Canada respectively utilising both our proprietary software and algorithms as well as our physical infrastructure solutions
- Active discussions with multiple retailers in a variety of geographies regarding our Ocado Solutions capabilities and how we can support their online ambitions
- Continued innovation and ongoing activity to protect our unique intellectual property, with further patent applications being granted over the year
- Continued expansion of our technology teams over the year to include close to 1,100 development professionals to drive ongoing innovation across the business

Equity Issue

- Today we are also announcing a cash placing of approximately 5% of our issued share capital in order to provide us with the necessary flexibility to take full advantage of our current opportunities to grow Ocado Solutions and accelerate the development of our platform as well as future opportunities in our Retail business

Outlook statement

- Assuming economic conditions remain broadly stable, we are confident in achieving revenue growth in our Retail business of between 10-15% in the 2018 financial year as we increase our fulfilment capacity and grow market share in the UK
- We aim to sign further international Solutions' partners as our recent signings validate our capabilities and the increased channel shift globally
- In the 2018 financial year, Group EBITDA* will reflect the fixed costs of our largest ever CFC in Erith, the ramp up of our proprietary solution in both Andover and Erith, and an acceleration in the development of our platform. We expect the trends in EBITDA* to improve significantly in FY19
- We anticipate that total capital expenditure in FY18 will be approximately £210 million for our increased capacity and for further investments in the platform

Results presentation

A results presentation will be held for investors and analysts at 9.30am today at 10 Paternoster Square, London, EC4M 7LS. The webcast will be available online at https://3xscreen.videosync.fi/2018-02-06-ocado-preliminary-results/at 9:30 am today. Presentation material will be available online at http://www.ocadogroup.com/investors/reports-and-presentations/2017.aspx.

Contacts

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000

Duncan Tatton-Brown, 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

Michelle Clarke or Susanna Voyle at Tulchan Communications on 020 7353 4200

Notes

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and VAT. The recharge of costs to Morrisons and fees charged to Morrisons are also included in revenue
2. EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items
3. External net debt* is the statutory net debt* less amounts owing to MHE JVCo of £94.1 million (2016: £108.7 million)
4. Customers are classified as active if they have shopped on Ocado.com within the previous 12 weeks
5. A CFC is considered mature if it has been open for 12 months by the start of the half year reporting period
6. Depreciation, amortisation and impairment and share of results from joint venture are based on a 53 weeks basis. This results in a Loss After Tax for the 52 week comparative for the 2017 financial year

* These measures are considered Alternative Performance Measures.

Financial Calendar

Our expected financial reporting calendar for the remainder of the year will be a Q1 Trading Statement on 20 March 2018, a Half Year Results Statement on 10 July 2018, a Q3 Trading Statement on 18 September 2018 and a Q4 Trading Statement on 13 December 2018.

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.

Chief Financial Officer's review

For the period to 3 December 2017, we maintained solid sales growth in a competitive environment while progressing our business further across many fronts.

The Group secured two international partnership deals and continued to deliver double digit revenue growth despite a shortage of capacity limiting our UK growth potential. Profit before tax for 2017 was £1.0 million (2016: £12.1 million). Profitability in the period was adversely impacted by the wage increases partly impacted by increased national living wage, higher costs associated with the opening of Andover CFC, our continued investment in a number of strategic initiatives to aid future growth, and additional depreciation.

The current period results comprise 53 weeks ended 3 December 2017. For comparability purposes 52 week data, which excludes the final trading week of the 2017 financial year, is used ("2017") for comparison to the 52 weeks ended 27 November 2016 ("2016"), unless otherwise stated.

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks) * £m	FY 2016 (52 weeks) £m	Variance (52 weeks)
Revenue [1]	**1,463.8**	**1,432.9**	**1,271.0**	**12.7%**
Gross profit	504.3	494.3	435.3	13.6%
Other income	61.0	59.5	52.9	12.5%
Distribution and administrative costs	480.9	471.3	406.0	16.1%
Share of results from joint venture [3]	1.6	1.6	2.1	(23.8%)
EBITDA*[2]	**86.0**	**84.3**	**84.3**	**0.0%**
Depreciation, amortisation and impairment [3]	71.0	71.0	60.3	17.7%
Net Finance costs	13.7	13.5	9.5	42.1%
Exceptional items*	0.3	0.3	2.4	87.5%
Profit/(Loss) before tax	**1.0**	**(0.5)**	**12.1**	**(104.1)%**

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons and other solutions clients are also included in revenue
2. EBITDA* is stated before the impact of exceptional items*
3. Depreciation, amortisation and impairment and share of results from joint venture are based on a 53 weeks basis

Revenue grew by over 12.7% to £1,432.9 million in comparison to 2016 revenue of £1,271.0 million. This was driven by an increase in the average number of orders a week and fees earned from our partnerships. Gross profit increased by 13.6% year-on-year, a higher rate than revenue primarily driven by faster growth in Solutions revenue with currently higher gross profit margins compared to Retail.

EBITDA* of £84.3 million was in line with the prior year. This was maintained by cost savings achieved by operational efficiencies in the CFCs and delivery, offset by an increase in head office headcount and fixed costs.

Depreciation, amortisation and impairment increased by 17.7% to £71.0 million, driven primarily by the annualised impact of the opening of the Andover CFC and the associated software.

Net finance costs increased from £9.5 million to £13.5 million year-on-year. This was primarily driven by the fees incurred on the successful issue of Senior Secured Notes of £250 million during the year and a renegotiated revolving credit facility ("RCF").

Trading review by segment

Retail Performance

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016 (52 weeks) £m	Variance (52 weeks)
Revenue	**1,346.1**	**1,317.4**	**1,171.6**	**12.4%**
Gross profit	386.6	378.9	335.9	12.8%
Other income	50.4	49.2	41.2	19.3%
Distribution and administrative costs*[1]	356.1	348.8	301.4	15.7%
EBITDA*[2]	**81.0**	**79.2**	**75.8**	**4.5%**

1. Distribution and administrative costs excludes depreciation, amortisation and impairment for the period
2. EBITDA* does not include the impact of exceptional items*

Retail revenue growth was driven by a 14.3% year-on-year increase in orders per week to 263,000 (2016: 230,000). The average basket at Ocado.com of £107.22 decreased by (0.8)% compared to 2016. This was primarily driven by an increased frequency of shop from our loyal customers base, an increase in average price per item offset by a strategic decision to reduce multi buy promotional activity and a reduction in the number of items per basket.

Gross profit

Gross profit was up 12.8% to £378.9 million, compared to 2016 gross profit of £335.9 million. The rate of growth, ahead of sales, was due to reduced unfunded promotional activity and increases in selling price offset by the increase in cost of goods.

Other Income

Other income increased by 19.3% to £49.2 million (2016: £41.2 million) with supplier income increasing year-on-year by 20.6% to £46.5 million (2016: £38.6 million) equivalent to 3.5% of retail revenue (2016: 3.3%).

Distribution and administrative costs

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016[1] (52 weeks) £m	Variance (52 weeks)
CFC	117.9	115.7	95.1	21.7%
Trunking and Delivery	167.8	164.0	143.5	14.3%

Other operating costs	10.0	9.8	9.5	3.6%
Marketing [2]	14.1	13.7	11.7	17.1%
Head office costs	46.3	45.6	41.6	9.6%
Total retail distribution and administrative costs*[3]	**356.1**	**348.8**	**301.4**	**15.7%**

1. 2016 include a re-categorisation of £0.9 million of cost from administrative expenses to distribution costs
2. Marketing expenditure excludes voucher costs
3. Retail distribution and administrative costs excludes depreciation, amortisation and impairment

Distribution and administrative costs consist of costs for the fulfilment and delivery operations of the business as well as head office costs. Total distribution and administrative costs increased by 15.7% year-on-year.

CFC costs increased from £95.1 million to £115.7 million, an increase of 21.7% year-on-year. This was primarily due to the annualised impact of the Andover CFC which is not yet operating at full capacity and is running at lower productivities as it scales its operations. The remaining underlying increase was principally due to a higher number of employees in the CFC as a result of greater volumes and continuing inflationary pressure in key cost lines.

Mature CFC UPH efficiencies continued to improve by 2.4% to 164 which partially offset the aforementioned costs. This improvement in mature CFC UPH was driven mainly by the Dordon CFC productivity, which regularly exceeded 180 UPH in the period. UPH in the Hatfield CFC also improved year-on-year.

Trunking and delivery costs increased by £20.5 million to £164.0 million, an increase of 14.3% year-on-year (2016: £143.5 million). This was due to increases in wage-related and vehicle costs as a result of greater order volumes and inflationary cost pressures.

Deliveries per van per week have risen by 3.2% to 182 (2016: 176) as customer density improved, Sunday delivery slots increased, and we made continued enhancements to our routing system.

Head office costs increased by 9.6% year-on-year from £41.6 million to £45.6 million. This was driven by wage inflation, from the growth in the general merchandise business, and increased costs associated with our new head offices.

Marketing costs excluding voucher spend increased from £11.7 million to £13.7 million, 1.0% as a percentage of retail revenue and in line with the prior period.

EBITDA*

EBITDA*excluding exceptional items for the retail business grew from £75.8 million in 2016 to £79.2 million.

Solutions Performance

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016 (52 weeks) £m	Variance (52 weeks)
Revenue	**117.7**	**115.5**	**99.4**	**16.2%**
Distribution and administrative costs*	115.1	112.7	93.9	20.0%
EBITDA*	**2.5**	**2.7**	**5.5**	**(50.9)%**

Revenue

The revenue from the Solutions business was £115.5 million, up from £99.4 million in 2016. This comprised of fees from our arrangement with Morrisons, for services rendered, technology support, research and development, management fees, and a recharge of relevant operational variable and fixed costs and also for the new Store Pick implementation. We also recognised an element of upfront fees relating to international partnerships that were signed in the period.

Distribution and administrative costs

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016 (52 weeks) £m	Variance (52 weeks)
Distribution Costs	88.6	86.9	76.7	13.3%
Administrative costs	26.5	25.8	17.2	50.0%
Total Solutions distribution and administrative costs*	**115.1**	**112.7**	**93.9**	**20.0%**

1. Solutions distribution and administrative costs excludes depreciation, amortisation and impairment

Distribution and administrative costs predominantly consist of fulfilment and delivery operation costs for the Morrisons business and the costs of employees developing solutions for, and supporting, our partnership agreements. These costs grew 20.0% year-on-year primarily as a result of an increase in headcount.

EBITDA*

EBITDA* from our Solutions activities was £2.7 million, a decrease of £(2.8) million.

Group Performance

	FY 2017 (53 weeks) £m	FY 2017 (52 weeks)* £m	FY 2016 (52 weeks) £m	Variance (52 weeks)
Depreciation, amortisation and impairment	71.0	71.0	60.3	17.9%
Net Finance costs	13.7	13.5	9.5	42.1%
Share of results from joint venture	1.6	1.6	2.1	(23.8)%
Profit / (Loss) before tax	**1.0**	**(0.5)**	**12.1**	**(104.1)%**

Depreciation, amortisation and impairment

Total depreciation and amortisation costs were £71.0 million (2016: £60.3 million), an increase of 17.9% year-on-year. The increase year-on-year in costs was driven principally due to the commencement of operations at Andover CFC and increased vehicle numbers in line with business growth.

Net finance costs

Net finance costs were £13.5 million, an increase of 42.1% in comparison to the prior year (2016: £9.5 million). The increase in finance costs are due to the issuance of a £250 million in senior secured notes during the period and renegotiated revolving credit facility ("RCF") of £100 million. This resulted in an increase in finance costs and £1.9 million of transaction fees in relation to the RCF. This amount was offset by cost savings as a result of debt expiring or being repaid with the proceeds of the senior secured notes.

£4.4 million of interest costs have been capitalised in the period in relation to the senior secured notes and the RCF in accordance with the relevant accounting standards (2016: £0.7 million).

Share of result from joint venture

MHE JVCo Limited ("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 share of MHE JVCo profit after tax in the period amounted to £1.6 million (2016: £2.1 million).

Loss before tax

Loss before tax for the period was (£0.5) million (2016: profit of £12.1 million).

Taxation
Due to the availability of capital allowances and Group loss relief, the Group does not expect to pay corporation tax during the period. No deferred tax credit was recognised in the period. Ocado had approximately £183.6 million (2016: £268.6 million) of unutilised carried forward tax losses at the end of the period.

Dividend
During the period, the Group did not declare a dividend.

Earnings per share
Basic earnings per share were 0.16p (2016: 2.02p) and diluted earnings per share were 0.16p (2016: 1.96p).

Capital expenditure

Capital expenditure for the period:

	FY 2017 (53 weeks) £m	FY 2016 (52 weeks) £m
Mature CFCs	3.1	3.4
New CFCs	69.7	64.6
Delivery	16.5	20.6
Technology	42.8	34.3
Fulfilment Development	15.5	19.7
Other	10.6	10.5
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**158.2**	**153.1**
Total capital expenditure[3] (including share of MHE JVCo)	**160.3**	**156.9**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Capital expenditure includes Ocado share of the MHE JVCo capex in 2017 of £2.1 million and in 2016 of £3.9 million

Capital expenditure in the Hatfield CFC was £3.1 million which mainly related to a number of small projects to improve the capacity and resiliency of these sites.

We incurred £69.7 million of costs in the period for our new CFCs. The Andover CFC commenced operations at the end of 2016 and has steadily increased volumes during 2017, with a potential eventual capacity above 65,000 OPW. The fit out of the next CFC located in Erith, South East London continued according to plan and this site is expected to open in 2018 with a potential eventual capacity over 200,000 OPW.

Total expenditure on new vehicles in the period was £14.6 million (2016: £16.5 million). This expenditure enabled business growth and replacement of vehicles that have reached or exceeded their five year useful life.

Ocado continued to develop its own proprietary software and incurred £35.7 million (2016: £26.8 million) of internal development costs in the period on technology, with a further £7.1 million (2016: £7.5 million) spent on computer hardware and software. We expanded our technology total headcount to nearly 1,100 staff at the end of the period (2016: over 950 staff) as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming of our technology and the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, developing a store pick solution for implementation by our solutions partners and support for the growth of the Andover CFC.

Fulfilment development expenditure of £15.5 million was spent in developing our next generation fulfilment solutions which will be used in our latest CFCs and our relevant Solutions partners.

In the period, we incurred our share of the capital expenditure relating to MHE JVCo of £2.1 million (2016: £3.9 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

Other capital expenditure of £10.6 million was incurred in the period, of which £6.4 million related to our general merchandise business. This was to support growth in capacity of our existing general merchandise distribution centre and to fund development costs for our second general merchandise distribution centre opening in 2018.

At 3 December 2017, capital commitments contracted, but not provided for by the Group, amounted to £45.0 million (2016: £34.4 million). We expect capital expenditure in 2018 to be approximately £210 million which mainly comprises the continuing investment in our infrastructure and technology solutions, roll out of our new CFCs and additional investment in new vehicles to support business growth and the replacement of vehicles coming to the end of their five year financing contracts. This includes capex requirements related directly to our new Solutions' customers.

Cash flow

Net operating cash flow after finance costs increased to £106.8 million, up 10.2% from £96.9 million in 2016 as detailed below:

	FY 2017 (53 weeks) £m	FY 2016 (52 weeks) * £m
EBITDA*[1]	**86.0**	**84.3**
Working capital movement	30.6	18.5
Exceptional items*	(0.3)	(1.7)
Other non-cash items	4.6	4.9
Finance costs paid	(14.1)	(9.1)
Operating cash flow	**106.8**	**96.9**
Capital investment	(169.4)	(123.9)
Dividend from joint venture	7.6	8.4
Increase in net debt*/finance obligations	152.4	22.2
Proceeds from share issues	1.5	1.1
Other investing and financing activities	0.2	0.4
Movement in cash and cash equivalents	**99.1**	**5.1**

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

Operating cash flow increased by £9.9 million during the year driven by an increase in working capital and EBITDA*, offset by an increase in finance costs. The increase in working capital inflow of £12.1 million is driven by an increase in trade and other payables of £19.4 million and in inventories of £5.4 million, offset by a decrease in trade and other receivables of £12.7 million.

During the period there was £169.4 million of capital expenditure as the Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solutions, and spend on new vehicles and spoke sites.

Net financing cash flows in the period were £153.9 million comprising £152.4 million of new net debt* and financing obligations and £1.5 million of proceeds from the issue of new share capital following the exercise of employee share options.

Balance sheet

The Group had cash and cash equivalents of £150.0 million at the end of the financial year versus £50.9 million as at 27 November 2016.

Gross debt at the period end was £378.0 million (2016: £215.8 million) and external gross debt*, excluding obligations under finance leases owing to MHE JVCo, was £283.9 million (2016: £107.1 million). The increase in net external debt is due to the level of investment in improving our platform and adding UK capacity being ahead of our current cash generation. Net external debt at the period end was £133.9 million (2016: £56.2 million). The increase of £77.7 million was mainly driven by the capital investment activities.

Trade and Other Receivables includes £12.2 million (2016: £5.9 million) of amounts due from suppliers in respect of commercial income. £1.0 million (2016: £5.9 million) is within trade receivables, and £8.6 million (2016: £10.8 million) within accrued income.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £37.2 million (2016: £27.4 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £61.6 million (2016: £22.9 million), the increase relating to the Erith CFC and the second non-food distribution site under development.

Increasing financing flexibility

In the period we announced the successful placing of £250 million Senior Secured Notes due 2024 at a coupon of 4%, as well as an amendment and extension to our current RCF which was reduced to £100 million, from £210 million and extended to June 2022. This refinancing will be used for the continued growth of our UK retail business and further development of our platform.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for FY 2017 and FY 2016:

	FY 2017 (53 weeks)	FY 2017 (52 weeks)*	FY 2016 (52 weeks)	Variance (52 weeks)
Average orders per week	264,000	263,000	230,000	14.3%
Average order size (£)[1]	107.28	107.22	108.13	(0.8)%
Overall CFC efficiency (units per hour)[2]	164	164	160	2.4%
Average deliveries per van per week (DPV/ week)	182	182	176	3.2%
Average product wastage (% of retail revenue)[3]	0.7%	0.7%	0.7%	-

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

1. Average retail value of goods a customer receives (including VAT and delivery charge) per order from Ocado.com
2. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel. We consider a CFC to be mature if it had been open 12 months by the start of the half year reporting period
3. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue

Consolidated income statement
for the 53 weeks ended 3 December 2017

	Notes	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Revenue	2.2	1,463.8	1,271.0
Cost of sales		(959.5)	(835.7)
Gross profit		504.3	435.3

Other income		61.0	52.9
Distribution costs		(434.2)	(365.7)
Administrative expenses		(117.7)	(100.6)
Operating profit before result from joint venture and exceptional items		13.4	21.9
Share of result from joint venture	5.1	1.6	2.1
Exceptional items*	2.3	(0.3)	(2.4)
Operating profit		14.7	21.6
Finance income	4.3	0.2	0.2
Finance costs	4.3	(13.9)	(9.7)
Profit before tax		1.0	12.1
Taxation		-	(0.1)
Profit for the period		1.0	12.0

Earnings per share	pence	pence
Basic earnings per share	0.16	2.02
Diluted earnings per share	0.16	1.96

Non-GAAP measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA*)

	Notes	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Operating profit		14.7	21.6
Adjustments for:			
Depreciation of property, plant and equipment	3.2	55.0	47.0
Amortisation expense	3.1	15.4	12.6
Impairment of property, plant and equipment	3.2	0.4	0.3
Impairment of intangibles assets	3.1	0.2	0.4
Exceptional items* - Impairment of property, plant and equipment	2.3	-	0.7
Exceptional items* - Other	2.3	0.3	1.7
EBITDA*		86.0	84.3

Consolidated statement of comprehensive income

for the 53 weeks ended 3 December 2017

	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Profit for the period	1.0	12.0
Other comprehensive income:		
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges		
- Gains arising on forward contracts	-	0.1
- Gains arising on hedging contracts	0.5	0.8
- Losses arising on hedging contracts	(0.2)	(0.2)
Foreign exchange gains on translation of foreign subsidiary	0.2	0.3
Other comprehensive income for the period, net of tax	0.5	1.0
Total comprehensive income for the period	1.5	13.0

Consolidated balance sheet

as at 3 December 2017

	Notes	3 December 2017 £m	27 November 2016 £m
Non-current assets			
Intangible assets	3.1	112.4	79.7
Property, plant and equipment	3.2	453.7	397.3
Deferred tax asset		14.3	14.2
Financial assets		3.0	2.6
Investment in joint ventures	5.1	51.0	57.1
		634.4	550.9
Current assets			
Inventories		42.9	39.1
Trade and other receivables		66.8	59.4
Derivative financial instruments		0.4	0.3
Cash and cash equivalents		150.0	50.9
		260.1	149.7
Total assets		894.5	700.6
Current liabilities			
Trade and other payables		(228.6)	(205.6)
Borrowings	4.1, 4.2	-	(52.9)
Obligations under finance leases	4.1	(27.2)	(29.8)
Derivative financial instruments		(0.1)	(0.2)
Provisions		(1.3)	(2.4)
		(257.2)	(290.9)
Net current assets/(liabilities)		2.9	(141.2)
Non-current liabilities			
Borrowings	4.1, 4.2	(243.3)	(6.1)
Obligations under finance leases	4.1	(107.5)	(127.0)
Provisions		(8.8)	(7.3)
Deferred tax liability		(7.0)	(6.9)
		(366.6)	(147.3)
Net assets		270.7	262.4
Equity			
Share capital	4.4	12.6	12.6
Share premium	4.4	258.4	256.9
Treasury shares reserve	4.4	(48.0)	(48.0)
Reverse acquisition reserve	4.4	(116.2)	(116.2)
Other reserves	4.4	0.7	0.2
Retained earnings		163.2	156.9
Total equity		270.7	262.4

Consolidated statement of changes in equity

for the 53 weeks ended 3 December 2017

	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	T eq
Balance at 29 November 2015	12.6	258.7	(50.9)	(116.2)	(0.8)	138.5	24
Profit for the period	-	-	-	-	-	12.0	1
Other comprehensive income:							
Cash flow hedges							
- Gains arising on forward contracts	-	-	-	-	0.1	-	
- Gains arising on hedging contracts	-	-	-	-	0.8	-	
- Losses arising on hedging contracts	-	-	-	-	(0.2)	-	
Translation of foreign subsidiary	-	-	=	-	0.3	-	(
Total comprehensive income for the period ended 27 November 2016	-	-	-	-	1.0	12.0	1
Transactions with owners:							
- Issue of ordinary shares	-	1.1	-	-	-	-	
- Share-based payments charge	-	-	-	-	-	6.4	
- Disposal of treasury shares	-	(2.9)	2.9	-	-	-	
Total transactions with owners	-	(1.8)	2.9	-	-	6.4	
Balance at 27 November 2016	12.6	256.9	(48.0)	(116.2)	0.2	156.9	26
Profit for the period	-	-	-	-	-	1.0	
Other comprehensive income:							
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	0.5	-	
- Losses arising on hedging contracts	-	-	-	-	(0.2)	-	(0
Translation of foreign subsidiary	-	-	-	-	0.2	-	
Total comprehensive income for the period ended 3 December 2017	-	-	-	-	0.5	1.0	
Transactions with owners:							
- Issue of ordinary shares	-	1.5	-	-	-	-	
- Share-based payments charge	-	-	-	-	-	5.3	
Total transactions with owners	-	1.5	-	-	-	5.3	
Balance at 3 December 2017	12.6	258.4	(48.0)	(116.2)	0.7	163.2	27

Consolidated statement of cash flows for the 53 weeks ended 3 December 2017

	Notes	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Cash flows from operating activities			
Profit before tax		1.0	12.1
Adjustments for:			
- Depreciation, amortisation and impairment losses	3.1, 3.2	71.0	61.0
- Movement in provisions		0.4	0.6
- Share of profit in joint venture	5.1	(1.6)	(2.1)
- Share-based payments charge		5.3	6.4
- Net Finance costs		13.7	9.5
Changes in working capital:			
- Movement in inventories		(3.8)	(9.2)
- Movement in trade and other receivables		(10.2)	2.5
- Movement in trade and other payables		45.1	25.2

Cash generated from operations	120.9	106.0
Interest paid	(14.1)	(9.1)
Net cash flows from operating activities	106.8	96.9
Cash flows from investing activities		
Purchase of property, plant and equipment	(119.5)	(85.3)
Purchase of intangible assets	(49.9)	(38.6)
Dividend received from joint venture	7.6	8.4
Interest received	0.2	0.2
Net cash flows used in investing activities	(161.6)	(115.3)
Cash flows from financing activities		
Proceeds from the issue of ordinary share capital	1.5	1.1
Proceeds from borrowings	307.5	61.3
Repayment of borrowings	(110.0)	(11.5)
Repayments of obligations under finance leases	(36.5)	(26.4)
Payment of financing fees	(8.6)	(1.2)
Settlement of cash flow hedges	-	0.2
Net cash flows from financing activities	153.9	23.5
Net increase in cash and cash equivalents	99.1	5.1
Cash and cash equivalents at the beginning of the period	50.9	45.8
Cash and cash equivalents at the end of the period	150.0	50.9

Notes to the consolidated financial statements

Section 1 - Basis of preparation

General information

Ocado Group plc (hereafter "the Company") is a listed company incorporated in the United Kingdom under the Companies Act 2006 (Registration number 07098618). The address of its registered office is Buildings 1 & 2 Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL. The financial statements comprise the results of the Company, its subsidiaries and the Group's interest in a jointly controlled entity (hereafter "the Group"). The Financial Period represents the 53 weeks ended 3 December 2017. The prior financial period represents the 52 weeks ended 27 November 2016.

Basis of preparation

The financial statements have been prepared in accordance with the Listing Rules and the Disclosure Guidance and Transparency Rules of the UK Financial Conduct Authority (where applicable), International Financial Reporting Standards (IFRS) and International Financial Reporting Standards Interpretation Committee (IFRIC) interpretations as endorsed by the European Union ("IFRS-EU"), and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The accounting policies applied are consistent with those described in the annual report and financial statements for the 52 weeks ended 27 November 2016 of Ocado Group plc.

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 53 weeks ended 3 December 2017 which was prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from www.ocadogroup.com. The 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 statements are presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. The financial statements have 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 considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements of the Group.

New standards, amendments and interpretations issued that are effective but not material to the Group

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 28 November 2016 and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements:

		Effective Date
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	1 January 2016
IFRS 10	Consolidated financial statements (amendments)	1 January 2016
IFRS 11	Joint arrangements (amendments)	1 January 2016
IFRS 12	Disclosure in other entities (amendments)	1 January 2016
IAS 1	Presentation of financial statements (amendments)	1 January 2016
IAS 16	Property, plant and equipment (amendments)	1 January 2016
IAS 28	Investments in associates and joint ventures (amendments)	1 January 2016
IAS 34	Interim financial reporting (amendments)	1 January 2016
IAS 38	Intangible assets (amendments)	1 January 2016

New standards, amendments and interpretations not yet adopted by the Group

The following further new standards, interpretations and amendments to published standards and interpretations which are relevant to the Group have been issued but are not effective for the financial year beginning 28 November 2016 and have not been adopted early:

		Effective Date
IFRS 2	Share-based payments (amendments)	1 January 2018
IFRS 9	Financial instruments	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019
IAS 12	Income taxes (amendments)	1 January 2017
IAS 28	Investments in associates and joint ventures (amendments)	1 January 2018
Various	Amendments to various IFRSs and IASs including those arising from the IASB's annual improvements project	Various

The following new standards are not yet effective and the impact on the Group is currently under review:

- IFRS 9 "Financial Instruments" published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Our initial review of IFRS 9 has indicated that the impact of this new standard on the Groups' results is unlikely to be material.
- IFRS 15 "Revenue from Contracts with Customers" (endorsed by the EU) provides guidance on the recognition and measurement of revenue. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. This applies to all contracts with customers except those in the scope of other standards. This new standard will replace IAS 18 "Revenue" and is effective for annual periods beginning on or after 1 January 2018 unless adopted early. The Group does not expect there to be a material impact from IFRS 15. The Group will continue to monitor the impact of IFRS 15 on new service contracts as they arise.
- IFRS 16 "Leases" provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure all leases will be reflected on the Consolidated Balance Sheet, irrespective of substance over form. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This

will result in a decrease in operating expenses and an increase in finance costs with no net impact. The standard will also impact a number of statutory measures such as operating profit, cash generated from operations, and alternative performance measures, such as EBITDA*, that are used by the Group.

The Group's initial review of IFRS 16 indicates that the financial impact will result in an increase in finance leased assets of approximately £331 million, and a corresponding increase in financial liabilities of £335 million, on the consolidated balance sheet.

Section 2 - Results for the year

2.1 Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods. The Group is not 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") and 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.

During the period the Group determined it has two reportable segments: Retail and Solutions. The Retail segment provides online grocery and general merchandise offerings to customers within the UK. The Solutions segment provides end-to-end online retail solutions to corporate customers within and outside of the UK. In order to reconcile segment revenues* to the Group revenue and profit, a third category entitled "Other" shows unallocated costs such as central business activities.

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. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment revenue* and EBITDA*	Retail £m	Solutions £m	Other £m	Total £m
2016				
Segment revenue*	1,171.6	99.4	-	1,271.0
Segment EBITDA*	75.8	5.5	3.0	84.3
2017				
Segment revenue*	1,346.1	117.7	-	1,463.8
Segment EBITDA*	81.0	2.5	2.5	86.0

2.2 Gross sales*

A reconciliation of revenue to gross sales* is as follows:

	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Revenue	1,463.8	1,271.0
VAT	114.9	98.9
Marketing vouchers	22.7	16.8
Gross sales*	1,601.4	1,386.7

2.3 Exceptional items*

	53 weeks ended 3 December 2017	52 weeks ended 27 November 2016

	£m	£m
Head office relocation costs		
- Impairment of property, plant and equipment	-	0.7
- Other	0.2	0.8
Litigation costs	0.1	0.9
	0.3	2.4

Head office relocation costs

Following the growth of the business, the Group relocated its head office. The move to the new premises was completed in stages to minimise the impact on the business and the Group incurred dual running costs as it transitioned to the new premises. Due to the one-off nature of the head office move, these costs were treated as exceptional.

Litigation costs

The Group has incurred litigation costs relating to the recovery of interchange fees for card transactions. The fees relating to this are material a recurring and have therefore been treated as exceptional.

2.4 Earnings per share

Basic earnings per share is calculated by dividing the profit 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 JSOS on an allocated basis which are accounted for as treasury shares.

Diluted earnings 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 two classes of instruments that are potentially dilutive: share options and share interests held pursuant to the JSOS.

Basic and diluted earnings per share have been calculated as follows:

	53 weeks ended 3 December 2017 Number of shares (m)	52 weeks ended 27 November 2016 Number of shares (m)
Issued shares at the beginning of the period, excluding treasury shares	598.8	590.6
Effect of share options exercised in the period	0.7	2.5
Effect of treasury shares disposed of in the period	-	1.3
Weighted average number of shares at the end of the period for basic earnings per share	599.5	594.4
Potentially dilutive share options and shares	19.8	19.1
Weighted average number of diluted ordinary shares	619.3	613.5

	£m	£m
Profit attributable to the owners of the Company	1.0	12.0

	pence	pence
Basic earnings per share	0.16	2.02
Diluted earnings per share	0.16	1.96

Section 3 - Assets and liabilities

3.1 Intangible assets

	Internally generated assets £m	Other intangible assets £m	Total intangible assets £m
Cost			
At 29 November 2015	83.0	17.6	100.6
Additions	-	4.9	4.9
Internal development costs capitalised	34.9	-	34.9
Disposals	(0.3)	(0.2)	(0.5)
At 27 November 2016	117.6	22.3	139.9

Additions	-	5.6	5.6
Internal development costs capitalised	42.7	-	42.7
At 3 December 2017	160.3	27.9	188.2
Accumulated amortisation			
At 29 November 2015	(43.1)	(4.6)	(47.7)
Charge for the period	(11.8)	(0.8)	(12.6)
Impairment	(0.4)	-	(0.4)
Disposals	0.3	0.2	0.5
At 27 November 2016	(55.0)	(5.2)	(60.2)
Charge for the period	(13.6)	(1.8)	(15.4)
Impairment	(0.2)	-	(0.2)
At 3 December 2017	(68.8)	(7.0)	(75.8)
Net book value			
At 27 November 2016	62.6	17.1	79.7
At 3 December 2017	91.5	20.9	112.4

Included within intangible assets is capital work-in-progress for internally generated assets of £15.1 million (2016: £20.0 million) and capital work-in-progress for other intangible assets of £1.7 million (2016: £3.3 million).

The net book value of intangible assets held under finance leases is analysed below:

	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Cost	14.4	14.3
Accumulated amortisation	(13.0)	(11.2)
Net book value	1.4	3.1

For the 53 weeks ended 3 December 2017, internal development costs capitalised represented approximately 88% (2016: 88%) of expenditure on intangible assets and 27% (2016: 22%) of total capital spend including property, plant and equipment.

3.2 Property, plant and equipment

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
Cost				
At 29 November 2015	80.7	403.3	55.2	539.2
Additions	27.6	63.7	16.6	107.9
Internal development costs capitalised	-	10.1	-	10.1
Disposals	(0.1)	(4.9)	(7.5)	(12.5)
At 27 November 2016	108.2	472.2	64.3	644.7
Additions	10.9	74.5	14.6	100.0
Internal development costs capitalised	-	11.8	-	11.8
Disposals	-	(1.3)	(4.8)	(6.1)
At 3 December 2017	119.1	557.2	74.1	750.4
Accumulated depreciation				
At 29 November 2015	(20.5)	(170.0)	(21.4)	(211.9)
Charge for the period	(1.9)	(33.4)	(11.7)	(47.0)
Impairment	-	(1.0)	-	(1.0)
Disposals	0.1	4.9	7.5	12.5
At 27 November 2016	(22.3)	(199.5)	(25.6)	(247.4)
Charge for the period	(2.9)	(39.3)	(12.8)	(55.0)

Impairment	-	(0.4)	-	(0.4)
Disposals	-	1.3	4.8	6.1
At 3 December 2017	(25.2)	(237.9)	(33.6)	(296.7)
Net book value				
At 27 November 2016	85.9	272.7	38.7	397.3
At 3 December 2017	93.9	319.3	40.5	453.7

Included within property, plant and equipment is capital work-in-progress for land and buildings of £37.2 million (2016: £27.4 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £61.6 million (2016: £22.9 million).

The net book value of non-current assets held under finance leases is set out below:

	Land and buildings £m	Fixtures, fittings, plant and machinery £m	Motor vehicles £m	Total £m
At 27 November 2016				
Cost	30.9	209.8	63.5	304.2
Accumulated depreciation and impairment	(19.5)	(110.6)	(25.0)	(155.1)
Net book value	11.4	99.2	38.5	149.1
At 3 December 2017				
Cost	31.9	211.1	61.5	304.5
Accumulated depreciation and impairment	(21.2)	(127.8)	(26.2)	(175.2)
Net book value	10.7	83.3	35.3	129.3

Property, plant and equipment with a net book value of £nil (2016: £19.0 million) has been pledged as security for the secured loans.

Section 4 - Capital structure and financing costs

4.1 Borrowings and finance leases

	Less Than One Year £m
As at 27 November 2016	
Unsecured loans	51.3
Secured loans	1.6
Total Borrowings	52.9
As at 3 December 2017	
Senior secured notes	-
Total Borrowings	-

The loans outstanding at period end can be analysed as follows:

Principal Amount £m	Inception	Security Held	Current Interest Rate	Instalment Frequency	Final Payment Due	Carrying Amount as at 3 December 2017 £m	Carrying Amount as at 27 November 2016 £m
100.0	July 2014	None	LIBOR + 1.5%	Monthly	June 2022	-	51.3

2.5	July 2014	Property, plant and equipment	9.12%	Monthly	July 2017	-	0.5
8.2	September 2015	Freehold property	LIBOR + 1.5%	Quarterly	September 2018	-	7.2
250.0	June 2017	Collateral	4%	Semi-annually	June 2024	243.3	-
						243.3	59.0
Disclosed as:							
Current						-	52.9
Non-current						243.3	6.1
						243.3	59.0

In the current year, the unsecured £210 million revolving facility was reduced to £100 million and extended by 3 years to 2022. As at 3 December 2017 the facility has not been utilised. Senior secured notes were issued in June 2017, raising £250 million; this is shown net of transaction fees. The senior secured notes are secured by charges over the issued share capital of the subsidiary undertakings that acted as guarantors for the notes.

The group regularly reviews its financing arrangements. The revolving facility and the senior secured notes contain typical restrictions concerning dividend payments and additional debt and leases.

Obligations under finance leases

	3 December 2017 £m	27 November 2016 £m
Obligations under finance leases due:		
Within one year	27.2	29.8
Between one and two years	24.6	25.8
Between two and five years	65.3	66.4
After five years	17.6	34.8
Total obligations under finance leases	134.7	156.8

External obligations under finance leases are £40.6 million (2016: £48.1 million) excluding £94.1 million (2016: £108.7 million) payable to MHE JVCo, a joint venture company.

	3 December 2017 £m	27 November 2016 £m
Minimum lease payments due:		
Within one year	33.6	38.4
Between one and two years	29.3	31.7
Between two and five years	72.7	76.9
After five years	18.3	36.8
	153.9	183.8
Less: future finance charges	(19.2)	(27.0)
Present value of finance lease liabilities	134.7	156.8
Disclosed as:		
Current	27.2	29.8
Non-current	107.5	127.0
	134.7	156.8

4.2 Analysis of net debt*

	3 December 2017 £m	27 November 2016 £m
Current assets		
Cash and cash equivalents	150.0	50.9
Current liabilities		
Borrowings	-	(52.9)
Obligations under finance leases	(27.2)	(29.8)
	(27.2)	(82.7)
Non-current liabilities		

Borrowings	(243.3)	(6.1)
Obligations under finance leases	(107.5)	(127.0)
	(350.8)	(133.1)
Total net debt*	(228.0)	(164.9)

Net debt* is £133.9 million (2016: £56.2 million), excluding finance lease obligations of £94.1 million (2016: £108.7 million) payable to MHE JVCo, a joint venture company. £4.1 million (2016: £4.5 million) of the Group's cash and cash equivalents are considered to be restricted and are not available to circulate within the Group on demand.

Reconciliation of net cash flow to movement in net debt*

	3 December 2017 £m	27 November 2016 £m
Net increase in cash and cash equivalents	99.1	5.1
Net (increase) in debt and lease financing	(147.7)	(23.4)
Non-cash movements:		
- Assets acquired under finance lease	(14.5)	(19.6)
Movement in net debt* in the period	(63.1)	(37.9)
Opening net debt*	(164.9)	(127.0)
Closing net debt*	(228.0)	(164.9)

4.3 Finance income and costs

	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Interest on cash balances	0.2	0.2
Finance income	0.2	0.2
Borrowing costs		
- Obligations under finance leases	(8.2)	(9.4)
- Borrowings	(5.7)	(0.3)
Finance costs	(13.9)	(9.7)
Net finance costs	(13.7)	(9.5)

4.4 Share capital and reserves

The movements in the called up share capital and share premium accounts are set out below:

	Ordinary shares Number of shares (million)	Ordinary shares £m	Share premium £m
At 29 November 2015	625.4	12.6	258.7
Issues of ordinary shares	3.4	-	0.6
Reacquisition of interest in treasury shares	-	-	(2.9)
Allotted in respect of share option schemes	0.4	-	0.5
At 27 November 2016	629.2	12.6	256.9
Issues of ordinary shares	1.1	-	0.9
Allotted in respect of share option schemes	0.4	-	0.6
At 3 December 2017	630.7	12.6	258.4

Included in the total number of ordinary shares outstanding above are 32,803,390 (2016: 32,830,613) ordinary shares held by the Group's employee benefit trust. The ordinary shares held by the trustee of the Group's employee benefit trust pursuant to the JSOS are treated as treasury shares in the consolidated balance sheet in accordance with IAS 32 "Financial Instruments: Presentation". These ordinary shares have voting rights but these have been waived by the trustee (although the trustee may vote in respect of shares that have vested and remain in the trust). The number of allotted, called up and fully paid shares, excluding treasury shares, at the end of each period differs from that used in the basic earnings per share calculation as basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the period, excluding treasury shares.

The movements in reserves other than share premium are set out below:

	Treasury shares reserve £m	Reverse acquisition reserve £m	Fair value reserve £m
At 29 November 2015	(50.9)	(116.2)	(0.8)
Movement on derivative financial instruments	-	-	0.7
Disposal of treasury shares	-	-	0.3
Reacquisition of interests in treasury shares	2.9	-	-
At 27 November 2016	(48.0)	(116.2)	0.2
Movement on derivative financial instruments	-	-	0.3
Translation of foreign subsidiary	-	-	0.2
At 3 December 2017	(48.0)	(116.2)	0.7

(a) Treasury shares reserve

This reserve arose when the Group issued equity share capital under its JSOS, which is held in trust by the trustee of the Group's employee benefit trust. Treasury shares cease to be accounted for as such when they are sold outside the Group or the interest is transferred in full to the participant pursuant to the terms of the JSOS. Participant interests in unexercised shares held by participants are not included in the calculation of treasury shares; unvested interests of leavers which have been reacquired by the Group's employee benefit trust during the period are not accounted for as treasury shares.

(b) Other reserves

The fair value reserve comprises gains and losses on movements in the Group's cash flow hedges, which consist of commodity swaps and foreign currency hedges.

Section 5 - Other notes

5.1 Capital commitments

Contracts placed for future capital expenditure but not provided for in the financial statements are as follows:

	3 December 2017 £m	27 November 2016 £m
Land and buildings	2.7	2.5
Property, plant and equipment	42.3	31.9
Total capital expenditure committed at the end of the period	45.0	34.4

Of the total capital expenditure committed at the current period end, £37.2 million (2016: £25.7 million) relates to new CFCs, £2.2 million (2016: £0.8 million) to existing CFCs, £0.3 million (2016: £1.7 million) to fleet costs and £0.2 million (2016: £2.0 million) relates to technology related projects.

5.1 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. The key management compensation is as follows:

	3 December 2017 £m	27 November 2016 £m
Salaries and other short-term employee benefits	3.1	3.2
Share-based payments	2.4	3.1
	5.5	6.3

The share-based payment charge in 2017 was the charge arising for each of the share schemes in which the directors participate. Further information can be found in the Annual Report and Accounts, which we anticipate will be available on 6 February 2018.

Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £2,700 (2016: £900). All transactions were on an arm's length basis and no period end balances arose as a result of these transactions.

At the end of the period, there were no amounts owed by key management personnel to the Group (2016: £nil).

There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

Investment

The following transactions were carried out with Paneltex Limited, a company incorporated in the UK in which the Group holds a 25% interest.

	53 weeks ended 3 December 2017 £m	52 weeks ended 27 November 2016 £m
Purchase of goods		
- Plant and machinery	0.7	-
- Consumables	0.5	0.5
Sale of goods	0.2	0.1

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's finance lease counterparties, were carried out with Paneltex Limited to the value of £6.3 million (2016: £11.8 million). At period end, Paneltex Limited owed the Group £15,000 (2016: the Group owed Paneltex Limited £57,000).

Joint Venture

The following transactions were carried out with MHE JV Co, a joint venture company, incorporated in the UK, in which the Group holds an interest:

	3 December 2017 £m	27 November 2016 £m
Capital contributions made to MHE JVCo	-	1.1
Dividend received from MHE JVCo	7.6	8.4
Reimbursement of supplier invoices paid on behalf of MHE JVCo	7.5	4.9
Lease of assets from MHE JVCo	1.3	3.1
Capital element of finance lease instalments paid to MHE JVCo	16.0	13.8
Interest element of finance lease instalments accrued or paid to MHE JVCo	5.2	5.8

During the period the Group paid lease instalments (including interest) of £21.2 million (2016: £19.6 million) to MHE JVCo.

Of the £21.2 million, £10.1 million (2016: £10.7 million) was recovered directly from Morrisons in the form of Other Income and a further £7.6 million (2016: £8.4 million) was received from MHE JVCo by way of a dividend. The remaining £3.5 million (2016: £0.5 million) represents capital expenditure requirements of MHE JVCo for which no additional funding was required from Ocado. The net result is the termination of £16.0 million of MHE JVCo debt during the period (2016: £13.8 million) with no corresponding net cash outflow.

In the current period, the Group made no additional capital contributions to MHE JVCo (2016: £1.1 million).

Included within trade and other receivables is a balance of £1.7 million owed by MHE JVCo (2016: £5.3 million). £0.7 million of this relates to a finance lease accrual which is included within other receivables (2016: £0.8 million). £1.0 million (2016: £4.5 million) relates to capital recharges.

Included within trade and other payables is a balance of £1.9 million owed to MHE JVCo (2016: £3.8 million).

Included within obligations under finance leases is a balance of £94.1 million owed to MHE JVCo (2016: £108.7 million).

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the current financial period.

5.2 Post balance sheet events

There have been no significant events, outside the ordinary course of business, affecting the Group since 3 December 2017.

Alternative Performance Measures

The Group assesses its performance using a variety of alternative performance measures which are not defined under IFRS and a 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 are:

· 52 Week Comparative for the 2017 Financial Year;
· Gross Sales;
· Segment Revenue;
· Exceptional Items;
· Segment Administrative Costs and Distribution Costs;
· EBITDA;
· Segment EBITDA;
· External Gross Debt; and
· Net Debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

52 Week Comparative for the 2017 Financial Year

As a predominately retail business, the business has a 53 week financial year every 5-6 years. The business have removed the last trading week of the 2017 financial year to aid comparability for the users. These comparable numbers are not highlighted throughout the report.

Gross Sales

Gross Sales is a measure of reported revenue before excluding value added tax and relevant vouchers and offers. Gross Sales is a common measure used by investors and analysts to evaluate the operating financial performance of companies within the retail sector.

A reconciliation from reported revenue to Gross Sales can be found in note 2.2 to the consolidated financial statements.

Segment Revenue/Revenue (Retail)/Revenue (Solutions)

Segment revenue is a measure of reported revenue for the Group's Retail and Solutions segments. A reconciliation of revenue for the segments to revenue for the Group can be found in note 2.1 to the consolidated financial statements.

Exceptional Items

The Group's Consolidated Income Statement separately identifies 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.

The Group applies judgement in identifying significant non-recurring 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, material costs related to the opening of a new warehouse, corporate reorganisations, material litigation, and any material costs, outside of the normal course of business as determined by management.

Exceptional items are disclosed in note 2.3 to the consolidated financial statements.

Segment Administrative Costs and Distribution Costs

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

	53 weeks ended 3 December 2017	52 weeks ended 27 November 2016
	£m	£m
Retail distribution and administrative costs	**356.1**	301.4
Solutions distribution and administrative costs	**115.1**	93.9
Unsegmented distribution and administrative costs	**80.7**	71.0
	551.9	466.3

	53 weeks ended 3 December 2017	52 weeks ended 27 November 2016
	£m	£m
Reported distribution costs	**434.2**	365.7
Reported administrative expenses	**117.7**	100.6
	551.9	466.3

EBITDA

In addition to measuring its financial performance based on operating profit, the Group also measures performance based on EBITDA. EBITDA is defined as the Group earnings before depreciation, amortisation, impairment, net finance expense, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies.

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

A reconciliation from operating profit to EBITDA can be found on the face of the Consolidated Income Statement.

Segment EBITDA/EBITDA (Retail/EBITDA (Solutions)

The financial performance of the Group's segments is measured based on EBITDA, as reported internally.

A reconciliation of EBITDA for the segments to EBITDA for the Group can be found in note 2.1 to the consolidated financial statements.

External Gross Debt

External gross debt consists of loans and other borrowings (both current and non-current), less finance leases payable to joint venture interests of the Group.

External gross debt is a measure of the Group's indebtedness to third parties which are not considered a related party to the Group.

A reconciliation from external gross debt to gross debt can be found below.

	2017	2016
	£m	£m
External gross debt	**283.9**	107.1
Finance leases relating to joint ventures	**94.1**	108.7
Gross debt	**378.0**	215.8

Net Debt

Net debt consists of loans and other borrowings (both current and non-current), less cash and cash equivalents. Loans and other borrowings are measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt.

Net debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's cash position and its indebtedness. The use of the term "net debt" does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure.

Net 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 loans and other borrowings (current and non-current) and cash and cash equivalents. A reconciliation from these measures to net debt can be found in note 4.2 in the consolidated financial statements.

Announcement information

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