Half-year Report

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RNS Number : 8662E
Ocado Group PLC
09 July 2019

OCADO GROUP PLC

Trading in line with expectations; statutory results impacted by Andover fire

Interim results for the 26 weeks ended 2nd June 2019

9 July 2019

Financial highlights

- **9.7% Retail Revenue growth** demonstrates the resilience of the business, with the impact of the Andover fire estimated at 2% of sales in the half
- **Fees invoiced from Solutions partners of £122.7 million,** up 36% on the same period in the prior year, with fees from international partners almost doubling
- **Group EBITDA of £18.7 million** reflects the combined impacts of the Andover fire, IFRS 15 delaying the recognition of fees from international Solutions partners as revenue, and the cost of share schemes

	Statutory		Adjusted		
	1H 2019 £m	1H 2018 Restated[1] £m	1H 2019 Adjusted[2] £m	1H 2018 Adjusted[2] £m	Change Adjusted vs 1H 2018 %
Retail Revenue*	811.5	736.6	803.2	732.5	9.7
Solutions Revenue*	70.8	58.7	70.8	58.7	20.6
Group Revenue[4]	882.3	795.3	874.0	791.2	10.5
Retail EBITDA*	43.4	45.5	44.1	46.1	(4.3)
Solutions EBITDA*	(16.2)	(6.6)	(16.2)	(6.6)	
Other EBITDA*	(9.1)	(4.6)	(9.2)	(4.7)	
Group EBITDA*[5]	18.1	34.3	18.7	34.8	(46.3)
Exceptionals[3]	(99.0)	-	-	-	
Loss before tax	(142.8)	(13.6)	(43.0)	(12.9)	
Cash and cash equivalents	360.1	447.6			
Net (debt) / cash*	(0.1)	72.4			

Notes:
1. 2018 restatement was due to adoption of IFRS 15 in the second half of the year. Refer to note 3 in the condensed financial statements
2. Adjusted to remove Fabled which is now an asset held for sale
3. £98.5 million of exceptionals reflects the net cost associated with the write-down of Andover CFC and associated assets, comprising £110.3 million of costs, offset by £11.8 million in insurance proceeds recognised in exceptionals to date
See page 4 for *Notes Continued*

Tim Steiner, Chief Executive Officer of Ocado, said:

"In the last six months the centre of gravity at Ocado Group has shifted. Our exciting new joint venture with M&S creates further growth opportunities for both parties in the U.K. and allows Ocado Group to increase focus on growing our Ocado Solutions business and innovating for our partners. At the same time we are beginning to apply our technology skills and expertise to other related activities which we expect to be of benefit to our Solutions partners as well as to other Ocado Group stakeholders.

The innovation factory we have created is founded on a near twenty-year heritage of constant re-examination and reinvention of technology to provide the best customer experience. We have never had as many opportunities to grow as we do today. As we look to successfully scale our business and deliver outstanding execution to our partners, our challenge will be to select and prioritise the most attractive of these opportunities."

Key milestones

Over the last six months, the centre of gravity at Ocado Group has shifted from our heritage as an iconic and much-loved domestic pure-play online grocer to our future as a technology-driven global software and robotics platform business, providing a unique and proprietary end-to-end solution for online grocery, and an innovation factory, applying our technology expertise to adjacent markets and other verticals.

Focusing on our global technology-led platform business

- Announced the creation of a 50:50 joint venture with Marks & Spencer ("M&S") to transform online grocery retail in the UK, with the Ocado Retail JV becoming one of now eight global partners whose online business will be enabled by the Ocado Smart Platform ("OSP")[6]
- The £562.5 million upfront cash payment on the close of the M&S deal in August, will provide us with ample financial flexibility to execute on current commitments and to take full advantage of opportunities to grow Ocado Solutions and to accelerate the development of our platform
- Sold our remaining retail business, Fabled, to Next to simplify our operation
- Signed our sixth international partnership with Coles to develop the OSP in Australia, utilising both our proprietary software and algorithms as well as our robotic infrastructure solutions
- Extended our partnership with Sobeys, ahead of time, with the announcement of a second Customer Fulfilment Centre ("CFC") in Montreal
- Fees invoiced from international Solutions partners grew strongly in 1H 2019 to £46.7 million from £23.7 million in 1H 2018, with only an immaterial amount recognised as revenue. This will increase in the future
- We remain engaged with multiple retailers in a variety of markets with a view to adding more partnerships to our platform

Building a partner-focused business to deliver outstanding execution

- Our nearly 20-strong dedicated Transformation team is supporting the hundreds of colleagues who are working to prepare to open the 34 CFCs committed by partners to date. We are fully focused on successful delivery and execution
- We continue to invest in outstanding people. We hired 255 new software and hardware engineers in the half, out of a total addition to headcount in Ocado Group of 1,300
- We have made progress in delivering OSP to all our partners. Delivery of the first CFCs for each of Groupe Casino and Sobeys continues, both set to open in the first half of 2020; ICA is on track for scheduled migration onto OSP, and Kroger is ordering to plan, having broken ground on the first Kroger CFC, in Monroe, Ohio, with two other CFC locations announced in the half and continued progress in identifying further sites. Bon Preu is now making online deliveries and, in the UK, we continue to support the growth of Morrisons' online business

Investing in innovation to future proof the platform for our partners

- Launched initial test site for immediacy offer, Ocado Zoom. Strong customer response and operating metrics to date reinforce our confidence that we can help partners to serve and shape this new market segment, profitably, at scale
- First strategic investments made through our ventures arm, which seeks to leverage our technology expertise to support new opportunities for customers and partners through investments in other verticals. To date, we have made investments in automated meal preparation (minority stake in Karakuri) and vertical farming (majority stake in Jones Food Company, the largest vertical farm in Europe, and the creation of a three-way JV with 80 Acres in the US and Priva in The Netherlands)

Ocado Retail continues to perform well, as work to form a 50/50 JV between Ocado Group and M&S from Monday August 5th nears completion.

Demonstrating the resilience of the UK business, growing the customer base, and winning market share

- Although the Andover fire removed 10% of our capacity, its impact was estimated at 2% of sales in the half, demonstrating the resilience of the business
- The total of insurance cash receipts in the first half was £43 million, net of fees, of which we recognised £12 million income in exceptionals
- Strong underlying growth, with active customers[7] up 9.7% to 745,000 (1H 2018: 679,000)
- Total order volumes from Ocado.com and Fetch now an average of 318,000 orders per week (1H 2018: 288,000)
- Average hypermarket basket value was stable at £108.04 (1H 2018: £108.18), as the trend to smaller baskets as a result of ordering on mobile was offset by price inflation
- CFC3, in Andover, being rebuilt with a new state of the art facility expected to go live in late 2021/early 2022. CFC4 capacity increased by more than 50% in the period. Construction for CFC5, in Purfleet, will also commence soon

Continuing to improve the offer for Ocado's retail customers

- Ocado Retail continues to lead the market on service, with improved rates of delivery punctuality of 95.7% (1H 2018: 94.7%) and order accuracy of 98.9% (1H 2018: 98.8%)
- Ocado Retail offers the broadest range (55,000 SKUS in 1H 2019) and has anticipated key market trends, adding over 900 vegan products in the period and introducing other initiatives
- This unrivalled customer experience was recognised by The Grocer's award for "Online Supermarket of the Year", a leading position on which Ocado Retail will continue to build as part of the joint venture with M&S

Outlook statement

EBITDA performance for FY19, adjusted for the impact of the Andover fire (£15 million) and share incentives (£10 million), is in line with market expectations.

New guidance

- **£15 million impact on Group EBITDA from Andover-related business disruption:** Of this, £8 million is related to reduced fees in Solutions and higher fixed costs as a result of Morrisons' holiday[8] on capacity at Erith, with the balance the Retail sales lost due to the Andover fire. We anticipate insurance payments relating to the Andover fire to provide a full indemnity for business disruption experienced over the next few years, including lost sales and cost inefficiencies, with the income, when recognised, as exceptional.
- **£10 million impact on Other EBITDA from share schemes:** At today's share price, we expect additional management incentive charges during the 2019 financial year largely due to recent share price performance

Current guidance

- **Retail revenue guidance in H2 unchanged:** Assuming economic conditions remain broadly stable, we continue to be confident that Ocado Retail will achieve retail revenue growth of 10-15% in the balance of the 2019 financial year, despite the impact of the Andover fire, given strong underlying demand growth and our ability to utilise additional capacity in CFC4
- **Further growth in underlying EBITDA expected for Ocado Retail:** As drop densities continue to improve, and CFC4 ramps up, we will continue to find efficiencies in our business and as such we expect further growth in the underlying EBITDA contribution of Ocado Retail
- **Morrisons holiday will slow Solutions revenue growth:** Given the loss of fees resulting from the Morrisons holiday on Erith capacity, we expect Solutions revenue growth to be lower than that of Ocado Retail. As previously guided at FY18 results, we continue to expect £15-20 million additional in operating costs necessary to prepare the CFCs and to provide features on the platform
- **Capital expenditure guidance unchanged at £350 million**
- **Continue to target further Solutions deals**: These would generate additional cash fees but may impact short term profits

Results presentation
A results presentation will be held for investors and analysts at 9.30am today at Numis, 1 Paternoster Square, London EC4M 7LT. Presentation material and webcast link will be available online at http://www.ocadogroup.com/investors/reports-and-presentations/2019.aspx shortly before the presentation starts.

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
Martin Robinson at Tulchan Communications on 020 7353 4200

Notes continued

4. 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
5. EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*
6. Following the formation of the joint venture, Ocado Retail will be charged fees for the use of OSP on arms-length commercial terms, so reducing capital requirements but also reducing Retail EBITDA
7. Customers are classified as active if they have shopped on Ocado.com within the previous 12 weeks
8. In May, Morrisons agreed to amended terms of agreement including a temporary suspension of their right to 30% of the capacity at Erith (CFC4) until February 2021. In return, they will not incur any of the costs associated with the use of CFC4 and will pay lower store pick fees

* These measures are Alternative Performance Measures, refer to note 15 in the condensed financial statements.

Financial Calendar

The schedule for Ocado Retail results for the remainder of the year is for a Q3 Trading Statement on 17 September 2019 and a Q4 Trading Statement on 12 December 2019.

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 2 June 2019, we maintained significant sales growth in a competitive environment while continuing to transform our business further.

The Group has secured a sixth international partnership and a transformational deal with M&S in the UK providing additional financing headroom while continuing to deliver double digit revenue growth despite losing the Andover CFC capacity as a result of a fire. Profitability in the period was impacted by the significant International investments in our platform to support future growth, the annualised cost of our new facility in Erith, share-based management incentive charges, and additional depreciation. Loss before tax increased due to costs relating to the Andover CFC fire.

The commentary is on a pre-exceptional basis[3] to aid understanding of underlying performance of the business, with a separate section on the exceptional costs incurred by the business in the period.

	Statutory[3]		Adjusted[4]		
	1H 2019	1H 2018	1H 2019	1H 2018	Variance vs adjusted 1H 2018 %
	£m	£m	£m	£m	
Revenue [1]	**882.3**	**795.3**	**874.0**	**791.2**	**10.5**
Gross profit	305.3	269.2	304.0	268.3	13.3
Other income	39.7	34.0	39.7	34.0	16.8
Distribution and administrative costs	327.4	269.5	325.5	268.1	21.4
Share of results from joint venture	0.5	0.6	0.5	0.6	(16.7)
EBITDA*[2]	**18.1**	**34.3**	**18.7**	**34.8**	**(46.3)**
Exceptional items	99.0	-	-	-	-
Depreciation, amortisation and impairment	55.2	41.7	55.0	41.5	32.5
Net finance costs	6.7	6.2	6.7	6.2	8.1
Loss before tax	**(142.8)**	**(13.6)**	**(43.0)**	**(12.9)**	**233.3**

1 Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. It also includes revenue earned from Solutions' clients and the recharge of costs to Morrisons

2 EBITDA is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items

3 2018 restatement was due to adoption of IFRS 15 in the second half of 2018

4 Adjusted to remove exceptional items and Fabled which is now classified as held for sale. Exceptional items are an alternative performance measure.

Revenue grew by 10.5% to £874.0 million in comparison to 2018 revenue of £791.2 million. This was driven by an increase in the average number of orders per week, despite capacity limitations following the fire at CFC Andover, and by additional fees earned from Morrisons. Gross profit of £304.0 million exceeded the rate of revenue growth despite the competitive nature of the market. We continued to increase our media income from suppliers as we provide them more ways to grow their revenues through Ocado.com, and total Other Income was up by 16.8%.

EBITDA* of £18.7 million was 46.3% lower than the prior year. This was primarily driven by the increased investment in developing the head office teams required to support our international growth, annualised costs of the Erith CFC and higher share incentive costs in the period primarily due to the increase in the share price.

Depreciation, amortisation and impairment increased by 32.5% to £55.0 million, driven primarily by the annualised impact of the Erith CFC.

Net finance costs increased from £6.2 million to £6.7 million year-on-year. This primarily consists of finance costs relating to the £250 million Senior Secured Notes, and the growth came from reduced capitalisation of interest on qualifying assets, offset by cost savings from debt expiring such as finance leases.

Corporate Developments

This has been a period of rapid change for Ocado Group and several events have had a material impact on the results for the period. To aid understanding of the numbers, a summary of these is given below.

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. Due to the capacity constraints following the CFC Andover fire, the Group has agreed with Morrisons to temporarily suspend their access to capacity in CFC Erith towards the end of the period in exchange for lower store pick fees and no cost recharges from the warehouse. Although there is no material impact in the period, the Group will begin to recognise 100% of all fixed and variable costs for Erith.

In addition in exceptionals there is a net cost of £98.5 million relating to the Andover CFC comprising £110.3 million of costs, offset by £11.8 million of insurance proceeds recognised to date.

Ocado Solutions

In March, the Group signed an agreement with Coles Group Ltd to develop two CFCs, one in Sydney and one in Melbourne, expected to open by 2023. Coles Online will also transition its store-pick based operations to the Ocado Smart Platform and this is expected to take place in parallel to the opening of the CFCs.

In May the Group announced an agreement between Ocado Solutions and Sobeys Inc. ("Sobeys") to build a second CFC in Pointe-Claire, Montreal. The new site will be Sobeys' second, adding to the centre already under construction in Vaughan, Ontario to serve the Greater Toronto Area.

These additional agreements contributed to the increase in head office costs but there was no revenue impact to the results in 1H 2019.

Formation of the Ocado Retail Joint Venture with Marks and Spencer ("M&S")

In February 2019, the Group announced the creation of a new 50/50 joint venture with M&S. The joint venture will comprise Ocado's UK retail business, Ocado.com, supported by a new partnership for Solutions services underpinned by the Ocado Smart Platform and the provision of branding and sourcing from M&S. M&S products will be available on Ocado.com by September 2020, replacing Ocado's current sourcing agreement with Waitrose Limited. M&S has agreed to pay Ocado £562.5 million in upfront cash and a deferred cash payment of £187.5 million up to five years after completion, dependent on the satisfaction of certain financial and operational conditions.

On 20 May 2019 the transaction was approved by Ocado's shareholders at an extraordinary general meeting and the transaction is expected to complete in Q3 2019.

Growth of new venture investments

In the period, the Group announced two complementary investments, a proposed joint venture with 80 Acres Farm Inc. and Priva Holdings BV, expected to complete shortly, along with the purchase of a 58% stake in Jones Food Company. We believe that these investments will add to the significant portfolio of technologies and know-how that we are building to revolutionise the way customers access fresh food.

There is no material impact to the results for these developments in 1H 2019.

Sale of Fabled to Next

Post the period end, the Group agreed the sale of Fabled to Next which completed on 8 July 2019. As this happened after period end, the fair value of Fabled is accounted for as an asset held for sale on the Balance Sheet. To aid underlying performance comparison, the current and prior year results of the Group have been adjusted to remove Fabled.

Trading review by segment

Retail Segment

	Adjusted[3]		
	1H 2019 £m	1H 2018 £m	Variance vs 1H 2018 adjusted %

Revenue*	**803.2**	**732.5**	**9.7**
Gross profit	233.2	209.8	11.2
Other income	33.3	27.9	19.4
Distribution and administrative costs *[1]	222.4	191.6	16.1
EBITDA*[2]	**44.1**	**46.1**	**(4.3)**

[1] Distribution and administrative costs* excludes depreciation, amortisation, impairment and exceptional items for the period. This is an alternative performance measure which we define in note 15 to the condensed financial statements.

[2] EBITDA* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*

[3] Adjusted to remove exceptional items and Fabled which is now classified as held for sale. Exceptional items are an alternative performance measure.

Retail revenue* growth of 9.7% was primarily due to a 10.4% year-on-year increase in orders per week to 318,000 (1H 2018: 288,000) driven by an increase in the number of new customers. The average basket at Ocado.com of £108.04 decreased slightly by (0.1)% compared to 1H 2018.

Gross profit

Gross profit was up 11.2% to £233.2 million, driven by higher order volumes, slightly ahead of revenue growth.

Other income

Other income increased by 19.4% to £33.3 million (1H 2018: £27.9 million) with supplier income increasing year-on-year by 20.2% to £32.1 million (1H 2018: £26.7 million) equivalent to 4.0% of retail revenue* (1H 2018: 3.6%).

Distribution and administrative costs*

	Adjusted[3]		
	1H 2019 £m	1H 2018 £m	Variance vs 1H 2018 adjusted %
CFC	81.4	65.7	23.9
Trunking and Delivery	97.5	90.2	8.1
Other operating costs	5.5	5.5	n/a
Marketing[1]	8.7	5.9	47.5
Head office costs	29.3	24.3	20.6
Total retail distribution and administrative costs*[2]	**222.4**	**191.6**	**16.1**

[1]Marketing expenditure excludes voucher costs

[2]Retail distribution and administrative costs* is an alternative performance measure, which we define in note 15 to the condensed financial statements and excludes depreciation, amortisation, impairment and exceptional items

[3]Adjusted to remove exceptional items and Fabled which is now classified as held for sale. Exceptional items are an alternative performance measure.

Retail 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 16.1% year-on-year.

CFC costs increased from £65.7 million to £81.4 million, an increase of 23.9% year-on-year. The rate of growth ahead of sales was primarily due to the annualised impact of the Erith CFC, which was not operating in the previous year, and which currently has higher engineering costs per order. The remaining underlying increase was driven by greater order volumes and inflationary pressures in key cost lines, offset by savings from fixed costs in Andover CFC after the fire.

Mature CFC UPH (units per hour) efficiencies continued to improve on the prior year at 167 (1H 2018: 163), driven mainly by improvements at Dordon CFC.

Trunking and delivery costs increased by £7.3 million to £97.5 million, an increase of 8.1% year-on-year (1H 2018: £90.2 million). This is due to increases in wage-related and vehicle costs as a result of greater order volumes and inflationary cost pressures but was below the rate of sales growth because of improved delivery efficiency. Deliveries per van per week have risen by 2.7% to 194 (1H 2018: 189) as customer density improved and with continued enhancements to our routing system.

Head office costs increased by 20.6% year-on-year from £24.3 million to £29.3 million. This is driven by technology costs as we begin the project to transition Ocado.com onto our new platform, and additional headcount partly to support the warehouse operations opened in the last 12 months.

Marketing costs excluding voucher spend increased from £5.9 million to £8.7 million due to increases in online acquisition and trialling of an offline media campaign. This was 1.1% as a percentage of retail revenue* (1H 2018: 0.8%).

EBITDA*[2]

EBITDA*[2] for the retail business decreased from £46.1 million in 1H 2018 to £44.1 million.

Solutions Segment

	Adjusted[3]		
	1H 2019 £m	1H 2018 £m	Variance vs 1H 2018 adjusted %
Fees Invoiced	**122.7**	**90.1**	**36.2**
Revenue*	**70.8**	**58.7**	**20.6**
Distribution and administrative costs*[1]	87.0	65.2	33.4
EBITDA*[2]	**(16.2)**	**(6.6)**	**145.5**

1 Solutions distribution and administrative costs* is an alternative performance measure, which we define in note 15 to the condensed financial statements and excludes depreciation, amortisation, impairment and exceptional items

2 EBITDA* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*

3 Adjusted to remove exceptional items. Exceptional items are an alternative performance measure.

Fees
Fees invoiced, exclusive of VAT, amounted to £122.7 million, of which £46.7 million relates to international Solutions partners (1H 2018: £90.1 million, of which £23.7 million relates to international Solutions partners) and are a combination of fees due for services invoiced under existing solutions contracts and amounts received in advance of new Solutions contracts. Fees relating to Solutions contracts are not recognised as revenue until a working solution is delivered to the partner. When fees invoiced are greater than the revenue recognised, the Group recognises a contract liability.

Revenue*
The revenue* from Ocado's Solutions businesses was £70.8 million, up from £58.7 million in 2018. This comprises 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 an immaterial revenue from International solutions partners.

Distribution and administrative costs*

	Adjusted[2]		
	1H 2019 £m	1H 2018 £m	Variance vs 1H 2018 adjusted %
Distribution costs	58.3	47.1	23.8

Administrative costs	28.7	18.1	58.6
Total Solutions distribution and administrative costs*[1]	**87.0**	**65.2**	**33.4**

[1]Solutions distribution and administrative* costs excludes depreciation, amortisation, impairment and exceptional items and is an alternative performance measure which we define in note 15 to the condensed financial statements

[2]Adjusted to remove exceptional items. Exceptional items are an alternative performance measure.

Distribution and administrative costs* predominantly consist of fulfillment and delivery operation costs for the Morrisons business and the costs of employees who are developing solutions for and supporting our partnership agreements. These costs grew 33.4% year-on-year as a result of increases in headcount to support further improvements in our platform, to support existing international clients, and to build further capabilities to sign future clients.

EBITDA*

EBITDA* from our Solutions activities was £(16.2) million, an increased loss of £(9.6) million due to continued investment for our existing and new partnership agreements.

Other Segment

EBITDA* was £(9.2) million in 1H 2019, an increased loss of £(4.5) million primarily due to the increase in national insurance expense relating to share-based management incentive charges.

Exceptional Items

	26 Weeks ended 2 June 2019 £m	26 Weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
Andover CFC			
- Write off of property, plant and equipment	96.9	-	-
- Write off of intangible assets	3.2	-	-
- Loss of inventory	5.6	-	-
- Insurance reimbursement	(11.8)	-	-
- Other exceptional costs	4.6	-	-
Disposal of Fabled	0.1	-	-
Joint venture with Marks & Spencer	0.4	-	-
Litigation costs	-	-	0.1
Total exceptional items	**99.0**	**-**	**0.1**

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. Property, plant and equipment with a net book value of £96.9 million was destroyed or damaged to the extent that nothing significant is expected to be recoverable. Inventory held at cost of £5.6 million was destroyed by the fire.

Insurance reimbursement for inventory is for the retail price of destroyed inventory, other incremental costs and a portion of business interruption losses.

There have been a number of other exceptional costs as a result of the fire which include, but are not limited to, temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employee's personal assets that were destroyed and a restructuring provision that has been recognised as a result of the formal redundancy consultation that commenced in May 2019.

The Group expects to receive further insurance reimbursements in respect of reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group have not included any further amount in respect of these reimbursements as the likely insurance proceeds cannot be accurately quantified at this point. Income will be recognised in the future as the rebuilding costs of the CFC are incurred.

Disposal of Fabled

Legal and other transaction costs of £0.1 million were incurred in relation to the planned sale of Fabled.

Joint venture with M&S

Whilst certain costs relating to the transaction are permitted to be accounted for directly within equity, there are others that do not meet the requirements and as a result have been reported as exceptional costs. These include, but are not limited to, legal fees for advice relating to TUPE regulations and contractor fees incurred relating to transitional arrangements.

Loss before tax

	Statutory		Adjusted[1]		
	1H 2019 £m	1H 2018 £m	1H 2019 £m	1H 2018 £m	Variance vs 1H 2018 adjusted %
Depreciation, amortisation and impairment	55.2	41.7	55.0	41.5	32.5
Net finance costs	6.7	6.2	6.7	6.2	8.1
Share of results from joint venture	0.5	0.6	0.5	0.6	(16.7)
Loss before tax	**(142.8)**	**(13.6)**	**(43.0)**	**(12.9)**	**233.3**

[1] Adjusted to remove exceptional items and Fabled which is now classified as held for sale. Exceptional items are an alternative performance measure.

Depreciation, amortisation and impairment

Total depreciation and amortisation costs excluding write off of Andover were £55.0 million (1H 2018: £41.5 million), an increase of 32.5% year-on-year, driven primarily by the annualised impact of the Erith CFC and new front end software as a result of Bon Preu going live in the period.

Net finance costs

Net finance costs increased from £6.2 million to £6.7 million year-on-year. This primarily consists of finance costs relating to the £250 million Senior Secured Notes, and the growth came from reduced capitalisation of interest on qualifying assets, offset by cost savings from debt expiring such as finance leases.

£0.3 million of interest costs have been capitalised in the period in relation to the Bond and the RCF in accordance with the relevant accounting standards (1H 2018: £2.0 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 50% by Ocado and 50% by Morrisons. The Group share of MHE JVCo profit after tax in the period amounted to £0.5 million (1H 2018: £0.6 million).

Loss before tax and exceptional items*

Loss before tax and exceptional items* for the period was £43.0 million (1H 2018: loss of £12.9 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 £267.5 million (1H 2018: £207.6 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 loss per share as per the statutory results was 19.77p (1H 2018: loss per share of 2.22p) and diluted loss per share was 19.77p (1H 2018: loss per share of 2.22p).

Capital expenditure

Capital expenditure for the period:

	1H 2019 £m	1H 2018 £m
Mature CFCs	1.8	1.5
New CFCs	26.4	53.2
International CFCs	22.4	0.5
Delivery	5.7	3.8
Technology	31.6	26.4
Fulfilment Development	13.5	8.5
Other	10.6	7.3
Total capital expenditure' (excluding share of MHE JVCo)	**112.0**	**101.2**
Total capital expenditure (including share of MHE JVCo)	**112.2**	**101.6**

Capital expenditure in the Hatfield CFC was £1.8 million (1H 2018: £1.5 million), which mainly related to a number of small projects to improve the capacity and resiliency of these sites.

We incurred £26.4 million of costs in the period for our new CFCs, with the majority at Erith CFC to support ramping up operations.

The building works on our new international CFCs continued in FY19. These relate to deals signed for CFCs in France, Canada and USA.

Total expenditure on new vehicles in the period was £5.7 million (1H 2018: £3.8 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 £31.6 million (1H 2018: £26.4 million) of internal development costs in the period on technology, with £5.8 million (1H 2018: £4.4 million) being spent on computer hardware and software. We expanded our headcount as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming of our technology including the greater use of public and private cloud services, and support for the growth of Erith CFC and existing partners' future CFCs.

Fulfilment development expenditure of £13.5 million (1H 2018: £8.5 million) represents the development of our next generation fulfilment solutions which will be used in our latest CFCs and within CFCs for our Solutions partners.

In the period, we incurred our share of the capital expenditure relating to MHE JVCo of £0.2 million (1H 2018: £0.4 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

Other capital expenditure was £10.6 million in the period, primarily relating to our distribution network and investments in the transformation of our business process and infrastructure to support the OSP expansion, including a new HR system.

At 2 June 2019, capital commitments contracted, but not provided for by the Group, amounted to £78.8 million (1H 2018: £49.9 million). We expect capital expenditure in 2019 to be approximately £350 million which mainly comprises the continuing investment in our infrastructure and technology solutions, the implementation of our solution to our international partners, roll out of our new CFCs and additional investment in new vehicles to support business growth. This includes capex requirements related directly to our new Solutions' customers.

Cash flow

Net operating cash flow after finance costs paid decreased to an outflow of £8.6 million, from an inflow of £38.1 million in 2018 as detailed below:

	1H 2019 £m	1H 2018 £m
EBITDA*[1]	**18.1**	**34.3**
Working capital movement	38.6	1.8
Other non-cash items	14.9	8.7
Finance costs paid	(3.5)	(6.7)
Cash settlement of Growth Incentive Plan	(80.2)	-
Insurance proceeds relating to destroyed inventory	3.5	-
Operating cash flow	**(8.6)**	**38.1**
Insurance proceeds relating to Andover CFC	40.0	-
Capital investment	(131.8)	(72.7)
Decrease in finance obligations	(12.6)	(8.6)
Dividend from joint venture	6.6	-
Proceeds from share issues net of transaction costs	57.7	340.3
Transaction costs	(3.8)	-
Interest received	1.8	0.5
Movement in cash and cash equivalents	**(50.7)**	**297.6**

1. EBITDA* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*

Operating cash flow decreased by £46.7 million during the year driven mainly by the cash settlement of share incentive schemes, partially offset by an increase in Solutions fees received and insurance proceeds of £3.5 million received for the loss of inventory for the CFC in Andover. The increase in working capital inflow of £38.6 million is driven by an increase in trade and other payables of £44.8 million and an increase in contract liabilities of £41.9 million, offset by an increase in trade and other receivables of £54.8 million. The remaining £6.7 million is due to the decrease of inventories and settlement of cash flow hedges.

During the period there was £131.8 million of capital expenditure and investment, which was paid in cash, 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. Insurance proceeds of £40.0 million were received towards the rebuilding of the Andover CFC. The Group also received a dividend of £6.6 million from MHE JVCo, a joint venture company in which the Group holds a 50% interest.

Net financing cash flows in the period were £41.3 million, comprising £57.7 million of proceeds from the disposal of shares, offset by £12.6 million decrease in financing obligations and £3.8 million of transaction costs.

Balance sheet

The Group had cash and cash equivalents of £360.1 million at the end of the period versus £410.8 million as at 2 December 2018.

Gross debt at the period end was £360.2 million (1H 2018: £375.2 million) and external gross debt*, excluding obligations under finance leases owing to MHE JVCo, was £291.1 million (1H 2018: £282.9 million). External net cash* at the period end was £69.0 million (1H 2018: £164.7 million). External net cash* for 1H 2018 included a one-off uplift from cash generated by the proceeds from the issue of share capital.

Trade and other receivables includes £51.5 million (1H 2018: £33.0 million) of amounts due from suppliers in respect of commercial income. £9.2 million (1H 2018: £4.9 million) is within trade receivables, and £42.3 million (1H 2018: £28.1 million) within accrued income.

The Group has recognised £157.1 million (1H 2018 restated: £74.3 million) of contract liabilities which are fees invoiced to Solutions customers prior to the recognition of revenue. The increase is due to new Solutions deals signed since that date.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £48.8 million (1H 2018: £38.1 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £56.4 million (1H 2018: £93.8 million), the decrease is largely due to costs included in 1H 2018 relating to Erith CFC, which opened in the second half of 2018.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for 1H 2019 and 1H 2018:

	1H 2019	1H 2018	Variance
Average orders per week[1]	318,000	288,000	10.4%
Average order size (£)[2]	108.04	108.18	(0.1)%
Overall CFC efficiency (units per hour) [3]	167	163	2.4%
Average deliveries per van per week (DPV/week) [4]	194	189	2.7%
Average product wastage (% of retail revenue*) [5]	0.7%	0.7%	n/a

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

1. Average orders per week refers to results of Ocado.com and Fetch.
2. Average retail value of goods a customer receives (including VAT and delivery charge) per order from Ocado.com
3. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel. We consider the mature CFCs to be Hatfield and Dordon
4. Average deliveries per van per week has been adjusted to exclude the period in which the Andover spoke was not operational, following the fire.
5. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue*

*****These measures are considered Alternative Performance Measures which we define in note 15 to the condensed financial statements

Condensed Consolidated Income Statement

for the 26 weeks ended 2 June 2019

	Notes	26 weeks ended 2 June 2019 Results before exceptional items £m	26 weeks ended 2 June 2019 Exceptional items (Note 5) £m	26 weeks ended 2 June 2019 Total £m	26 weeks ended 3 June 2018 Restated[b] £m	52 weeks ended 2 December 2018[c] £m
		(unaudited)	(unaudited)	(unaudited)	(unaudited)	(audited)
Revenue	4	882.3	-	882.3	795.3	1,598.8
Cost of sales		(577.0)	(5.6)	(582.6)	(526.1)	(1,051.3)
Gross profit		305.3	(5.6)	299.7	269.2	547.5
Other income		39.7	11.8	51.5	34.0	71.9
Distribution costs		(275.1)	(4.6)	(279.7)	(234.2)	(485.4)
Administrative expenses		(107.5)	(100.6)	(208.1)	(77.0)	(167.1)
Operating loss before share of result from joint venture		(37.6)	(99.0)	(136.6)	(8.0)	(33.1)
Share of result from joint venture		0.5	-	0.5	0.6	1.2
Operating loss		(37.1)	(99.0)	(136.1)	(7.4)	(31.9)

Finance income	7	1.6	-	1.6	0.5	2.2
Finance costs	7	(8.3)	-	(8.3)	(6.7)	(14.7)
Loss before tax		(43.8)	(99.0)	(142.8)	(13.6)	(44.4)
Taxation		(0.2)	-	(0.2)	(0.3)	(0.5)
Loss for the period		(44.0)	(99.0)	(143.0)	(13.9)	(44.9)
Loss per share				pence	pence	pence
Basic and diluted loss per share	6			(19.77)	(2.22)	(6.85)

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA[a])

	Notes	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 Restated[b] £m	52 weeks ended 2 December 2018 £m
		(unaudited)	(unaudited)	(audited)
Operating loss		(136.1)	(7.4)	(31.9)
Adjustments for:				
Exceptional items[c]	5	99.0	-	0.1
Depreciation of property, plant and equipment		37.5	28.9	63.3
Amortisation expense		17.7	12.8	27.1
Impairment of property, plant and equipment		-	-	0.5
Impairment of intangibles		-	-	0.4
EBITDA [a]		18.1	34.3	59.5

[a]EBITDA is an alternative performance measure, refer to note 15 for further information.

[b]2018 restatement was due to adoption of IFRS 15 in the second half of 2018. Refer to note 3 for further details.

[c]Exceptional items of £0.1 million in 2018 have been reclassified to administrative expenses in the income statement for purposes of presenting the comparative information.

Condensed Consolidated Statement of Comprehensive Income
for the 26 weeks ended 2 June 2019

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 Restated[a] £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Loss for the period	(143.0)	(13.9)	(44.9)
Other comprehensive (expense)/income:			
Items that may be reclassified to profit or loss in subsequent years:			
Cash flow hedges:			
Gains arising on hedging contracts	-	0.4	1.0
Losses arising on hedging contracts	(1.4)	-	-
Foreign exchange gain/(loss) on translation of foreign subsidiary	0.1	(0.5)	(0.3)
Items that will not be reclassified to profit or loss in subsequent years:			
Gains on equity instruments designated at fair value through other comprehensive income	5.2	-	-
Other comprehensive income/(expense) for the period, net of tax	3.9	(0.1)	0.7
Total comprehensive expense for the period	(139.1)	(14.0)	(44.2)

[a]2018 restatement was due to adoption of IFRS 15 in the second half of 2018. Refer to note 3 for further details.

Condensed Consolidated Balance Sheet
as at 2 June 2019

	Notes	2 June 2019 £m (unaudited)	3 June 2018 Restated[a] £m (unaudited)	2 December 2018 £m (audited)
Non-Current Assets				
Intangible assets		160.4	123.1	143.2
Property, plant and equipment		498.5	514.7	556.7
Deferred tax asset		16.7	14.5	16.6
Costs to obtain contracts		0.8	-	0.8
Financial assets		10.8	3.7	4.1
Investment in joint venture		46.1	51.7	52.2
Investment in associate	10	4.8	-	-
		738.1	707.7	773.6
Current Assets				
Assets held for sale	11	12.5	4.2	4.2
Inventories		44.4	43.4	56.5
Trade and other receivables		144.8	97.6	104.7
Derivative financial instruments		-	0.6	0.1
Cash and cash equivalents		360.1	447.6	410.8
		561.8	593.4	576.3
Total Assets		1,299.9	1,301.1	1,349.9
Current Liabilities				
Trade and other payables		(377.5)	(251.8)	(291.0)
Contract liabilities		(3.7)	(5.4)	(6.6)
Obligations under finance leases	8	(26.5)	(32.6)	(22.9)
Derivative financial instruments		(0.1)	(0.2)	(0.5)
Provisions		(0.8)	(1.1)	(8.3)
Liabilities associated with assets held for sale	11	(2.4)	-	-
		(411.0)	(291.1)	(329.3)
Net Current Assets		150.8	302.3	247.0
Non-Current Liabilities				
Contract liabilities		(153.4)	(68.9)	(108.6)
Borrowings	8	(244.8)	(243.8)	(244.3)
Obligations under finance leases	8	(88.9)	(98.8)	(93.4)
Provisions		(10.7)	(15.1)	(8.8)
Deferred tax liability		(8.9)	(6.8)	(8.9)
		(506.7)	(433.4)	(464.0)
Net Assets		382.2	576.6	556.6
Equity				
Share capital		14.1	13.9	14.0
Share premium		676.1	587.6	587.0
Treasury shares reserve		(88.9)	(38.3)	(9.2)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		6.5	1.0	1.4
Retained earnings		(92.1)	128.6	79.6
Non-controlling interests		(17.3)	-	-
Total Equity		382.2	576.6	556.6

[a]2018 restatement was due to adoption of IFRS 15 in the second half of 2018. Refer to note 3 for further details.

Condensed Consolidated Statement of Changes in Equity
for the 26 weeks ended 2 June 2019

	Attributable to owners of Ocado Group plc								
	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 3 December 2018 (audited)	14.0	587.0	(9.2)	(116.2)	1.4	79.6	556.6	-	556.6
IFRS 9: Impact of change in accounting policy[a]	-	-	-	-	1.2	-	1.2	-	1.2
Restated balance at 3 December 2018[a]	14.0	587.0	(9.2)	(116.2)	2.6	79.6	557.8	-	557.8
Loss for the period	-	-	-	-	-	(143.0)	(143.0)	-	(143.0)
Other comprehensive (expense)/income:									
Gain on equity instruments designated at fair value through other comprehensive income	-	-	-	-	5.2	-	5.2	-	5.2
Cash flow hedges									
- Losses arising on hedging contracts	-	-	-	-	(1.4)	-	(1.4)	-	(1.4)
Translation of foreign subsidiary	-	-	-	-	0.1	-	0.1	-	0.1
Total comprehensive (expense)/income for the period	-	-	-	-	3.9	(143.0)	(139.1)	-	(139.1)
Transactions with owners:									
- Issue of ordinary shares	0.1	87.6	(86.4)	-	-	-	1.3	-	1.3
- Alloted in respect of share option schemes	-	1.5		-	-	-	1.5	-	1.5
- Disposal of treasury shares on exercise by Participants	-	-	0.5	-	-	0.2	0.7	-	0.7
- Disposal of unallocated treasury shares	-	-	5.7	-	-	48.5	54.2	-	54.2
- Transfer of treasury shares to participants	-	-	0.8	-	-	(0.8)	-	-	-
- Reclassification between reserves	-	-	(0.3)	-	-	0.3	-	-	-
- Growth Incentive Plan cash settlement on vesting	-	-	-	-	-	(80.2)	(80.2)	-	(80.2)
- Share-based payments charge	-	-	-	-	-	3.3	3.3	-	3.3
- Non-controlling interests on part-disposal of subsidiary	-	-	-	-	-	-	-	(17.3)	(17.3)
Total transactions with owners	0.1	89.1	(79.7)	-	-	(28.7)	(19.2)	(17.3)	(36.5)
Balance at 2 June 2019 (unaudited)	14.1	676.1	(88.9)	(116.2)	6.5	(92.1)	399.5	(17.3)	382.2

[a] 2018 restatement was due to adoption of IFRS 9. Refer to note 3 for further details.

	Attributable to owners of Ocado Group plc								
	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 4 December 2017 (audited)	12.6	258.4	(48.0)	(116.2)	0.7	163.2	270.7	-	270.7
IFRS 15: Impact of change in accounting policy[b]	-	-	-	-	-	(23.1)	(23.1)	-	(23.1)
Restated balance at 4 December 2017[b]	12.6	258.4	(48.0)	(116.2)	0.7	140.1	247.6	-	247.6
Restated loss for the period[b]	-	-	-	-	-	(13.9)	(13.9)	-	(13.9)
Other comprehensive (expense)/income:									
Currency translation differences	-	-	-	-	-	(0.4)	(0.4)	-	(0.4)
Cash flow hedges									
- Gains arising on hedging contracts	-	-	-	-	0.4	-	0.4	-	0.4
Translation of foreign subsidiary	-	-	-	-	(0.1)	-	(0.1)	-	(0.1)
Restated total comprehensive (expense)/ income for the period[a]	-	-	-	-	0.3	(14.3)	(14.0)	-	(14.0)
Transactions with owners:									
- Issue of ordinary shares	1.3	329.2	-	-	-	-	330.5	-	330.5
- Movement in treasury shares	-	-	9.7	-	-	-	9.7	-	9.7
- Share-based payments charge	-	-	-	-	-	2.8	2.8	-	2.8
Total transactions with owners	1.3	329.2	9.7	-	-	2.8	343.0	-	343.0
Balance at 3 June 2018 (unaudited)	13.9	587.6	(38.3)	(116.2)	1.0	128.6	576.6	-	576.6

[b]2017 and 2018 restatement was due to adoption of IFRS 15. Refer to note 3 for further details.

Condensed Consolidated Statement of Cash Flows
for the 26 weeks ended 2 June 2019

	Notes	26 weeks ended 2 June 2019	26 weeks ended 3 June 2018 Restated[a]	52 weeks ended 2 December 2018
		£m	£m	£m
		(unaudited)	(unaudited)	(audited)
Cash flows from operating activities				
Loss before tax		(142.8)	(13.6)	(44.4)
Adjustments for:				
- Depreciation, amortisation and impairment losses		55.2	41.7	91.3
- Write off of fixed assets, intangible assets and inventories		105.7	-	-
- Movement in provisions		(5.7)	6.1	7.0
- Share of profit in joint venture		(0.5)	(0.6)	(1.2)
- Share-based payments charge		3.3	2.8	6.1
- Net finance costs	7	6.7	6.2	12.5
- Movement in costs to obtain contract		-	-	(0.8)
Changes in working capital:				
- Movement in inventories		6.6	(0.4)	(13.6)
- Movement in trade and other receivables		(54.8)	(29.5)	(36.1)

- Movement in trade and other payables		44.8	7.1	55.0
- Movement in contract liabilities		41.9	24.6	65.5
- Settlement of cash flow hedges		0.1	0.4	1.6
Cash generated from operations		60.5	44.8	142.9
Interest paid		(3.5)	(6.7)	(14.5)
Settlement of Growth Incentive Plan		(80.2)	-	-
Movement in other taxation relating to the settlement of the Growth Incentive Plan		11.1	-	-
Insurance proceeds relating to destroyed inventory		3.5	-	-
Net cash flows from operating activities		(8.6)	38.1	128.4
Cash flows from investing activities				
Insurance proceeds relating to rebuiding Andover CFC		40.0	-	-
Purchase of property, plant and equipment		(88.4)	(50.2)	(112.8)
Purchase of intangible assets		(38.6)	(22.5)	(57.3)
Dividend received from joint venture		6.6	-	-
Interest received		1.8	0.5	2.2
Purchase of investment in associate	10	(4.8)	-	-
Net cash flows from investing activities		(83.4)	(72.2)	(167.9)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital net of transactions costs		1.3	324.0	323.4
Proceeds from allotment of share options		1.5	4.0	6.2
Proceeds from disposal of treasury shares on exercise by participants		0.7	12.3	3.5
Proceeds from disposal of unallocated treasury shares		54.2	-	-
Transaction costs		(3.8)	-	-
Repayments of obligations under finance leases		(12.3)	(8.0)	(32.0)
Payment of financing fees		(0.3)	(0.6)	(0.8)
Net cash flows from financing activities		41.3	331.7	300.3
Net (decrease)/increase in cash and cash equivalents		(50.7)	297.6	260.8
Cash and cash equivalents at the beginning of the period		410.8	150.0	150.0
Cash and cash equivalents at the end of the period		360.1	447.6	410.8

[a] 2018 restatement was due to adoption of IFRS 15 in the second half of 2018. Refer to note 3 for further details.

Notes to the Condensed Consolidated Interim Financial Information

1 General Information

Ocado Group plc (hereafter "the Company") is incorporated in the United Kingdom and domiciled in England and Wales (registration number 07098618). The address of its registered office is Buildings One & Two, Trident Place, Mosquito Way, Hatfield AL10 9UL. 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 2 June 2019 (prior period 26 weeks ended 3 June 2018; prior financial year 52 weeks ended 2 December 2018).

2 Basis of Preparation

The financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

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 2 December 2018 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 information is presented in sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, except for certain financial instruments, which have been measured at fair value.

The directors are satisfied that the Company has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 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, solven positions and borrowing facilities. At the period end, the Group had cash and cash equivalents of £360.1 million (1H 2018: £4 net current assets of £150.8 million (1H 2018: £302.3 million)

3 Significant Accounting Policies

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the G consolidated financial statements for the 52 weeks ended 2 December 2018, with the exception of IFRS 9 "Financial Instruments" which became effective for the Group for the period commencing 3 December 2018.

IFRS 9 Financial Instruments

IFRS 9 "Financial Instruments" replaces IAS 39 for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

The main changes the new standard introduces are:

- new requirements for the classification and measurement of financial assets and financial liabilities;
- a new model for recognising impairment of financial assets; and
- changes to hedge accounting by aligning hedge accounting more closely to an entity's risk management objectives.

The changes have been applied by adjusting the Consolidated Balance Sheet at 3 December 2018, the date of initial application, with no restatement of comparative information. In accordance with IFRS 9 transition guidance, comparative financial information in the primary financial statements remains compliant with the classification and measurement requirements of IAS 39.

Classification and Measurement

IFRS 9 introduced a principles-based approach to the classification of financial assets. Financial assets are measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortised cost. Classification is determined by the nature of the cash flows of the assets and the business model in which they are held. These categories replace the existing IAS 39 classifications. For financial liabilities, most of the pre-existing requirements for classification and measurement previously included in IAS 39 were carried forward unchanged into IFRS 9.

An assessment of the Group's business models was made as at the date of initial application on 3 December 2018 and applied prospectively. The changes in classification resulted in an increase in an unlisted equity investment held within Non-current financial assets as at 3 December 2018. A summary of the respective classifications under IAS 39 and IFRS 9 is presented below:

	Measurement Category		Carrying Amount as at 3 December 2018		
			Original	New	Difference
Balance sheet line	Original (IAS 39)	New (IFRS 9)	£m	£m	£m
Non-current financial assets					
Unlisted equity investment	Available for sale	FVTOCI	0.4	1.6	1.2(a)
Other receivables	Loans and receivables	Amortised cost	3.7	3.7	-
Current financial assets					-

Trade Receivables	Loans and receivables	Amortised cost	52.4	52.4	-
Other Receivables	Loans and receivables	Amortised cost	39.4	39.4	-
Derivatives	FVTPL	FVTPL	0.1	0.1	-
Cash and cash equivalents	Loans and receivables	Amortised cost	410.8	410.8	-
Current financial liabilities					
Trade payables	Amortised cost	Amortised cost	133.4	133.4	-
Other payables	Amortised cost	Amortised cost	135.2	135.2	-
Obligations under finance leases	Amortised cost	Amortised cost	22.9	22.9	-
Derivative financial instruments	FVTPL	FVTPL	0.5	0.5	-
Non-current financial liabilities					
Senior secured notes	Amortised cost	Amortised cost	244.3	244.3	-
Obligations under finance leases	Amortised cost	Amortised cost	93.4	93.4	-

(a) Previously the Group measured the investment at cost as permitted by IAS 39. Measurement at cost is no longer permitted and an election to measure the investment at FVTOCI has been made.

IFRS 15 "Revenue from Contracts with Customers"

The Group early adopted IFRS 15 "Revenue from Contracts with Customers" using the full retrospective method for the 52 week period ended 2 December 2018. The adoption was in the second half of the 2018 and hence the H1 18 results require restatement as a comparative. This note shows the impact of the adoption of IFRS 15 on the Group's half year results for the 26 weeks ended 3 June 2018.

Consolidated Income Statement Restatement under IFRS 15

Below is a description of the IFRS 15 impact on material areas requiring reclassification or restatement:

	Notes	As previously reported, 26 weeks ended 3 June 2018 £m	Impact of IFRS 15 £m	26 weeks ended 3 June 2018 Restated £m
Revenue	4	799.9	(4.6)	795.3
Cost of sales		(526.1)	-	(526.1)
Gross profit		273.8	(4.6)	269.2
Other income		34.0	-	34.0
Distribution costs		(234.2)	-	(234.2)
Administrative expenses		(77.0)	-	(77.0)
Operating loss before result from joint venture and exceptional items*		(3.4)	(4.6)	(8.0)
Share of result from joint venture		0.6	-	0.6
Exceptional items*		-	-	-
Operating loss		(2.8)	(4.6)	(7.4)
Finance income	7	0.5	-	0.5
Finance costs	7	(6.7)	-	(6.7)
Loss before tax		(9.0)	(4.6)	(13.6)
Taxation		(0.3)	-	(0.3)
Loss for the period		(9.3)	(4.6)	(13.9)
Loss per share		pence	pence	Pence
Basic and diluted loss per share	6	(1.49)	(0.73)	(2.22)

Recognition of Revenue:

Under the Group's previous accounting policy, revenue for certain contracts was recognised under the percentage of completion method based upon costs incurred to date as a proportion of the estimated full cost of completing the contract and applying the percentage to the total revenue expected to be earned. Such percentage of completion accounting would typically result in higher levels of revenue recognised in the earlier stages of a contract in line with the profile of costs incurred.

Under IFRS 15 revenue is recognised once, or as, a performance obligation is fulfilled. Typically, in an Ocado Solutions contract, revenue recognition would not commence until the date of "go-live". Previously revenue was typically recognised in the earlier development stages of a contract. This change has resulted in a reduction of £4.6 million in revenue recognised in the period to 3 June 2018. Under IFRS 15, revenue is now spread over the expected duration of the period the services are provided.

Consolidated Balance Sheet Restatement under IFRS 15

	Notes	As previously reported, 3 June 2018 £m	Impact of IFRS 15 £m	Other adjustment £m	3 June 2018 Restated £m
Non-current assets					
Intangible assets		123.1	-	-	123.1
Property, plant and equipment		497.4	16.8	0.5	514.7
Deferred tax asset		14.5	-	-	14.5
Costs to obtain contracts		-	-	-	-
Financial assets		3.7	-	-	3.7
Investment in joint ventures		51.7	-	-	51.7
		690.4	16.8	0.5	707.7
Current assets					
Asset held for sale	11	4.7	-	(0.5)	4.2
Inventories		43.4	-	-	43.4
Trade and other receivables		97.6	-	-	97.6
Derivative financial instruments		0.6	-	-	0.6
Cash and cash equivalents		447.6	-	-	447.6
		593.9	-	(0.5)	593.4
Total assets		1,284.3	16.8	-	1,301.1
Current liabilities					
Trade and other payables		(281.6)	29.8	-	(251.8)
Contract liabilities		-	(5.4)	-	(5.4)
Borrowings	8	-	-	-	-
Obligations under finance leases	8	(32.6)	-	-	(32.6)
Derivative financial instruments		(0.2)	-	-	(0.2)
Provisions		(1.1)	-	-	(1.1)
		(315.5)	24.4	-	(291.1)
Net current assets		278.4	24.4	(0.5)	302.3
Non-current liabilities					
Contract liabilities		-	(68.9)	-	(68.9)
Borrowings	8	(243.8)	-	-	(243.8)
Obligations under finance leases	8	(98.8)	-	-	(98.8)
Provisions		(15.1)	-	-	(15.1)
Deferred tax liability		(6.8)	-	-	(6.8)
		(364.5)	(68.9)	-	(433.4)

Net assets	604.3	(27.7)	-	576.6
Equity				
Share capital	13.9	-	-	13.9
Share premium	587.6	-	-	587.6
Treasury shares reserve	(38.3)	-	-	(38.3)
Reverse acquisition reserve	(116.2)	-	-	(116.2)
Other reserves	1.0	-	-	1.0
Retained earnings	156.3	(27.7)	-	128.6
Total equity	604.3	(27.7)	-	576.6

The cumulative effect of the adoption of IFRS 15 has resulted in a decrease in net assets of £27.7 million as at 3 June 2018 and a corresponding decrease in retained earnings. This reflects an important change in accounting policy as the Group moves from percentage of completion to a methodology that is focused on aligning revenue recognition to the delivery of its performance obligation. The new policy results in lower levels of revenue being recognised in the early stages of a contract but higher levels towards the end of a contract.

The decrease in trade and other payables relates to the reclassification and restatement of deferred income as non-current and current contract liabilities. Prior to adoption of IFRS 15, deferred income was classified within 'Trade and other payables'.

The increase in property, plant and equipment relates to contributions received from a customer towards the cost of an asset. These are within the scope of IFRS 15 and are therefore recognised as contract liabilities and released over the life of the contract but were previously offset against the cost of the asset.

The other adjustment of £0.5 million relates to an item of property, plant and equipment that was classified as a non-current asset held for sale at 3 June 2018. It was incorrectly remeasured at fair value which exceeded its carrying amount. This adjustment corrects that remeasurement.

Consolidated Statement of Cash Flows Restatement under IFRS 15

	Notes	As previously reported, 26 weeks ended 3 June 2018 £m	Impact of IFRS 15 £m	26 weeks ended 3 June 2018 Restated £m
Cash flows from operating activities				
Loss before tax		(9.0)	(4.6)	(13.6)
Adjustments for:				
- Depreciation, amortisation and impairment losses		41.7	-	41.7
- Movement in provisions		6.1	-	6.1
- Share of profit in joint venture		(0.6)	-	(0.6)
- Share-based payments charge		2.8	-	2.8
- Net Finance costs	7	6.2	-	6.2
Changes in working capital:				
- Movement in inventories		(0.4)	-	(0.4)
- Movement in trade and other receivables		(29.5)	-	(29.5)
- Movement in trade and other payables		24.8	(17.7)	7.1
- Movement in contract liabilities		-	24.6	24.6
- Settlement of cash flow hedges		0.4	-	0.4
Cash generated from operations		42.5	2.3	44.8
Interest paid		(6.7)	-	(6.7)
Net cash flows from operating activities		35.8	2.3	38.1

Cash flows from investing activities

Purchase of property, plant and equipment	(47.9)	(2.3)	(50.2)
Purchase of intangible assets	(22.5)	-	(22.5)
Interest received	0.5	-	0.5
Net cash flows used in investing activities	(69.9)	(2.3)	(72.2)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital net of transaction costs	324.0	-	324.0
Proceeds from allotment of share options	4.0	-	4.0
Proceeds from disposal of treasury shares on exercise by participants	12.3	-	12.3
Repayments of obligations under finance leases	(8.0)	-	(8.0)
Payment of financing fees	(0.6)	-	(0.6)
Net cash flows from financing activities	331.7	-	331.7
Net increase in cash and cash equivalents	297.6	-	297.6
Cash and cash equivalents at the beginning of the period	150.0	-	150.0
Cash and cash equivalents at the end of the period	447.6	-	447.6

As a result of the adoption of IFRS 15, certain reclassifications were required in relation to the cash flow movements between relevant balance sheet accounts. There has been no change in the net increase in cash and cash equivalents as a result of these reclassifications or the restatement of these balance sheet accounts.

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

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 and and will be applicable for the year commencing 2 December 2019. 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. 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 ongoing review of IFRS 16 indicates that the financial impact will result in an increase in finance leased assets and financial liabilities of between £250 to £300 million on the Consolidated Balance Sheet based on the current portfolio at 2 June 2019.

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 judgements 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 2 December 2018.

4 Segmental Reporting

The Group's principal activity is grocery retailing and the development of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods for its UK business and other partners. 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 and for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required by IFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The Group has 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[a] 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[a]. EBITDA[a] 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.

	Retail £m	Solutions £m	Other £m	Total £m
Segment revenue[a] and EBITDA[a]				
26 weeks ended 2 June 2019 (unaudited)				
Segment revenue[a]	811.5	70.8	-	882.3
Segment EBITDA[a]	43.4	(16.2)	(9.1)	18.1
26 weeks ended 3 June 2018 restated[b] (unaudited)				
Segment revenue[a]	736.6	58.7	-	795.3
Segment EBITDA[a]	45.5	(6.6)	(4.6)	34.3
52 weeks ended 2 December 2018 (audited)				
Segment revenue[a]	1,475.8	123.0	-	1,598.8
Segment EBITDA[a]	82.5	(17.9)	(5.1)	59.5

[a]Segement revenue and segment EBITDA is an alternative performance measure, refer to note 15 for further information.

[b]2018 restatement was due to adoption of IFRS 15 in the second half of 2018. Refer to note 3 for further details.

5 Exceptional Items

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Andover CFC			
- Write off of property, plant and equipment	96.9	-	-
- Write off of intangible assets	3.2	-	-
- Loss of inventory	5.6	-	-
- Insurance reimbursement	(11.8)	-	-
- Other exceptional costs	4.6	-	-
Disposal of Marie Claire Beauty Limited ("Fabled")	0.1	-	-
Joint venture with Marks & Spencer	0.4	-	-
Litigation costs	-	-	0.1
	99.0	-	0.1

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.

Write off of property, plant and equipment and intangible assets

Property, plant and equipment with a net book value of £96.9 million was destroyed or damaged to the extent that nothing significant is expected to be recoverable. Where amounts are expected to be recovered, for example through scrap proceeds, those assets are impaired down to that recoverable amount. Intangible assets with a net book value of £3.2 million were written off as it was determined these costs were specific to the Andover location and infrastructure.

Loss of inventory

Inventory held at cost of £5.6 million was destroyed by the fire.

Other exceptional costs

These include, but are not limited to, temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employee's personal assets that were destroyed and a restructuring provision that has been recognised as a result of the formal redundancy consultation that commenced in May 2019.

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'.

The Group expects to receive further insurance reimbursements in respect of reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group have not included any further amount in respect of these reimbursements as the likely insurance proceeds cannot be accurately quantified at this point. Income will be recognised in the future as the rebuilding costs of the CFC are incurred.

Disposal of Fabled

Legal and other transaction costs were incurred in relation to the planned disposal of Fabled.

Joint venture with Marks & Spencer ("M&S")

In February 2019 the Group announced the creation of a new 50/50 joint venture with M&S. The joint venture will comprise Ocado's UK grocery retail business supported by a new partnership for solutions services underpinned by Ocado Smart Platform and the provision of branding and sourcing from M&S. M&S products will be available on Ocado.com by September 2020, replacing Ocado's current sourcing agreement with Waitrose Limited. M&S have agreed to pay Ocado £562.5 million in upfront cash and a deferred cash payment of £187.5 million five years after completion dependent on the satisfaction of certain financial and operational conditions.

On 20 May 2019 the transaction was approved by Ocado's shareholders at a general meeting and the transaction is expected to complete in Q3 2019. Whilst certain costs relating to the transaction are permitted to be accounted for directly within equity, there are others that do not meet the requirements and as a result have been reported as exceptional costs. These include, but are not limited to, legal fees for advice relating to TUPE regulations, contractor fees incurred relating to transitional arrangements and accelerated share-based payment expenses for those employees who are transferring to the new joint venture.

6 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 JSOS 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 of all potentially dilutive shares. The Company has classes of instruments that are potentially dilutive: share options, share interests held pursuant to the Group's Joint Share Ownership Scheme and shares under the Group's staff incentive plans.

Basic loss per share have been calculated as follows:

	26 weeks ended 2 June 2019 m (unaudited)	26 weeks ended 3 June 2018 m (unaudited)	52 weeks ended 2 December 2018 m (audited)
Number of shares			
Issued shares at the beginning of the period	721.7	601.4	601.4
Weighted average effect of share options exercised in the period	0.2	6.0	20.7
Weighted average effect of treasury shares disposed of in the period	0.9	(2.5)	(5.0)
Weighted average effect of treasury shares transferred to participant in the period	0.2	-	(4.4)
Weighted average effect of shares issued in the period	0.4	20.9	42.7
Weighted average number of shares at the end of the period	723.4	625.8	655.4
	£m	£m	£m

Loss for the period	(143.0)	(13.9)	(44.9)

	pence	pence	pence
Basic and diluted loss per share	(19.77)	(2.22)	(6.85)

7 Finance Income and Costs

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	1.6	0.5	2.2
Finance income	1.6	0.5	2.2
Borrowing costs			
- Obligations under finance leases	(2.9)	(3.3)	(6.5)
- Borrowings	(5.4)	(3.4)	(8.2)
Finance costs	(8.3)	(6.7)	(14.7)
Net finance costs	(6.7)	(6.2)	(12.5)

8 Borrowings and Obligations Under Finance Leases

	2 June 2019 £m	3 June 2018 £m	2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Obligations under finance leases	26.5	32.6	22.9
	26.5	32.6	22.9
Non-current liabilities			
Borrowings	244.8	243.8	244.3
Obligations under finance leases	88.9	98.8	93.4
	333.7	342.6	337.7
Total group borrowings and finance leases	360.2	375.2	360.6

9 Analysis of Net (Debt)/Cash*

Net (debt)/cash*

	2 June 2019 £m	3 June 2018 £m	2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Current assets			
Cash and cash equivalents	360.1	447.6	410.8
	360.1	447.6	410.8
Current liabilities			
Obligations under finance leases	(26.5)	(32.6)	(22.9)
	(26.5)	(32.6)	(22.9)
Non-current liabilities			
Borrowings	(244.8)	(243.8)	(244.3)
Obligations under finance leases	(88.9)	(98.8)	(93.4)
	(333.7)	(342.6)	(337.7)
Net (debt)/cash*	(0.1)	72.4	50.2

*Net (debt)/cash is an alternative performance measure; refer to note 15 for further information

Net (debt)/cash* is calculated as total debt (obligations under finance leases and borrowings as shown in the Condensed Consolidated Balance Sheet), less cash and cash equivalents.

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

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Net (decrease)/increase in cash and cash equivalents	(50.7)	297.6	260.8
Net decrease in debt and lease financing	11.8	7.4	31.0
Non-cash movements:			
- Assets acquired under finance lease	(11.4)	(4.6)	(13.6)
Movement in net (debt)/cash* in the period	(50.3)	300.4	278.2
Opening net cash/(debt)*	50.2	(228.0)	(228.0)
Closing net (debt)/cash *	(0.1)	72.4	50.2

*Net (debt)/cash is an alternative performance measure; refer to note 15 for further information

10 Investment in Associate

The Group's share of the results of its associate is included in the Consolidated Income Statement and is accounted for using the equity method of accounting. The investment in associate is carried in the Consolidated Balance Sheet at cost plus post-acquisition changes in the Group's share of the net assets of the entity, less any impairment in value.

During the current period the Group acquired a 21% interest in Karakuri Limited, which is a robotics start-up. Karakuri Limited is incorporated in the UK and registered at 1 Heathside Road, Northwood, United Kingdom, HA6 2EE, which is also its principal place of business.

The carrying amount of the Group's investment is £4.8 million (2018: £nil).

11 Assets Held for Sale

	2 June 2019 £m	3 June 2018 Restated* £m
	(unaudited)	(unaudited)
Assets held for sale of		
- Planned disposal of Fabled	8.3	-
- Other property	4.2	4.2
Total assets classified as held for sale	**12.5**	4.2
- Liabilities associated with assets held for sale	(2.4)	-
Net assets classified as held for sale	**10.1**	4.2

[a]Refer to note 3 for details of the 2018 restatement.

Disposal of Fabled

The major classes of assets and liabilities of Fabled classified as held for sale at 2 June 2019 are as follows:

	2 June 2019 £m
	(unaudited)
Assets classified as held for sale	
- Property, plant and equipment	1.3
- Inventories	6.1
- Trade receivables	0.4
- Cash and cash equivalents	0.5
Total assets of disposal group held for sale	8.3
Liabilities directly associated with assets classified as held for sale	
- Other payables	(2.4)

Total liabilities of disposal group held for sale	(2.4)
Net assets of disposal group held for sale	**5.9**

The proceeds of disposal are expected to exceed the carrying amount of the related net assets and therefore no impairment loss has been recognised on the classification of this disposal group as held for sale.

Property held for sale

The asset held for sale of £4.2 million (2018: £4.2 million) represents the carrying value of a UK property previously used in the Group's distribution network that it is in the process of selling. Unforeseen delays relating to certain elements of the planning permission submissions made by the vendor occurred, but the sale negotiations are well advanced and the Group are still committed to selling the property, with the sale expected to complete in the second half of 2019.

12 Capital Expenditure and Commitments

During the period the Group acquired property, plant and equipment of £68.6 million (2018: £139.3 million, 1H 2018: £79.0[a] million). During the period, the Group acquired intangible assets of £5.9 million (2018: £6.8 million, 1H 2018: £1.9 million) and internal development costs capitalised were £40.9 million (2018: £68.7 million, 1H 2018: £21.5 million).

At 2 June 2019, capital commitments contracted, but not provided for by the Group, amounted to £78.8 million (2018: £69.7 million, 1H 2018: £49.9 million).

[a]2018 restatement was due to adoption of IFRS 15. Refer to note 3 for further details

13 Related Party Transactions

Key management personnel
Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. With the exception of key management personnel remuneration, there were no related party transactions with key management personnel (1H 2018: £nil). All transactions with Directors are on an arm's length basis and no period end balances have arisen as a result of these transactions.

At the end of the period, key management personnel did not owe the Group any amounts (1H 2018: £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 Group holds a 25% interest in Paneltex Limited whose registered office is at Paneltex House, Somerden Road, Hull HU9 5PE. The Group's interest in Paneltex Limited has not been treated as an associated undertaking as Ocado does not have significant influence over Paneltex Limited. The following direct transactions were carried out with Paneltex Limited:

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	0.1	-	-
- Consumables	0.3	0.3	0.6
Sales of goods	-	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 £0.5 million (1H 2018: £0.4 million).

At period end, the Group owed £0.7 million (1H 2018: £0.1 million) to Paneltex.

There were no transactions between the Group and Karakuri Limited during the 26 week period to 2 June 2019.

Joint Venture

The following transactions were carried out with MHE JVCo, a joint venture company in which the Group holds a 50% interest:

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Sale and Leaseback Transaction			
Capital contributions made to MHE JVCo	-	-	-
Dividend received from MHE JVCo	6.6	-	-
Reimbursement/(Settlement) of supplier invoices paid on behalf of MHE JVCo	3.7	0.5	(0.6)
Lease of assets from MHE JVCo	-	1.4	-
Capital element of finance lease instalments paid to MHE JVCo	1.8	1.4	2.8
Capital element of finance lease instalments due to MHE JVCo	8.1	-	12.9
Interest element of finance lease instalments accrued or paid to MHE JVCo	1.6	2.3	4.4

Included within trade and other receivables is a balance of £0.7 million owed by MHE JVCo (1H 2018: £2.8 million). Included within trade and other payables is a balance of £15.8 million owed to MHE JVCo (1H 2018: £12.1 million). Included within obligations unde is a balance of £69.1 million owed to MHE JVCo (1H 2018: £92.2 million).

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

14 Post Balance Sheet Events

On 6 June 2019, the Group announced its intention to redeem £25 million of the 4.00% Senior Secured Notes due 2024. The Notes were redeemed at a redemption price equal to 103% of the principal amount, plus accrued and unpaid interest, on 14 June 2019.

On 10 June 2019, the Group announced it had made two key investments totalling £17.6 million in developing vertical farms.

A joint venture, called Infinite Acres, is proposed with 80 Acres Farms Inc., a US vertical farm business, and Priva Holding BV, a Dutch firm that provides climate control technology. Each partner will hold one third of the joint venture's equity. The Group will make a cash payment to 80 Acres and Priva for their investments to date, an equity capital contribution to Infinite Acres, and will provide the joint venture with a line of credit.

Concurrently the Group has completed the acquisition of a 58% stake in Jones Food Company Limited, Europe's largest operating vertical farm based in Scunthorpe.

On 19 June 2019, the Group announced it has sold Fabled, its wholly-owned subsidiary, to Next Holdings Limited for a small upfront payment and an earn-out based on sales in each of the four years ending January 2021 - January 2024, with a minimum guaranteed payment of £3 million. This sale completed on 8 July 2019.

15 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:

- Segment Revenue;
- Exceptional Items;
- Segment Administrative Costs and Distribution Costs;
- EBITDA;
- Segment EBITDA;
- External Gross Debt
- Net (Debt)/Cash; and
- External Net Cash

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.

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 4 to the condensed consolidated financial statements.

Exceptional Items

The Group's Condensed Consolidated Income Statement separately identifies trading results before exceptional items. The D that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This 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 o 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, costs relating to warehouse fire, material costs relating 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.

The Group have adopted a three-column approach to the Condensed Consolidated Income Statement to aid clarity and allow users of the financial statements to more easily understand the performance of the underlying business and the impact of the one-off events.

Segment/Retail/Solutions Administrative Costs and Distribution Costs

Segment/Retail/Solutions 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.

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Retail distribution and administrative costs	222.4	191.6	401.9
Solutions distribution and administrative costs	87.0	65.2	140.7
Unsegmented distribution and administrative costs	178.4	54.4	109.8
	487.8	311.2	652.4

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Reported distribution costs	279.7	234.2	485.4
Reported administrative expenses	208.1	77.0	167.0
	487.8	311.2	652.4

EBITDA

In addition to measuring financial performance of the Group 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 Condensed Consolidated Income Statement on page 1.

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 4 to the condensed consolidated financial statements.

External Gross Debt

External gross debt consists of loans and other borrowings (both current and noncurrent), 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:

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
External gross debt	291.1	282.9	286.1
Finance leases relating to joint ventures	69.1	92.3	74.5
Gross debt	360.2	375.2	360.6

Net (Debt)/Cash

Net (debt)/cash 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)/cash 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)/cash' does not necessarily mean that the cash included in the net (debt)/cash calculation is available to settle the liabilities included in this measure. Net (debt)/cash 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.

External Net Cash

External net cash is calculated as cash and cash equivalents less gross debt (excluding finance leases payable to joint venture interests of the Group). External net cash is a measure that can be used to assess the combined impact of the Group's cash position and its indebtedness to third parties which are not considered a related party to the Group. A reconciliation from external net cash to cash and cash equivalents to can be found below:

	26 weeks ended 2 June 2019 £m	26 weeks ended 3 June 2018 £m	52 weeks ended 2 December 2018 £m
	(unaudited)	(unaudited)	(audited)
Cash and cash equivalents	360.1	447.6	410.8
Gross debt	(360.2)	(375.2)	(360.6)
Finance leases relating to joint ventures	69.1	92.3	74.5
External net cash	69.0	164.7	124.7

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 2 December 2018 were details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them, applicable at that time. Other than where indicated below, the Board does not consider that the principal risks and uncertainties have changed and remain relevant for the remaining six months of the 2019 financial year.

- Risk of decline in high service levels in the retail business.
  - This principal risk will increase especially during the transitional period of change associated with the creation of the retail joint venture and the establishment of the alternative product sourcing supply chain options.

- Failure to maintain a retail proposition which appeals to a broad customer base and sustains growth rates while managing any change in sourcing which may follow the end of the current Waitrose sourcing agreement in 2020.
  - This principal risk has changed because the retail joint venture will replace the Waitrose own-label product range with the M&S own-label product range and will develop other sourcing capabilities in order to continue to offer customers a broad product range proposition.

- Risk of not having sufficient management, technology and engineering capabilities to be able to execute effectively the requirements for multiple Ocado Solutions contracts simultaneously in many international locations.

- Risk of delays in the generation of new capacity in the UK.

- Risk that the long-term cost of ownership for our fulfilment solutions is not priced at a level that is attractive to our clients while still providing acceptable returns for our shareholders.
  - This principal risk recognises the increasing importance of developing our platform while securing the cost efficiencies within the long-term model given the success in growing Ocado Solutions.

- Technological innovation supersedes our own and offers improved methods of food distribution to consumers.

- Protecting our IP.

- Infringing a third party's IP.

- A risk of a food safety or product safety incident
  - This principal risk has broadened to continue to recognise the importance of managing health and safety risks because Ocado is developing multiple new sites across the globe.

- A risk of changes in regulations impacting our business model or the viability of Ocado Solutions deals.

- Risk of negative implications caused by final Brexit terms such as increase in import costs or difficulty in hiring employees.

- Risk of major cyber attack or data loss impacting the retail business or the Ocado Solutions business.

- Business interruption.

More information on most of 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 2 December 2018, a copy of which is available on the Group's corporate website, 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 2nd June 2019 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with 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.

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 are prepared in accordance with IFRSs 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 2 June 2019 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.

Deloitte LLP
Statutory Auditor
London
9th July 2019

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with IAS 34 ("Interim Financial Reporting") as adopted by the European Union, and that the interim management r 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;
Neill Abrams, Group
General Counsel &
Company Secretary;
Duncan Tatton-Brown,
Chief Financial Officer;
Mark Richardson, Chief Operations Officer;
Luke Jenson, Chief Executive Officer - Ocado Solutions;
Non-Executive Directors
Lord Rose, Chairman;

Ruth
Anderson;
Jörn
Rausing;
Andrew Harrison (Senior
Independent Director);
Emma
Lloyd;
Julie
Southern;
and
John Martin (Appointed 1 June
2019)

Approved by the Board and signed on its behalf by

Duncan Tatton-Brown
Chief Financial Officer

Neill Abrams
Group

General

Counsel &

Company

Secretary 9

July 2019

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