Half Yearly Report

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Ocado Group PLC
30 June 2015

OCADO GROUP PLC

Half year results for the 24 weeks ended 17 May 2015

30 June 2015

Financial and statutory highlights

	24 weeks ended 17 May 2015 £million	24 weeks ended 18 May 2014 £million	Change vs 2014 %
Gross sales[1] (Retail)	511.9	442.4	15.7%
Revenue[2]	507.7	429.7	18.2%
EBITDA[3]	38.2	34.3	11.4%
Statutory profit before tax	7.2	7.5	
Cash and cash equivalents	70.4	110.3	
Statutory net debt	(105.0)	(44.6)	
External net cash	24.9	64.1	

Key operational highlights

- Strong new customer growth of over 30% year on year, underpinned by an increasing proportion from a broader set of customer demographics
- Key metrics supporting our UK retail business have continued to improve against the ongoing structural headwinds of price deflation and cost inflation
- Maintained stability in our average basket size by item despite some decline in selling prices driven by greater price competition

Tim Steiner, Chief Executive Officer of Ocado, said:

"The channel shift towards online grocery shopping continued during the period, with the broader grocery market remaining characterised by intense price competition and deflationary pressures.

"Against this backdrop, our relentless focus on customer satisfaction continues to drive customer numbers and like-for-like sales ahead of the online grocery market. The resilience of our business model and increasing operational leverage also mean that we have grown operating profit despite these industry headwinds.

"Our continuous commitment to constant innovation in technology not only allows us to give industry-leading service to our customers at home but to offer our end-to-end platform solution to retailers outside the UK. We are excited by the possibility and reiterate our target of signing a first agreement during 2015."

Key progress against our strategic objectives

Constantly improve the proposition to customers

- Continued market leading service levels with on time deliveries maintained at a high level at 95.6% (1H 2014: 95.7%) and order accuracy improved to 99.3% (1H 2014: 99.2%)
- Range at Ocado.com significantly broadened to over 45,000 SKUs (1H 2014: 35,000 SKUs)
- Over 50% of orders were checked out using a mobile device using our latest apps and browsers and we launched our first Apple Watch app
- Won Best Online Supermarket in The Grocer Gold Awards 2015

Strengthen consumer brands

- Ocado own-label sales up nearly 25% year on year
- New customer acquisitions up over 30% year on year, driving the increase of active customers[4], up 18.9% to 471,000 (1H 2014: 396,000)
- Average number of items in basket unchanged with average basket value declining to £111.68 (1H 2014: £114.43), impacted by price deflation and downward impact of orders for Fetch and Sizzle

Develop ever more capital and operationally efficient infrastructure solutions

- Mature CFC[5] operational productivity of 153 UPH (1H 2014: 142 UPH), with Dordon CFC reaching over 170 UPH by end of period
- Delivery efficiency of 162 DPV broadly in line with last year, with a number of enhancements to our routing system resulting in improvements towards the end of the period
- Commenced first installations of our proprietary infrastructure solution into our Andover CFC (CFC3) and it remains on track
- Order volumes grown to an average of over 191,000 orders per week (1H 2014: 161,000 OPW), with the highest number of orders delivered in a week exceeding 207,000 during the period

Enhance end-to-end technology systems

- IT systems replatforming progressing well and remains on track with our expectations
- Continued expansion of our technology team to 620 developers and IT professionals with plans to increase this to over 700 by the end of 2015

Enable Morrisons' and future partners' online businesses

- Morrisons.com reached around £200 million in annualised run-rate sales after 12 months of trading (announced in Annual Report, March 2015)
- Discussions continue with multiple potential international partners to adopt Ocado Smart Platform with target to sign first agreement in 2015

Results presentation

A results presentation will be held for investors and analysts at 9.30am today at the offices of Goldman Sachs, Peterborough Court, 133 Fleet Street, London EC4A 2BE. Presentation material and webcast will be available online at www.ocadogroup.com/investors/reports-and-presentations/2015.aspx

Contacts

Tim Steiner, Chief Executive Office 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 Hardiman-Evans, Head of IR & Corporate Finance on 020 7353 4200 today or 01707 228 000

Andrew Grant, David Shriver, Michelle Clarke at Tulchan Communications on 020 7353 4200

Notes

1. Gross sales include revenue plus VAT and marketing vouchers

2. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to Morrisons and fees charged to Morrisons are also included in revenue

3. EBITDA is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items

4. A customer is classified as active if they have shopped within the previous 12 weeks

5. Mature CFC operations. A CFC is considered mature if it has been open 12 months by the start of the reporting period

Financial Calendar
Our financial reporting calendar for the remainder of the year will be a Q3 Trading Statement on 15 September 2015, a Q4 Trading Statement on 10 December 2015 and a Full Year Results Statement on 2 February 2016. We will not release a Christmas Trading Statement.

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 Executive Officer's review

The UK grocery market has continued to experience significant challenges from price competitiveness and deflationary pressures. Against this backdrop, we continued to deliver on our strategic objectives that apply to both our own retail business and our existing and potential platform operations - to drive growth, maximise efficiency and utilise our knowledge. Specifically, we increased sales faster than the broader online grocery market, progressed work on our next CFCs, continued to deliver good service to Morrisons.com, and advanced discussions with multiple potential international partners of our platform.

Business model validation
Our performance during the period provides further evidence of the validity and robustness of our business model.

Despite the industry-wide headwinds of continuing price competition and deflationary pressures, further improvements in operating efficiencies have offset declines in margin. The operating contribution pre overhead from our retail operations has continued to increase year on year.

Overhead costs have increased as we continue to invest in our platform to develop our international partner business, in line with our strategic objectives.

Progress against our strategic objectives
We have a number of key complementary actions, which form a framework to achieve our strategic objectives, intended to deliver long-term shareholder value. These actions are to:

- Constantly improve the proposition to customers;
- Strengthen our consumer brands;
- Develop ever more capital and operationally efficient infrastructure solutions;
- Enhance our end-to-end technology systems; and
- Enable Morrisons' and future partners' online businesses.

Constantly improve our proposition to customers
We continued to improve the core elements of our proposition to customers - our service and user experience, the assortment of products we sell and the keenness of our pricing.

The quality of our service and extensive range of products continued to be recognised by our customers, with the award of Best Online Supermarket in The Grocer Gold Awards 2015 and for the sixth consecutive year we were voted the Best Online Grocer by Which? Magazine in its members' Annual Satisfaction Survey.

A positive shopping experience is critical to encouraging consumers to try our service and to return to us for future shops. Our focus has remained on improving the customer experience by enhancing the speed, convenience and ease of using our service.

It is naturally important for us to be where our customers interact and mobile continues to grow in importance. We enabled our customers to shop more easily using their mobile devices with the introduction of a mobile website at the end of last year which has proved to be popular particularly for first time users of the webshop. During the period we launched a redesigned Android app and our first Apple Watch app enabled the owners of this new device to shop using the watch on the first day of its launch in the UK. Over 50% of all orders are now checked out using a mobile device, using our latest apps and browsers.

Our PayPal login introduced at the end of last year has become increasingly popular, particularly for new customers.

We believe our order accuracy and on time delivery performance continue to be market leading, both critical elements in providing a high quality and reliable service for our customers. Orders delivered on time or early remained at a high level at 95.6% (1H 2014: 95.7%) and order accuracy improved slightly to 99.3% (1H 2014: 99.2%).

We have trialled click and collect to test initial consumer reaction and expect to continue this on a limited basis.

Our range at Ocado.com is now over 45,000 SKUs (1H 2014: 35,000 SKUs) with further extension including the launch of our vegetarian "shop in shop" with over 650 vegetarian and vegan products in one place. The shop has proved popular with customers due to the extensive range which includes big brands alongside niche products from small suppliers, and was recognised as the Best Online Retailer for Vegetarians in the Veggie Awards 2015.

We also extended our range in non-food, which helped support growth in non-food sales by almost 80% despite current limited investment in technology in that area. Sales of sports nutrition and slimming products were up even more, making it the largest category for non-food at ocado.com. Fetch, our specialist pet store, and Sizzle, our kitchen and dining shop, continue to grow. We are also progressing preparations for the launch of our health and beauty business alongside Marie Claire.

Our Low Price Promise ("LPP") basket-matching scheme ensures that we remain price competitive against the market leader, giving confidence to customers over our pricing position. Despite the increased numbers of price reductions and broader food price deflation in the market, when checking for LPP, over 70% of our customers' baskets were already cheaper at Ocado. The cost of LPP in the form of vouchers used during the period remained low, reflecting our competitiveness in prices and consistent promotional activity. We remain comfortable with this pricing position even with the current market conditions.

Our value credentials were further supported by the introduction of checkout walk gifting, where customers can accept supplier funded gifts as they complete their order, and this offer has been well received by customers.

Strengthen consumer brands

We have continued to broaden awareness of our brands and reinforce their strength and values through our marketing and other promotional activity. In light of the timing of new capacity, we scaled down our above the line marketing programme and have focused our limited marketing expenditure on attracting new customers to Ocado with awareness campaigns with external partners, as well as radio and national newspaper offers and sponsorship of the food section of the Ideal Home Show.

Following the great success of last year's initiative, we launched the second series of "Britain's Next Top Supplier" competition, an initiative to support and nurture small British suppliers, who form a significant part of our supplier base.

The Ocado own-label reinforces brand strength and grew in popularity with the average basket now containing over five Ocado own-label products, and with sales up nearly 25%, with growth constrained by the cap under our contractual arrangements with Waitrose.

Our active customer numbers grew to 471,000 (1H 2014: 396,000), up 18.9% reflecting the strengthening position of our brand. More significantly new customer acquisitions grew by over 30% in the period.

While our customers' average baskets reduced to £111.68 (1H 2014: £114.43), including the impact of destination site orders from Fetch and Sizzle, the number of items in the average grocery basket remained stable. The average basket was £112.59 (1H 2014: £114.29) when destination site orders are excluded.

Fetch has continued to grow, with strong customer acquisitions from increased brand awareness, and sales driven by specialist pet food lines. Sizzle has grown more modestly with limited marketing support, whilst we wait to complete further usability advancements which require technology resources.

Develop ever more capital and operationally efficient infrastructure solutions

We have previously announced our plans for CFC3 and CFC4 in Andover and Erith respectively. We commenced the first installation of our new proprietary modular, scalable physical fulfilment solution into our Andover CFC, and remain on track to commence operations around the end of the year. The developer has now commenced works at the Erith site and we expect to start our works at this site in 2016.

Both our Hatfield CFC and our Dordon CFC continued to operate to a high level of accuracy and with improved efficiency. Using the units per hour efficiency measure ("UPH"), the average productivity for the period in our mature CFC operations was 153 (1H 2014:142). By the end of the period, operational efficiency in the Dordon CFC reached over 170 UPH. During the period we installed into the Dordon CFC its first three proprietary bagging machines, which are now in the commissioning phase but which will benefit productivity during the second half.

Ocado order volumes have grown to an average of over 191,000 orders per week ("OPW") (1H 2014: 161,000 OPW), with the highest number of orders delivered in a week exceeding 207,000 during the period.

We made a number of enhancements to our routing system which in the second part of the period led to an improvement to the average deliveries achieved on a van route. It takes a little longer to align the total number of vans to the improved routing systems, hence deliveries per van per week across all shifts ("DPV/week") fell marginally to 162 (1H 2014: 163) while drops per standard driver shift improved.

We expanded our delivery capacity with the opening of additional spokes during the period in Dagenham and Park Royal, and first Ocado deliveries were made from our Knowsley site which opened just prior to the end of 2014. The Park Royal site replaces our smaller White City location which has now been closed. Last year we received a one-off compensation payment of £1.2 million from the landlord at the White City spoke to cover costs of closure and the fit out costs of the new site, with a further £3.3 million received shortly after the period. The delivery capacity for some of these spokes is shared with Morrisons, reducing the impact of the additional fixed costs of these operations which are only partially utilised during their build-up of capacity.

Enhance our end-to-end technology solutions
The foundation of our business is proprietary IP, knowledge and technology that supports our "best in class" proposition to customers and drives our operating efficiencies.

We continue to develop our platform with the rewrite of our IT systems to enable faster replication and roll out of our technology internationally, and remain on track with our plans. We continue to expand our technology team and by the end of the period employed 620 developers and IT professionals with plans to increase this to over 700 by the end of 2015. Our technology professionals currently operate from offices in the UK and Poland, and we have plans to open a second technology office in Poland during 2015.

Enable Morrisons' and future partners' online businesses
Our IP and technology leadership present opportunities to generate significant value through commercialisation.

Our first commercialisation agreement, with Wm Morrison Supermarkets plc ("Morrisons"), resulted in the launch of Morrisons.com in January 2014. Morrisons.com uses our existing CFC technology and solutions and has continued to ramp up well. In March 2015, Morrisons reported that the run rate of sales after 12 months of trading for Morrisons.com had reached about £200 million. To our knowledge this is the fastest ramp up of an online grocery business globally, and provides evidence of the effectiveness of combining our platform with an existing grocery retailers' brand, customer awareness and merchandising skills.

We continue to receive interest from international parties to discuss how our "Ocado Smart Platform", which combines our end-to-end technology platform with our physical modular infrastructure solution, might assist them in launching or improving online businesses in their own markets.

During the period, discussions with multiple parties advanced further with a view to utilising Ocado Smart Platform, and we reiterate our target of signing a first agreement during 2015.

Market backdrop
We believe the outlook for the grocery market remains subdued despite the more positive outlook for broader economic growth in the UK.

Recent Kantar data suggests that prices have been declining since September 2014, although the fall may not have been as steep as in previous months. The price declines are primarily driven by increased price competition to counter the growing threat posed by discount operators, resulting in margin decline as well as food industry deflation resulting from lower input costs in the food chain.

Notwithstanding this broader market activity, online grocery shopping has continued to expand faster than the total market, with all the major supermarkets investing to satisfy growing online demand.

Internationally there continues to be increased interest in online grocery services from both consumers and retailers alike, as major incumbent retailers seek to address the channel shift online.

People and CR initiatives
By the end of the period, we employed over 8,400 people, an addition of over 1,500 new employees since 1H 2014 to further support the growth of our Ocado retail businesses, our Morrisons platform business and the development of Ocado Smart Platform.

In response to customer feedback, we launched "Donate Food with Ocado", a scheme whereby customers donate a sum of money which is then matched by Ocado in groceries and donated to food bank partners. Nearly £100,000 is in the scheme to date, with Ocado committed to at least matching every donation made.

Reporting, current trading and outlook
We finished the period with growth in retail revenue of 15.1%. We expect to continue growing slightly ahead of the online grocery market.

Chief Financial Officer's review

During the period we continued to grow our sales against a backdrop of a grocery retail market that remained challenging and competitive. At the group level, sales were driven by continued growth in our retail business and benefits from our agreement with Morrisons.

Retail sales were driven by further improvement in our proposition to customers and an increase in the number of loyal customers. Operating profitability strengthened in comparison to the prior period benefitting from more efficient operational fulfilment. This was offset by lower margins reflecting the competitiveness and deflationary pressures in the market. In addition, we continued to invest in a number of strategic initiatives to support future growth of the business and the period was impacted by higher depreciation and amortisation arising from Dordon CFC, vehicles and additional spokes to support current and future business growth.

	1H 2015 £m	1H 2014 £m	Variance
Revenue[1]	507.7	429.7	18.2%
Gross profit	170.8	140.5	21.6%
EBITDA	**38.2**	**34.3**	**11.4%**
Operating profit before share of result from joint venture and exceptional items	10.6	9.8	8.2%
Share of results from joint venture	1.2	1.1	9.1%
Profit before tax	7.2	7.5	(4.0)%

	1H 2015 £m	1H 2014 £m	Variance
EBITDA	**38.2**	**34.3**	**11.4%**
Less Morrisons MHE JVCo impact[2]	(6.1)	(5.0)	22.0%
Add back non-cash share based payments	3.5	1.6	118.8%
Underlying EBITDA	**35.6**	**30.9**	**15.2%**

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to
Morrisons and fees charged to Morrisons are also included in revenue
2. Morrison MHE JVCo impact includes the income arising from the leasing arrangements with Morrisons for MHE assets and share of results from joint venture

Revenue

	1H 2015 £m	1H 2014 £m	Variance
Retail	475.3	412.8	15.1%
Morrisons recharges	24.7	9.8	152.0%
Morrisons fees	7.7	7.1	8.5%
Total revenue	**507.7**	**429.7**	**18.2%**

Group revenue improved by 18.2% to £507.7 million. Revenues from retail activities were £475.3 million, an increase of 15.1%. The Morrisons agreement contributed £32.4 million to revenue, up from £16.9 million in 1H 2014. This comprised annual fees for services, technology support, research and development, management fees and a recharge of relevant operational variable and fixed costs.

Retail revenue growth was driven by growing demand with average orders per week of 191,000 up from 161,000 in 1H 2014, partially offset by a decline in the average order size to £111.68 (1H 2014 £114.43).

We continued to acquire new customers with tailored marketing and voucher activity and maintained a lower emphasis on reactivating lapsed customers. New customer acquisitions were up over 30% from 1H 2014, with voucher spend in the period increasing to 1.2% of revenue (1H 2014 1.0%). We sustained the significant growth of our non-food offering in the period with revenue increasing by nearly 80% year on year.

Gross profit

	1H 2015 £m	1H 2014 £m	Variance
Retail	138.4	123.6	12.0%
Morrisons recharges	24.7	9.8	152.0%
Morrisons fees	7.7	7.1	8.5%
Total gross profit	**170.8**	**140.5**	**21.6%**

Gross profit rose to £170.8 million, up 21.6% year on year. Gross margin was 33.6% of revenue (1H 2014: 32.7%), ahead of 1H 2014 principally due to the contribution from Morrisons gross profit. The grocery trading environment remained challenging and as a result of increased price competition, retail gross margin reduced by (0.8)% to 29.1% (1H 2014: 29.9%) of retail revenue partially offset by lower average product wastage. Average product wastage reduced to 0.7% of retail revenue (1H 2014: 0.8%) mainly due to improvements at Dordon CFC as this warehouse increased its order volumes. Gross profit was £32.4 million from our arrangement with Morrisons, an increase from £16.9 million in 1H 2014 driven by the growth in scale of Morrisons.com.

Other income increased by 22.9% to £19.3 million (1H 2014: £15.7 million) with media income from suppliers of £12.4 million standing at 2.6% of retail revenue (1H 2014: 2.5%). Media income from website related activities continued to grow strongly because of increased demand from our suppliers, due to the benefits of scale and a wider product range. Other income also included £5.1 million (1H 2014: £3.9 million) of income arising from the leasing arrangements with Morrisons for MHE assets and £1.1 million (1H 2014: £1.1 million) of rental income relating to the lease of Dordon CFC. This income for the MHE assets is generated from charging MHE lease costs to Morrisons and is fully offset by the additional depreciation and lease interest costs that we incur for the share of the MHE assets jointly owned with Morrisons.

Operating profit

Operating profit before the share of result from joint venture and exceptional items ("adjusted operating profit") for the period was £10.6 million, compared with £9.8 million in 1H 2014.

Distribution costs and administrative expenses include costs for both the Ocado and Morrisons fulfilment and delivery operations, as well as head office costs. The costs relating to the Morrisons operations are recharged and included in revenue. Total distribution costs and administrative expenses, including costs recharged to Morrisons, grew by 22.6% year on year. Excluding Morrisons, costs grew by 13.6%, lower than the growth in the retail average orders per week of 18.6%.

	1H 2015 £m	1H 2014 £m	Variance
Distribution costs[1]	97.5	87.1	11.9%
Administrative expenses[1]	32.0	26.6	20.3%
Costs recharged to Morrisons[2]	23.6	9.3	153.8%
Depreciation and amortisation[3]	26.4	23.4	12.8%
Total distribution costs and administrative expense	**179.5**	**146.4**	**22.6%**

1. Excluding chargeable Morrisons costs, depreciation, and amortisation and impairment charges
2. Morrisons costs include both distribution and administrative costs
3. Included within depreciation and amortisation for 1H 2014 is a £0.2 million impairment charge

At £97.5 million, distribution costs increased by 11.9% compared to 1H 2014, lower than the growth in the retail average orders per week. Mature CFC UPH efficiencies continued to improve year on year by 7.7% to 153. This improvement in mature CFC UPH was driven mainly by the Dordon CFC productivity which exceeded 170 UPH by the end of the period. UPH in the Hatfield CFC also improved at the end of the period and reached 150 UPH.

We made a number of enhancements to our routing system which in the second part of the period led to an improvement to the average deliveries achieved on a van route. It takes a little longer to align the total number of vans to the improved routing systems, hence deliveries per van per week across all shifts ("DPV/week") fell marginally to 162 (1H 2014: 163) while drops per standard driver shift improved. We also benefited from lower fuel costs.

We increased our distribution capacity in our existing geographic coverage by the opening of two new spokes in the period in Dagenham and Park Royal, the latter replacing the smaller White City spoke which was closed during the period. We also benefited from the opening of three new spokes in the second half of last year (Sheffield, Enfield and Knowsley).

Total administrative expenses excluding depreciation, amortisation and costs recharged to Morrisons increased to £32.0 million, a 20.3% increase from 2014 and 6.3% as a percentage of revenue (1H 2014: 6.2%). This year on year increase is mainly a result of additional technology professionals to support our strategic initiatives, higher share based management incentive costs and additional costs to operate the Morrisons services for which the Group earns fees. Marketing costs excluding voucher spend remained flat at £4.0 million (1H 2014: £4.0 million), falling as a percentage of retail revenue to 0.8% (1H 2014: 1.0%). Marketing spend excluding vouchers continued to be spent on targeted activities and this lower spend as a percentage of sales was offset by more vouchering to continue the strong momentum of growth in our new customers, up over 30%.

	1H 2015 £m	1H 2014 £m	Variance
Central costs - other[1]	24.5	21.0	16.7%
Central costs - share based management incentives	3.5	1.6	118.8%
Marketing costs (excluding vouchers)	4.0	4.0	-
Total administrative expenses	**32.0**	**26.6**	**20.3%**

1. Excluding chargeable Morrisons costs, depreciation and amortisation

Total depreciation and amortisation costs were £26.4 million (1H 2014: £23.4 million), an increase of 12.8% year on year. This increase is due to higher depreciation and amortisation arising from the full period impact of depreciations on the phase 2 extension works at Dordon CFC and increased investment in new spokes and vehicles to support our order growth.

Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") was incorporated in 2013 on the completion of the Morrisons agreement, with Ocado owning a 50% equity interest in this entity. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business. The Group share of MHE JVCo profit after tax in the period amounted to £1.2 million (1H 2014: £1.1 million).

Net finance costs

Net finance costs were £4.6 million, versus £3.4 million in 1H 2014. This increase was attributable to £0.8 million of additional interest under finance lease arrangements with MHE JVCo and £0.3 million of commitment fees in respect of the previous £100 million Revolving Credit Facility ("RCF").

Profit before tax

Profit before tax for the period was £7.2 million (1H 2014: £7.5 million).

Taxation

Due to the availability of capital allowances and Group loss relief, the Group did not pay corporation tax during the year. No deferred tax credit was recognised in the period. Ocado had approximately £285.3 million of unutilised carried forward tax losses at the end of the period.

Earnings per share

Basic earnings per share was 1.23p and diluted earnings per share was 1.17p.

Capital expenditure and cash flow

Capital expenditure for the period:

	1H 2015 £m	1H 2014 £m
Mature CFCs	1.6	5.6
New CFCs	19.0	0.5

Delivery	12.5	6.7
Technology	9.2	6.7
Fulfilment Development	7.1	5.9
Other	1.1	1.9
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**50.5**	**27.3**
Total capital expenditure[3] (including share of MHE JVCo)	**52.9**	**38.8**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements
3. Capital expenditure includes Ocado share of the MHE JVCo capex in 2015 of £2.4 million and in 2014 of £11.5 million

Capital expenditure in the Hatfield CFC was £1.6 million on resiliency projects to refurbish zone pick aisles and conveyors and some improvement projects such as additional bagging machines.

In July 2014, we announced plans for our next CFC located in Andover, Hampshire in the south of England. The Andover CFC will be smaller than our existing CFCs with expected capacity of 65,000 OPW. We have currently incurred £17.8 million of costs on the main build of the warehouse and the early build costs for the first installation of our proprietary infrastructure system.

In January 2015, we announced plans for our latest CFC located in Erith, South East London. The Erith CFC will be larger than our existing CFCs (expected capacity of 200,000 OPW). We expect our work to commence in 2016 and for the site to go live during 2H 2017. We incurred £1.2 million of costs on this site in the period.

Investment in new vehicles, which are typically on five year financing contracts, was £7.9 million, higher than the prior year (1H 2014: £4.4 million). This was to support the business growth and the need to replace vehicles that have reached or exceeded their five year useful life. Delivery capital expenditure also included investments for new spokes of £2.6 million, which included costs for the completion of the Dagenham spoke which opened in January 2015 and costs for our new London spoke at Park Royal, with operations transferred from the White City spoke in May 2015.

Ocado continued to develop its own proprietary software and incurred £7.7 million (1H 2014: £5.6 million) of internal development costs in the period on Technology, with a further £1.5 million (1H 2014: £1.1 million) spent on computer hardware and software. We expanded our technology total headcount to 620 staff at the end of the period (1H 2014: 450 staff) as increased investments were made to support our strategic initiatives, including the major replatforming of Ocado's technology and migration of most of our systems to run on a public or private cloud. This will allow Ocado to achieve greater technical agility and enable the technology to support possible international expansion opportunities. In addition, we have invested internal technology resources as part of developing capital projects for Dordon CFC phase 2, next generation of fulfilment solutions and the further development of the Morrisons proposition.

Fulfilment development capital expenditure includes £7.1 million of investment in developing our next generation fulfilment solution which will be used in our new CFCs and for Ocado Smart Platform partners.

In the period we incurred our share of the capital expenditure relating to MHE JVCo of £2.4 million for the completion of Dordon CFC phase 2 to improve operational capacity of the warehouse and various minor improvement projects (e.g. bagging machines).

At 17 May 2015, capital commitments contracted, but not provided for by the Group, amounted to £35.3 million (30 November 2014: £20.1 million). We expect capital expenditure in 2015 full year to be approximately £150 million, with further investments in the next generation of fulfilment solutions, work on our new CFCs, additional new vehicles to support business growth and the replacement of vehicles coming to the end of their five year financing contracts.

Net operating cash flow after finance costs increased to £41.1 million, up 21.6% from £33.8 million in 1H 2014 as detailed below:

	1H 2015 £m	1H 2014 £m
EBITDA	38.2	34.3

Working capital movement	1.3	(1.1)
Other non-cash items	3.7	1.3
Finance costs paid	(2.1)	(0.7)
Operating cash flow	41.1	33.8
Capital investment	(40.6)	(24.9)
Decrease in net debt/finance obligations	(9.2)	(12.6)
Proceeds from share issues net of transaction costs	2.8	3.7
Movement in cash and cash equivalents	(5.9)	-

The Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solution and spend on new vehicles and spokes sites. We incurred £50.5 million of capital expenditure during the period. £40.6 million of capital expenditure was settled in cash during the period.

Net financing cash flows in the period were £(6.4) million comprising £(9.2) million net repayment of debt and financing obligations and £2.8 million of proceeds from the issue of new share capital following the exercise of employee share options and options under Ocado's Save As You Earn share scheme.

Balance sheet
The Group had cash and cash equivalents of £70.4 million at the end of period versus £76.3 million at 30 November 2014.

Gross debt at the period end was £175.4 million (1H 2014: £154.9 million) and external gross debt, excluding obligations under finance leases owing to MHE JVCo Limited, was £45.5 million (1H 2014: £46.2 million). Net external cash at the period end was £24.9 million (1H 2014: £64.1 million).

Trade and Other Receivables includes £26.1 million (2014: £24.0 million) of amounts due from suppliers in respect of commercial income. £10.7 million (2014: £8.7 million) is within trade receivables, and £15.4 million (2014: £15.3 million) within accrued income.

Increasing financing flexibility
On 30 June 2015, the Group amended and extended its existing unsecured RCF. The facility was increased to £210 million and extended by 2 years to 1 July 2019. The participating banks are Barclays, HSBC, RBS and Santander.

Key performance indicators
The following table sets out a summary of selected unaudited operating information for 1H 2015 and 1H 2014:

	1H 2015 £m	1H 2014 £m	Variance
Average orders per week	191,000	161,000	18.6%
Average order size (£) [1]	111.68	114.43	(2.4)%
Overall CFC efficiency (units per hour) [2]	153	142	7.7%
Average deliveries per van per week (DPV/week)	162	163	(0.6)%
Average product wastage (% of retail revenue) [3]	0.7	0.8	(11.4)%
Items delivered exactly as ordered (%) [4]	99.3	99.2	0.1%
Deliveries on time or early (%)	95.6	95.7	(0.1)%

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited
1. Average retail value of goods a customer receives (including VAT and delivery charge and including destination site orders) per order
2. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel in 2014. We consider a CFC to be mature if it had been open 12 months by the start of the half year reporting period
3. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue
4. Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted

Consolidated income statement
for the 24 weeks ended 17 May 2015

	Notes	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
		(unaudited)	(unaudited)	(audited)
Revenue	5	507.7	429.7	948.9
Cost of sales		(336.9)	(289.2)	(636.0)
Gross profit		170.8	140.5	312.9
Other income		19.3	15.7	39.4
Distribution costs		(137.1)	(110.7)	(253.1)
Administrative expenses		(42.4)	(35.7)	(85.0)
Operating profit before share of result from joint venture and exceptional items		10.6	9.8	14.2
Share of result from joint venture		1.2	1.1	2.4
Exceptional items		-	-	(0.3)
Operating profit		11.8	10.9	16.3
Finance income	6	0.1	0.2	0.4
Finance costs	6	(4.7)	(3.6)	(9.5)
Profit before tax		7.2	7.5	7.2
Taxation		-	-	0.1
Profit for the period		**7.2**	**7.5**	**7.3**

Earnings per share		pence	pence	pence
Basic	9	1.23	1.28	1.24
Diluted	9	1.17	1.20	1.18

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

	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
	(unaudited)	(unaudited)	(audited)
Operating profit	11.8	10.9	16.3
Adjustments for:			
Depreciation of property, plant and equipment	20.4	17.8	40.0
Amortisation expense	6.0	5.4	12.4
Impairment of property, plant and equipment	-	0.2	1.1
Impairment of intangibles	-	-	1.5
Exceptional items	-	-	0.3
EBITDA	**38.2**	**34.3**	**71.6**

Consolidated statement of comprehensive income
for the 24 weeks ended 17 May 2015

	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
	(unaudited)	(unaudited)	(audited)
Profit for the period	7.2	7.5	7.3
Other comprehensive income/(expense):			
Cash flow hedges			
- Gains/(losses) arising on forward foreign exchange contracts	-	(0.2)	(0.4)
- Gains/(losses) arising on forward commodity contracts	0.1	-	-

- (Gains)/losses transferred to property, plant and equipment	(0.1)	-	0.3
Translation of foreign subsidiary	0.1	-	(0.1)
Other comprehensive income/(expense) for the period, net of tax	0.1	(0.2)	(0.2)
Total comprehensive income for the period	**7.3**	**7.3**	**7.1**

Consolidated balance sheet

as at 17 May 2015

	Notes	17 May 2015 £m	18 May 2014 £m	30 November 2014 £m
		(unaudited)	(unaudited)	(audited)
Non-current assets				
Intangible assets		44.1	28.8	38.4
Property, plant and equipment		294.7	226.4	275.2
Deferred tax asset		9.5	7.9	9.4
Available-for-sale financial asset		0.4	0.4	0.4
Investment in Joint Venture		69.0	66.5	67.8
		417.7	330.0	391.2
Current assets				
Inventories		25.9	21.8	27.6
Trade and other receivables		62.5	47.8	43.1
Cash and cash equivalents		70.4	110.3	76.3
		158.8	179.9	147.0
Total assets		576.5	509.9	538.2
Current liabilities				
Trade and other payables		(160.2)	(134.7)	(136.5)
Borrowings	8	(3.6)	(3.9)	(4.4)
Obligations under finance leases	8	(32.9)	(29.8)	(26.5)
Derivative financial instruments		(0.1)	(0.3)	(0.2)
Provisions		(0.7)	(0.7)	(0.4)
		(197.5)	(169.4)	(168.0)
Net current assets		(38.7)	10.5	(21.0)
Non-current liabilities				
Borrowings	8	(0.8)	(4.3)	(2.3)
Obligations under finance leases	8	(138.1)	(116.9)	(142.5)
Provisions		(6.5)	(3.5)	(5.2)
Deferred tax liability		(1.9)	(0.4)	(2.0)
		(147.3)	(125.1)	(152.0)
Net assets		**231.7**	**215.4**	**218.2**
Equity				
Share capital		12.5	12.4	12.5
Share premium		257.9	254.5	255.1
Treasury shares reserve		(51.7)	(51.7)	(51.8)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		(0.2)	(0.3)	(0.3)
Retained earnings		129.4	116.7	118.9
Total equity		**231.7**	**215.4**	**218.2**

Consolidated statement of cash flows

for the 24 weeks ended 17 May 2015

	Notes	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m

		(unaudited)	(unaudited)	(audited)
Cash flow from operating activities				
Profit before tax		7.2	7.5	7.2
Adjustments for:				
- Depreciation, amortisation and impairment losses		26.4	23.4	55.0
- Movement in provisions		1.6	0.4	1.9
- Share of profit in joint venture		(1.2)	(1.1)	(2.4)
- Share-based payments charge		3.3	2.0	4.4
- Foreign exchange movements		-	-	0.1
- Net finance costs	6	4.6	3.4	9.1
Changes in working capital:				
- Movement in inventories		1.6	2.1	(3.6)
- Movement in trade and other receivables		(19.5)	(8.7)	(1.5)
- Movement in trade and other payables		19.2	5.5	13.8
Cash generated from operations		43.2	34.5	84.0
Interest paid		(2.1)	(0.7)	(9.7)
Net cash flows from operating activities		**41.1**	**33.8**	**74.3**
Cash flows from investing activities				
Purchase of property, plant and equipment		(29.1)	(17.6)	(53.0)
Purchase of intangible assets		(11.7)	(7.4)	(25.8)
Interest received		0.2	0.1	0.5
Net cash flows from investing activities		**(40.6)**	**(24.9)**	**(78.3)**
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital net of transactions costs		2.8	3.7	3.7
Repayments of borrowings		(2.3)	(1.4)	(2.9)
Repayments of obligations under finance leases		(6.7)	(11.2)	(30.5)
Settlement of forward foreign exchange contracts		(0.2)	-	(0.5)
Net cash flows from financing activities		**(6.4)**	**(8.9)**	**(30.2)**
Net (decrease) in cash and cash equivalents		(5.9)	-	(34.2)
Cash and cash equivalents at the beginning of the period		76.3	110.5	110.5
Exchange adjustments		-	(0.2)	-
Cash and cash equivalents at the end of the period		**70.4**	**110.3**	**76.3**

Consolidated statement of changes in equity

for the 24 weeks ended 17 May 2015

	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total equity £m
Balance at 30 November 2014	12.5	255.1	(51.8)	(116.2)	(0.3)	118.9	218.2
Profit for the period	-	-	-	-	-	7.2	7.2
Other comprehensive income/ (expense):							
Cash flow hedges							
- Gains/(losses) arising on forward commodity contracts	-	-	-	-	0.1	-	0.1

- (Gains)/losses transferred to property, plant and equipment	-	-	-	-	(0.1)	-	(0.1)
Translation of foreign subsidiary	-	-	-	-	0.1	-	0.1
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**0.1**	**7.2**	**7.3**
Transactions with owners:							
- Issue of ordinary shares	-	2.8	-	-	-	-	2.8
- Reduction in treasury shares	-	-	0.1	-	-	-	0.1
- Share-based payments charge	-	-	-	-	-	3.3	3.3
Total transactions with owners	**-**	**2.8**	**0.1**	**-**	**-**	**3.3**	**6.2**
Balance at 17 May 2015	**12.5**	**257.9**	**(51.7)**	**(116.2)**	**(0.2)**	**129.4**	**231.7**

Notes to the consolidated interim financial information

1 General information

Ocado Group plc (hereafter "the Company") is incorporated and domiciled in the United Kingdom (registration number 07098618). The address of its registered office is Titan Court, 3 Bishops Square, Hatfield, Hertfordshire, AL10 9NE. The consolidated interim financial information (hereafter "financial information") comprises the results of the Company and its subsidiaries (hereafter "the Group").

The financial period represents the 24 weeks ended 17 May 2015 (prior period 24 weeks ended 18 May 2014; prior financial year 52 weeks ended 30 November 2014).

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 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 30 November 2014 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 derivative financial instruments which have been measured at fair value.

The financial information has been prepared on the going concern basis, which assumes that the Company will continue to be able to meet its liabilities as they fall due for the foreseeable future.

3 Accounting policies

The accounting policies applied by the Group in these interim financial statements are substantially the same as those applied by the Group in its consolidated financial statements for the 52 weeks ended 30 November 2014. Whilst there have been a number of minor changes to standards which will become applicable for the financial year ending 29 November 2015, none have been assessed as having a significant impact on the Group.

Taxes on income in the interim periods are accrued using the tax rate that would 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 30 November 2014.

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 our 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 principal activities of the Group are currently managed as one segment. Consequently, all activities relate to this segment.

The chief operating decision-maker's main indicator of performance of the segment is EBITDA, which is reconciled to operating profit below the income statement.

5 Gross sales

	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
	(unaudited)	(unaudited)	(audited)
Revenue	507.7	429.7	948.9
VAT	30.5	28.7	66.3
Marketing vouchers	6.1	4.3	11.3
Gross sales	**544.3**	**462.7**	**1,026.5**

6 Finance income and costs

	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	0.1	0.2	0.4
Finance income	**0.1**	**0.2**	**0.4**
Borrowing costs			
- Obligations under finance leases	(4.2)	(3.5)	(8.7)
- Borrowings	(0.5)	(0.3)	(0.9)
Fair value movement on derivative financial instruments	-	0.2	0.1
Finance costs	**(4.7)**	**(3.6)**	**(9.5)**
Net finance costs	**(4.6)**	**(3.4)**	**(9.1)**

7 Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £40.0 million (1H 2014: £21.1 million). Of the current period additions of £40.0 million (1H 2014: £21.1 million), £nil (1H 2014: £0.9 million) relates to the initial sale of assets to MHE JVCo which was leased back and included in total additions. During the period, the Group acquired intangible assets of £1.7 million (1H 2014: £0.5 million) and internal development costs capitalised were £10.1 million (1H 2014: £6.6 million).

In the period the Group did not dispose of property, plant and equipment (1H 2014: £0.9 million). All of the prior period disposals related to the initial sale of assets of MHE JVCo which was subsequently leased back. During the period, the Group did not dispose of intangible assets (1H 2014: £11.5 million). At 17 May 2015, capital commitments contracted, but not provided for by the Group, amounted to £35.3 million (1H 2014: £20.1 million).

8 Borrowings and obligations under finance leases

	17 May 2015	18 May 2014	30 November 2014

	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Borrowings	3.6	3.9	4.4
Obligations under finance leases	32.9	29.8	26.5
	36.5	**33.7**	**30.9**
Non-current liabilities			
Borrowings	0.8	4.3	2.3
Obligations under finance leases	138.1	116.9	142.5
	138.9	**121.2**	**144.8**
Total Group borrowings and finance leases	**175.4**	**154.9**	**175.7**

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme which are accounted for as treasury shares.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares, namely share options, shares held pursuant to the Group's Joint Share Ownership Scheme and shares under the Group's staff incentive plans.

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

	24 weeks ended 17 May 2015	24 weeks ended 18 May 2014	52 weeks ended 30 November 2014
	million	million	million
	(unaudited)	(unaudited)	(audited)
Number of shares			
Issued shares at the beginning of the period	586.1	580.0	582.5
Weighted average effect of share options exercised in the period	0.4	1.3	2.1
Weighted average effect of treasury shares disposed of in the period	-	0.3	0.3
Weighted average number of shares at the end of the period for the purposes of basic earnings per share	586.5	581.6	584.9
Potentially dilutive share options and shares	31.1	37.9	29.4
Weighted average numbers of diluted ordinary shares	**617.6**	**619.5**	**614.3**
Earnings	£m	£m	£m
Profit for the period	**7.2**	**7.5**	**7.3**
	pence	pence	pence
Basic earnings per share	**1.23**	**1.28**	**1.24**
Diluted earnings per share	**1.17**	**1.20**	**1.18**

10 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. Other related party transactions with key management personnel made during the period related to the purchase of professional services and amounted to £3,000 (1H 2014: £3,000). 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 2014: £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:

	24 weeks ended 17 May 2015	24 weeks ended 18 May 2014	52 weeks ended 30 November 2014
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	0.1	-	-
- Consumables	0.1	0.1	0.4
	0.2	**0.1**	**0.4**

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 £3.8 million (1H 2014: £2.0 million).

At period end, the Group owed £25,000 to Paneltex (1H 2014: Group was owed £5,000 by Paneltex).

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

	24 weeks ended 17 May 2015	24 weeks ended 18 May 2014	52 weeks ended 30 November 2014
	£m	£m	£m
Sale and Leaseback Transaction†			
Capital contributions made to MHE JVCo	-	6.5	6.5
Reimbursement of supplier invoices paid on behalf of MHE JVCo	2.3	17.3	34.9
Lease of assets from MHE JVCo	-	0.9	31.0
Capital element of finance lease instalments paid to MHE JVCo	1.0	4.1	15.7
Interest element of finance lease instalments accrued or paid to MHE JVCo	2.9	2.4	5.4
	6.2	**31.2**	**93.5**

† The above disclosure of transactions with MHE JVCo is consistent with that set out in Ocado Group plc's Annual Report and Accounts for the 52 weeks ended 30 November 2014, in which additional disclosure was implemented. The disclosure of the comparative information for the 24 weeks ended 18 May 2014 has been updated for the additional disclosure.

Included within trade and other receivables is a balance of £4.3 million owed by MHE JVCo (1H 2014: £6.5 million).

Included within trade and other payables is a balance of £5.3 million owed to MHE JVCo (1H 2014: £4.3 million).

Included within obligations under finance leases is a balance of £129.8 million owed to MHE JVCo (1H 2014: £108.7 million).

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

11 Analysis of net debt

(a) Net debt

	17 May 2015	18 May 2015	30 November 2014
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Current assets			
Cash and cash equivalents	70.4	110.3	76.3

	70.4	110.3	76.3
Current liabilities			
Borrowings	(3.6)	(3.9)	(4.4)
Obligations under finance leases	(32.9)	(29.8)	(26.5)
	(36.5)	(33.7)	(30.9)
Non-current liabilities			
Borrowings	(0.8)	(4.3)	(2.3)
Obligations under finance leases	(138.1)	(116.9)	(142.5)
	(138.9)	(121.2)	(144.8)
Total net debt before non-current assets held for sale	(105.0)	(44.6)	(99.4)
Borrowings associated with non-current assets held for sale	-	-	-
Total net debt	**(105.0)**	**(44.6)**	**(99.4)**

Net external cash at the period end was £24.9 million (1H 2014: £64.1 million).

(b) Reconciliation of net cash flow to movement in net debt

	24 weeks ended 17 May 2015 £m	24 weeks ended 18 May 2014 £m	52 weeks ended 30 November 2014 £m
	(unaudited)	(unaudited)	(audited)
Net decrease in cash and cash equivalents	(5.9)	-	(34.2)
Exchange adjustments	-	(0.2)	-
Net decrease/(increase) in debt and lease financing	9.0	12.6	33.4
Non-cash movements:			
- Assets acquired under finance lease	(8.7)	(6.1)	(47.7)
Movement in net debt in the period	**(5.6)**	**6.3**	**(48.5)**
Opening net debt	(99.4)	(50.9)	(50.9)
Closing net debt	**(105.0)**	**(44.6)**	**(99.4)**

12 Post balance sheet events

There were no events after the balance sheet date which require adjustment to or disclosure in the financial information.

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 has identified the following principal risks and uncertainties to the successful operation of the business. These risks, along with the events in the financial markets and their potential impacts on the wider economy, remain those most likely to affect the Group in the second half of the year.

- Failure to maintain competitive pricing position
- A risk of decline in high service levels
- Failure to develop retail proposition to appeal to broader customer base and sustain growth rates
- A risk of delays in the implementation of new capacity for both Ocado and Morrisons
- Technological innovation supersedes our own and offers improved methods of food distribution to consumers or results in alternative grocery platform business models
- Failure to protect current technology and process and failure to ensure that our technology can be freely operated without infringing a third party's IP
- A risk of a food or product safety incident
- A risk of changes in regulations impacting our retail business model or the viability of OSP deals
- Failure of technology or data loss
- Business interruption
- A risk of unintentional infringement of competition legislation
- Failure to develop sufficient management and technology capability or capacity to deliver on all our strategic priorities

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 30 November 2014 on pages 32 to 35, a copy of which is available on the Group's corporate website, www.ocadogroup.com.

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 report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure 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, Legal & Business Affairs Director;
Duncan Tatton-Brown, Chief Financial Officer;
Mark Richardson, Operations Director;
Non-Executive Directors
Lord Rose, Chairman;
David Grigson, Senior Independent Director;
Ruth Anderson;
Robert Gorrie;
Jörn Rausing;
Douglas McCallum; and
Alex Mahon.

By order of the Board

Duncan Tatton-Brown
Chief Financial Officer

Neill Abrams
Legal & Business Affairs Director

30 June 2015

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