

## Half Yearly Report

RNS Number : 1135G  
Ocado Group PLC  
26 June 2012

### OCADO GROUP PLC

#### Half year results for the 24 weeks ended 13 May 2012

26 June 2012 - Ocado Group plc ("Ocado") today announces its unaudited results for the 24 weeks ended 13 May 2012.

#### Key financials

- Gross sales<sup>1</sup> increased 12.0% to £332.3 million (H1 2011: £296.7 million)
- EBITDA<sup>2</sup> increased by 4.5% to £14.9 million (H1 2011: £14.3 million)
- EBITDA margin<sup>3</sup> of 4.8% (H1 2011: 5.2%; H2 2011: 4.2%)
- Net debt at 13 May 2012 of £71.3 million (27 November 2011: £19.2 million)
- Cash and cash equivalents at 13 May 2012 of £65.4 million (27 November 2011: £92.1 million)

#### Statutory highlights

- Revenue increased 11.4% to £308.0 million (H1 2011: £276.6 million)
- Operating profit of £1.7 million (H1 2011: £2.4 million)
- Profit before tax of £0.2 million (H1 2011: £0.2 million)

#### Operational and strategic highlights

Increase in capacity, efficiency and resilience of the business:

- Capital investment continues to increase capacity and efficiency at our Hatfield Customer Fulfilment Centre ("CFC1") with average orders per week increasing by 13.0% to 122,000 (H1 2011: 108,000), and 138,000 orders in peak week
- At our Dordon Customer Fulfilment Centre ("CFC2"), equipment installation is advancing well; the project is on budget and expected to open in Q1 2013
- CFC and delivery efficiency improving:
  - o Efficiency, measured in units per hour ("UPH"), was 114 (H1 2011: 114; H2 2011: 109)
  - o Deliveries per van per week ("DPV/week") increased to 150 (H1 2011: 142)

Continue to improve our offer to customers:

- Broadening the range of products:
  - o 10% expansion of the range of groceries and non-food product lines to over 22,500 SKUs at the end of the period (27 November 2011: 20,000 and H1 2011: 21,300)
  - o Establishing the Ocado own label brand as a competitively priced offering which is now found in almost 80% of customer orders (H1 2011: 68%)
- Continuing to enhance mobile applications; mobile devices used in almost 24% of customer checkouts at the end of the period
- Maintained track record of market leading customer service:
  - o Items delivered exactly as ordered were 98.3% in the period (H1 2011: 98.0%)
  - o Deliveries on time or early were 93.2% in the period (H1 2011: 92.7%)

#### Tim Steiner, Chief Executive Officer of Ocado, said:

"The last six months has been all about delivering our plans to increase capacity, efficiency and range and enhancing our offer to customers. We have done that and improved the EBITDA margin to 4.8% from 4.2% in H2 2011. We continue to put in place the building blocks to deliver further improvements in the rest of this year and future periods. Ocado now offers a grocery range which compares favourably against all of the large physical supermarket groups, and we have continued to deliver new ideas and innovations to improve our offer to customers.

"We are pleased that sales growth was in line with market expectations. However, the grocery market and the general economic picture remain challenging and uncertain. The third quarter is particularly hard to forecast as we have already seen some disruption from the Jubilee events, and there is uncertainty as to the effect of the forthcoming Olympic Games, but we expect sales growth to increase in H2 2012 overall. More

customers of the big supermarket chains are shopping online. While we remain cautious about the general economic backdrop, we are well placed to attract a significant number of these new online shoppers as we continue to enhance our offer to customers."

### **Results presentation**

A results presentation will be held for investors and analysts at 9:30am today at the offices of M:Communications, 11th floor, 1 Ropemaker Street, London, EC2Y 9AW. Presentation material will be available online at [www.ocadogroup.com](http://www.ocadogroup.com).

### **Contacts**

- Tim Steiner, Chief Executive Officer on 020 7920 2330 today and 01707 228 000
- Richard Exact, Director of Finance & Risk on 020 7920 2330 today and 01707 228 000
- David Hardiman-Evans, Head of IR & Corporate Finance on 020 7920 2330 today and 01707 228 000
- Michelle Jenkins, Public Relations Manager on 01707 382 274
- Nick Miles, Ann-marie Wilkinson or Charlotte Kirkham at M:Communications on 020 7920 2330

### **Notes**

1. Gross sales includes revenue plus VAT and marketing vouchers.
2. EBITDA is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items.
3. EBITDA margin is calculated on revenue.

## **Operating review**

Ocado has made progress in increasing sales as we have expanded capacity steadily in the first half of the year. Gross sales grew by 12.0%, and we returned a profit before tax of £0.2 million. We have overcome most of the operational challenges we faced in the second half of 2011 with CFC1 now operating at record levels of capacity. At the same time we have continued to work hard on further developing our offer to customers to drive growth in demand for our service as the number of people shopping online for groceries continues to increase.

### **Capacity expansion and operating efficiency**

The new enhancements in CFC1 which went live towards the end of 2011 and in the first half of 2012, have started to improve operating efficiency and capacity. The highest number of orders delivered in a week exceeded 138,000 during the period, and peak day volumes ran consistently higher than during the constrained period in 2011. New picking capacity has been added to CFC1 during the period including a new large storage and picking machine which, once fully live, will have the capacity to both significantly extend our range, as well as to remove the remaining ambient manual trolley picking operations over the next half year, improving efficiency and capacity. As all the enhancements in CFC1 ramp up to maximum capacity, we shall progress towards taking capacity to 160,000 orders per week.

As a result of the warehouse enhancements implemented to date, we have reversed the negative trend in CFC efficiency. Using the UPH efficiency measure, the average for the period was 114, while the average in the last four weeks of the period was 122.

Work continues to advance well at CFC2. The installation of material handling equipment and the software development are progressing satisfactorily. The project remains on budget with systems testing commencing later this summer, and operations planned to commence in Q1 2013. The opening of CFC2 will transform the Group into a multi-warehouse operation and changes are underway in all areas of the business to support this expansion.

### **Delivery efficiency**

The enhancements to CFC1 have improved delivery efficiency which, when combined with the increasing scale of the business and previous upgrades to routing software, contributed to DPV/week increasing by nearly 6% to 150. During the period the peak was 165 DPV/week. On-time delivery performance and order accuracy also improved during the period to 93.2% and 98.3% respectively. We expect delivery efficiency to increase further as CFC efficiency continues to improve.

We added to our distribution network with the opening of our Oxford spoke in January, which is now delivering up to 4,000 orders per week.

### **Customer demand**

We are actively developing and improving our offer to customers, with specific focus on price and range initiatives and the quality of the service we offer.

Average order size during the period decreased by 0.9% to £113.10 (H1 2011: £114.09). While more customers are adopting the Ocado Delivery Pass, which can have the effect of increasing order frequency with a smaller average basket size, we are seeing a stabilising of the basket size with increasing range and a more sophisticated checkout process.

Our active customer base continued to grow to 337,000, as a broader set of customers who currently shop in store are finding it more appealing to move from physical stores to online.

### **Grocery range**

Since the start of the year, we have been extending our range. By the end of the period we offered over 22,500 products which we believe is a similar grocery range to our largest store-based competitors. The improvements to CFC1 should enable us to grow this range further in the remainder of 2012.

The Ocado own-label range is establishing itself as a competitively priced offering which is growing in popularity with almost 80% of baskets containing at least one Ocado own-label product, and several categories enjoying exceptional growth.

We have also continued to increase the number of specialist ranges including the introduction of Natoora, a supplier of high quality food produce and ingredients. We launched what we believe is Britain's largest "Free from" web shop offering specialist products for consumers in the gluten-free, sugar-free, lactose-free, egg-free, soya-free and nut-free categories. We will continue to grow the number of "Free from" SKUs, as well as launch additional specialist ranges, throughout the year.

### **Non-food development**

The development of our non-food business continues to make progress, with range extension in a number of categories including Home & Garden, Baby & Child, Health, Wellbeing, Pet and Toys. We expect the range to continue to expand over the remainder of the year as part of the increased capacity at CFC1 will be utilised for non-food expansion. We shall shortly commence the fit out of a non-food warehouse which will support our longer term growth in non-food. The cost of this will be less than £5 million and will be incurred over the next 12 months.

### **Price and value**

Delivering value to our customers is a priority and will remain so. We have increased the number of products on promotion, maintained our Tesco price match which we started in March 2008 and which now covers over 8,000 products, expanded the Ocado own-label range and continued the roll out of the Ocado Saving Pass.

Evidence suggests that our service appeals to a broader range of households, with those in the lower income bands showing the strongest growth.

### **Technology and innovation**

We introduced the latest version of our web shop, which brings further enhancements. Checkouts via mobile devices represented almost 24% by the end of the period. Ocado apps are now available across all major mobile operating systems. We continue to utilise our technology platform and expertise to both drive customer demand and enhance our service to the consumer. This is reflected in Ocado winning "Best use of M-Commerce" and "Best pure play Etailer - Large" awards at the 2012 Drapers Retail Week Etail Awards and "Supermarket of the Year" and "Best Online Retailer" at the Loved By Parents Awards. Developments in the period include a partnership with BBC Good Food and improving functionality with social media sites.

### **Board update**

I am delighted to announce that Duncan Tatton-Brown has accepted an offer to join Ocado as Chief Financial Officer, with effect from 1 September. Duncan has had a long career with very successful retail and consumer businesses, as CFO of B&Q, Kingfisher and Fitness First. He has worked in several international markets. We look forward to benefitting from his expertise and his stewardship of Ocado's finance function.

### **Current trading and outlook**

We achieved a double digit increase in gross sales during the period. The grocery market and the general economic picture remain challenging and uncertain. The third quarter is particularly hard to forecast as we have already seen some disruption from the Jubilee events, and there is uncertainty as to the effect of the forthcoming Olympic Games. However, the improvements that we are developing in CFC1, coupled with our constantly improving offer to customers, should lead to an increasing rate of sales growth in H2 2012 overall.

The remainder of 2012 will be spent continuing our existing strategy to improve our offer to customers, to ensure the latest capacity and efficiency improvements come through at CFC1, and to progress the CFC2 project into the testing and commissioning phase.

Despite the backdrop of the weak UK economy and softer retail sector sales, we have continued to see the online grocery market developing and growing as more customers migrate from shopping in stores to online. We believe Ocado is well positioned in this growing segment with its market-leading offer in online grocery shopping.

## Financial review

Sales growth has been achieved in a marketplace which continues to be highly sensitive to price and promotional activity. Underlying operational improvements are starting to be realised, driven by both increased capacity and programmed enhancements.

Gross sales increased 12.0% with EBITDA margin as a percentage of revenue at 4.8% versus 5.2% in H1 2011, reflecting the focus on ensuring the underlying operational constraints to growth have been addressed in full. This provides a platform for increased growth going forward.

The balance sheet remains strong with net assets of £172.3 million (27 November 2011: £175.6 million). The cash balance is £65.4 million with net debt of £71.3 million.

With continuing top line growth, combined with expanding capacity and improving efficiency, Ocado remains in a strong position to improve its offer to customers in what will remain a highly competitive market.

### Revenue

Gross sales increased by 12.0% to £332.3 million due to a 13.0% increase in orders per week offset by a reduction of 0.9% in average order size. The number of active Ocado customers increased by 19.1% to 337,000.

Revenue increased by 11.4% to £308.0 million with spend on marketing vouchers as a percentage of revenue up 50 basis points at £5.5 million; an uplift of £2.0 million year on year as the switch from below the line marketing activity continues, with non-voucher marketing costs as a percentage of revenue down 30 basis points.

### Gross profit

Gross profit was £93.8 million, at 30.5% of revenue reflecting a reduction of 30 basis points year on year. This reduction is attributable to increased voucher activity offset by higher margins from both efficiencies in procurement and sales of non-food lines. This margin dilution has been mitigated by a 10 basis point increase in other income outlined below.

Other income has increased by 17.9% to £6.5 million, predominantly driven by the increase in media funding ahead of revenue growth as we continue to work closely with our suppliers.

### Operating costs

Distribution costs at £77.1 million increased as a percentage of revenue to 25.0% (H1 2011: 24.7%). The two major components of distribution costs are CFC costs and trunking and delivery costs. CFC1 costs increased by 20 basis points to 10.9% of revenue (H1 2011: 10.7%). Additional management resources were added to implement new projects which have helped to increase operational efficiencies in the latter part of the period. CFC1 depreciation increased due to new capital projects going live in the period. Trunking and delivery costs increased by 10 basis points to 13.0% of revenue (H1 2011: 12.9%). The additional costs of expanding the spoke network and inflationary pressures on fuel cost exceeded the improvements in delivery efficiencies during the period.

Administrative expenses, including marketing costs, increased by 6.9% to £21.2 million, and reflect a reduction of 30 basis points as a percentage of revenue to 6.9%, attributable to lower (non-voucher) marketing activity as explained above.

Exceptional costs at £0.3 million related to the pre-opening phase of CFC2, and consisted primarily of employment and other operating costs.

### Operating profit

Operating profit for the period was £1.7 million, compared to £2.4 million in H1 2011. This is due to the net increase in marketing costs, higher distribution costs and exceptional costs in the period.

### Net finance costs

Net finance costs of £1.6 million are £0.6 million below H1 2011, with the additional interest costs associated with drawdowns from the £100 million credit facility now being capitalised to property, plant and equipment to the extent that drawdowns directly finance qualifying assets.

### Profit before tax

Profit before tax for the period was £0.2 million which is in line with H1 2011. Profit before tax and exceptional items was £0.4 million (H1 2011: £0.2 million).

#### **Taxation**

There is no further tax credit to be recognised in the period (H1 2011: £1.9 million). Ocado had approximately £273 million of unutilised carried forward tax losses at the end of the period.

#### **Earnings per share**

Basic and diluted earnings per share decreased to 0.03p (H1 2011: 0.40p) due to a deferred tax credit of £1.9 million being recognised in H1 2011.

#### **Cashflow**

Net operating cashflow before finance costs decreased to £14.7 million, down 2.2% from £15.0 million in H1 2011. The net movement in working capital was an outflow of £0.5 million (H1 2011: inflow of £0.5 million). The inflow attributable to trade and other receivables was due to the receipt of large VAT amounts outstanding at the previous year end and a reduction in trade receivables, offset to an extent by an increase in accrued income due to timing of invoicing cycles relating to other income. The increase in trade and other payables arose primarily from capital projects in progress.

#### **Balance sheet**

The Group had cash and cash equivalents of £65.4 million at the period end; as anticipated this reflected a reduction from the balance of £92.1 million at 27 November 2011, as the Group continues its investment programme in expanding capacity in CFC1 and constructing CFC2. The Group had net debt of £71.3 million at 13 May 2012 (27 November 2011: £19.2 million) reflecting continued drawdowns on the Group's £100 million credit facility due to the high levels of capital investment in the period. Total undrawn facilities at 13 May 2012, including this facility, were £46.7 million (27 November 2011: £78.8 million).

The £100 million credit facility referred to above contains covenants in respect of net debt, gross debt and interest cover. The Group regularly reports to and meets with its key lenders to ensure that they are fully informed of the current business performance and future financing.

During the next twelve months the net debt covenant is considered to be the most sensitive to EBITDA growth. As development of CFC2 continues, together with investment to increase the capacity of CFC1, the net debt position of the Group increases, thereby reducing the available headroom on the net debt covenant, until CFC2 is operational.

The Board continues to monitor rolling forecasts of the Group's liquidity position, including a range of precautionary growth scenarios and potential mitigating actions, to ensure that the Group has sufficient cash to meet operational needs whilst maintaining sufficient headroom on its committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. The Board continues to monitor the timing and amounts of uncommitted capital projects. Expenditure on these capital projects and other discretionary expenditure can be delayed if the Group is performing at the lower end of the range of these scenarios.

The Directors are satisfied that the existing facilities provide sufficient funding for the Group to operate for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

No interim dividend has been declared.

#### **Capital investment**

In the period Ocado invested £71.4 million in capital items, an increase of 50.1% on the comparative period. Of this amount, £9.0 million was spent on projects at the existing CFC1 on capacity and resiliency projects. CFC2 expenditure in H1 2012 was £49.7 million and remains on budget. The capital spend on phase 1 of the CFC2 construction, which enables an initial capacity of 120,000 orders, is now 65% complete.

Investment in new vehicles in the period was £2.9 million. As the Group continues to develop the majority of its own software, a further £5.4 million of internal development costs were capitalised as intangible assets.

#### **Key performance indicators**

The following table sets out a summary of selected unaudited operating information for H1 2012 and H1 2011:

	H1 2012 (unaudited)	H1 2011 (unaudited)	Change
Average order size (£) <sup>(1)</sup>	£113.10	£114.09	(0.9)%
Average orders per week	122,000	108,000	13.0%

CFC efficiency (units per hour) <sup>(2)</sup>	114	114	--
Average deliveries per van per week (DPV/week)	150	142	5.6%
Average product wastage (% of revenue) <sup>(3)</sup>	0.73%	0.67%	n/a
Items delivered exactly as ordered <sup>(4)</sup>	98.3%	98.0%	n/a
Deliveries on time or early	93.2%	92.7%	n/a

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

(1) Average retail value of goods a customer receives (including VAT and delivery charge) per order.

(2) Measured as units dispatched from the CFC per hour worked by CFC operational personnel.

(3) Value of products purged for having passed Ocado's "use by" life guarantee, divided by revenue.

(4) Percentage of all items delivered exactly as ordered, i.e. the percentage of items neither missing nor substituted.

### Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations 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 referred to in these forward-looking statements. They appear in a number of places throughout this announcement and include statements regarding our intentions, beliefs or current expectations and those of our officers, directors and employees concerning, amongst other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the business we operate. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

### Consolidated income statement

for the 24 weeks ended 13 May 2012

	Notes	24 weeks ended 13 May 2012 £'000 (unaudited)	24 weeks ended 15 May 2011 £'000 (unaudited)	52 weeks ended 27 November 2011 £'000 (audited)
<b>Revenue</b>	5	308,040	276,618	598,309
Cost of sales		(214,233)	(191,642)	(413,551)
<b>Gross profit</b>		93,807	84,976	184,758
Other income		6,479	5,496	12,550
Distribution costs		(77,117)	(68,299)	(151,725)
<b>Operating profit before administrative expenses and exceptional items</b>		23,169	22,173	45,583
Administrative expenses		(21,172)	(19,801)	(44,511)
Exceptional items	6	(258)	-	-
<b>Operating profit</b>		1,739	2,372	1,072
Finance income	7	266	614	1,168
Finance costs	7	(1,824)	(2,812)	(4,663)
<b>Profit/(loss) before tax</b>		181	174	(2,423)
Taxation	8	-	1,920	1,920
<b>Profit/(loss) for the period</b>		181	2,094	(503)
<b>Earnings/(loss) per share</b>		pence	pence	pence
Basic and diluted	11	0.03	0.40	(0.10)

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

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Operating profit	1,739	2,372	1,072
Adjustments for:			
Depreciation of property, plant and equipment	10,168	9,602	21,261
Amortisation expense	2,755	2,310	5,460
Impairment of property, plant and equipment	-	-	76
Exceptional items	258	-	-
<b>EBITDA</b>	<b>14,920</b>	<b>14,284</b>	<b>27,869</b>

**Consolidated statement of comprehensive income**

for the 24 weeks ended 13 May 2012

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
<b>Profit/(loss) for the period</b>	<b>181</b>	<b>2,094</b>	<b>(503)</b>
<b>Other comprehensive (expense)/ income:</b>			
Cash flow hedges			
- (Losses)/gains arising on forward foreign exchange contracts	(1,628)	673	568
- Losses arising on interest rate swaps	(55)	-	(52)
- Losses/(gains) transferred to property, plant and equipment	295	(229)	(1,232)
Foreign exchange loss on translation of foreign subsidiary	-	(3)	(1)
Other comprehensive (expense)/income for the period net of tax	(1,388)	441	(717)
<b>Total comprehensive (expense)/ income for the period</b>	<b>(1,207)</b>	<b>2,535</b>	<b>(1,220)</b>

**Consolidated balance sheet**

as at 13 May 2012

		13 May 2012	15 May 2011	27 November 2011
	Notes	£'000	£'000	£'000
		(unaudited)	(unaudited)	(audited)
<b>Non-current assets</b>				
Intangible assets	9	16,528	9,352	13,233
Property, plant and equipment	9	249,258	134,373	194,114
Deferred tax asset		9,615	9,220	9,615
Available-for-sale financial asset		395	395	395
		<b>275,796</b>	<b>153,340</b>	<b>217,357</b>

<b>Current assets</b>				
Inventories		14,003	11,324	14,310
Trade and other receivables		35,396	31,951	37,885
Derivative financial instruments		6	446	11
Cash and cash equivalents	13	65,401	123,615	92,102
		114,806	167,336	144,308
<b>Total assets</b>		<b>390,602</b>	<b>320,676</b>	<b>361,665</b>
<b>Current liabilities</b>				
Trade and other payables		(78,067)	(69,861)	(75,555)
Borrowings	10	(3,056)	(3,901)	(3,270)
Obligations under finance leases	10	(20,536)	(18,873)	(19,643)
Derivative financial instruments		(1,616)	-	(318)
Provisions		(881)	(373)	(686)
		(104,156)	(93,008)	(99,472)
<b>Net current assets</b>		<b>10,650</b>	<b>74,328</b>	<b>44,836</b>
<b>Non-current liabilities</b>				
Borrowings	10	(76,505)	(6,982)	(45,793)
Obligations under finance leases	10	(36,575)	(44,507)	(42,561)
Provisions		(640)	(554)	(555)
Deferred tax liability		(395)	-	(395)
		(114,115)	(52,043)	(89,304)
<b>Net assets</b>		<b>172,331</b>	<b>175,625</b>	<b>172,889</b>
<b>Equity</b>				
Share capital		11,174	11,083	11,167
Share premium		214,116	206,881	213,783
Treasury shares reserve		(53,805)	(47,497)	(53,805)
Reverse acquisition reserve		(116,230)	(116,230)	(116,230)
Other reserves		(1,379)	1,167	9
Retained earnings		118,455	120,221	117,965
<b>Total equity</b>		<b>172,331</b>	<b>175,625</b>	<b>172,889</b>

**Consolidated statement of cash flows**  
for the 24 weeks ended 13 May 2012

	Notes	24 weeks ended 13 May 2012 £'000 (unaudited)	24 weeks ended 15 May 2011 £'000 (unaudited)	52 weeks ended 27 November 2011 £'000 (audited)
<b>Cash flow from operating activities</b>				
Profit/(loss) before tax		181	174	(2,423)
Adjustments for:				
- Depreciation of property, plant and equipment		10,168	9,602	21,261
- Amortisation expense		2,755	2,310	5,460
- Impairment of property, plant and equipment		-	-	76
- (Profit)/loss on disposal of property, plant and equipment		(32)	-	38
- Provision for dilapidations expense		75	108	201
- Provision for insurance claims		205	258	479



- Share-based payments charge	309	255	596
- Foreign exchange movements	(19)	(370)	(265)
- Finance income	7	(266)	(1,168)
- Finance costs	7	1,824	4,663
Changes in working capital:			
- Movement in inventories	307	1,156	(1,830)
- Movement in trade and other receivables	2,320	(13,244)	(17,769)
- Movement in trade and other payables	(3,133)	12,572	17,048
<b>Cash generated from operations</b>	<b>14,694</b>	<b>15,019</b>	<b>26,367</b>
Interest paid	(2,849)	(2,873)	(6,219)
<b>Net cash flows from operating activities</b>	<b>11,845</b>	<b>12,146</b>	<b>20,148</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(55,054)	(36,625)	(105,184)
Proceeds from sale of property, plant and equipment	32	-	-
Purchase of intangible assets	(6,050)	(3,593)	(8,980)
Decrease in short-term investment	-	30,000	30,000
Interest received	436	473	949
<b>Net cash flows from investing activities</b>	<b>(60,636)</b>	<b>(9,745)</b>	<b>(83,215)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary share capital net of transactions costs	340	1,046	1,248
Proceeds from borrowings	32,255	-	39,291
Repayment of borrowings	(1,757)	(1,173)	(2,284)
Proceeds from asset based financing arrangements	1,888	3,864	9,889
Repayments of obligations under finance leases	(10,146)	(8,228)	(19,013)
Settlement of forward foreign exchange contracts	(509)	696	1,134
<b>Net cash flows from financing activities</b>	<b>22,071</b>	<b>(3,795)</b>	<b>30,265</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(26,720)</b>	<b>(1,394)</b>	<b>(32,802)</b>
Cash and cash equivalents at the beginning of the period	92,102	124,639	124,639
Exchange adjustments	19	370	265
<b>Cash and cash equivalents at the end of the period</b>	<b>65,401</b>	<b>123,615</b>	<b>92,102</b>

### Consolidated statement of changes in equity for the 24 weeks ended 13 May 2012

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 27 November 2011</b>	11,167	213,783	(53,805)	(116,230)	9	117,965	172,889
Profit for the period	-	-	-	-	-	181	181

Other comprehensive (expense)/income:							
Cash flow hedges							
Losses arising on forward foreign exchange contracts	-	-	-	-	(1,628)	-	(1,628)
Losses arising on interest rate swaps	-	-	-	-	(55)	-	(55)
Losses transferred to property, plant and equipment	-	-	-	-	295	-	295
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(1,388)	181	(1,207)
Transactions with owners:							
Issue of ordinary shares	7	333	-	-	-	-	340
Disposal of treasury shares	-	-	-	-	-	-	-
Share-based payments charge	-	-	-	-	-	309	309
<b>Total transactions with owners</b>	7	333	-	-	-	309	649
<b>Balance at 13 May 2012 (unaudited)</b>	11,174	214,116	(53,805)	(116,230)	(1,379)	118,455	172,331

**Consolidated statement of changes in equity (continued)**  
for the 24 weeks ended 13 May 2012

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 28 November 2010</b>	11,068	206,094	(47,741)	(116,230)	726	117,872	171,789
Profit for the period	-	-	-	-	-	2,094	2,094
Other comprehensive income/(expense):							
Cash flow hedges							
Gains arising on forward foreign exchange contracts	-	-	-	-	673	-	673
Gains transferred to property, plant and equipment	-	-	-	-	(229)	-	(229)
Translation of foreign subsidiary	-	-	-	-	(3)	-	(3)
<b>Total comprehensive income for the period</b>	-	-	-	-	441	2,094	2,535
Transactions with owners:							
Issue of ordinary shares	15	750	-	-	-	-	765
Disposal of treasury shares	-	37	244	-	-	-	281
Share-based payments charge	-	-	-	-	-	255	255
<b>Total transactions with owners</b>	15	787	244	-	-	255	1,301
<b>Balance at 15 May 2011 (unaudited)</b>	11,083	206,881	(47,497)	(116,230)	1,167	120,221	175,625
Loss for the period	-	-	-	-	-	(2,597)	(2,597)

Other comprehensive (expense)/income:								
Losses arising on forward foreign exchange contracts	-	-	-	-	(105)	-	(105)	
Losses arising on interest rate swaps	-	-	-	-	(52)	-	(52)	
Gains transferred to property, plant and equipment	-	-	-	-	(1,003)	-	(1,003)	
Translation of foreign subsidiary	-	-	-	-	2	-	2	
<b>Total comprehensive expense for the period</b>	-	-	-	-	(1,158)	(2,597)	(3,755)	
Transactions with owners:								
Issue of ordinary shares	84	6,902	(6,308)	-	-	-	678	
Share-based payments charge	-	-	-	-	-	341	341	
<b>Total transactions with owners</b>	84	6,902	(6,308)	-	-	341	1,019	
<b>Balance at 27 November 2011</b>	11,167	213,783	(53,805)	(116,230)	9	117,965	172,889	

## 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 13 May 2012 (prior period 24 weeks ended 15 May 2011; prior financial year 52 weeks ended 27 November 2011).

### 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 Services 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 27 November 2011 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](http://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 thousand (£000s) unless otherwise stated. It has been prepared under the historical cost convention, except for derivative financial instruments and share-based payments that 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. The basis for this is explained further in the financial review.

### 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 27 November 2011. Whilst there have been a number of minor changes to standards which become applicable for the financial year ending 2 December 2012, 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 27 November 2011.

#### 4 Segmental reporting

The Group's principal activity is that of grocery retailing, derived solely from the UK. The Group is not reliant on any major customer for 10% or more of its revenue.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required under 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 activity of the Group is managed as one segment. The Group does not split its activities into any further regional or product subdivisions in its internal management reporting, as any such split would not provide the Group's management with any meaningful information. Consequently, all activities relate to this one 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 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revenue	308,040	276,618	598,309
VAT	18,772	16,597	36,508
Marketing vouchers	5,460	3,451	7,983
Gross sales	332,272	296,666	642,800

#### 6 Exceptional items

Exceptional costs of £0.3 million were incurred during the period. These costs were directly attributable to the pre-opening phase of CFC2, and consisted primarily of employment and other operating costs.

#### 7 Finance income and costs

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Interest on cash balances and short-term investment	266	613	1,164
Other interest	-	1	4
<b>Finance income</b>	<b>266</b>	<b>614</b>	<b>1,168</b>
Borrowing costs			
- Bank loans and overdrafts	(4)	(28)	(17)
- Obligation under finance leases	(1,410)	(1,938)	(4,080)
- Borrowings	(1,778)	(845)	(957)
Capitalised borrowing costs	1,501	-	552

Fair value movement on derivative financial instruments	(133)	(1)	(161)
<b>Finance costs</b>	(1,824)	(2,812)	(4,663)
<b>Net finance costs</b>	(1,558)	(2,198)	(3,495)

## 8 Taxation

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Recognised in the income statement			
Current tax:			
UK corporation tax on profits for the period	-	-	-
Adjustments in respect of prior periods	-	-	-
<b>Total current tax</b>	-	-	-
Deferred tax:			
Recognition of tax losses	-	(1,920)	(1,920)
<b>Total deferred tax</b>	-	(1,920)	(1,920)
<b>Income tax credit</b>	-	(1,920)	(1,920)

An effective income tax rate of 24.67% is expected to apply to the Group for the 52 weeks to 2 December 2012, as permitted by IAS 34 'Interim Financial Reporting'. Subsequent changes in the rate of corporation tax have not yet been substantively enacted.

Deferred tax has been provided at 24.00% as the asset is expected to be realised on or after 1 April 2012.

## 9 Capital expenditure and commitments

During the period there were additions to property, plant and equipment of £65.3 million (15 May 2011: £43.9 million). Additions to intangible assets amounted to £0.7 million (15 May 2011: £0.7 million) and internal development costs capitalised to £5.4 million (15 May 2011: £2.9 million).

In the period there were disposals of property, plant and equipment with a book value of £nil (15 May 2011: £nil). There were no disposals of intangible assets during the period (15 May 2011: £nil). At 13 May 2012, capital commitments contracted, but not provided for by the Group, amounted to £64.1 million (15 May 2011: £73.7 million). Of this amount, £49.8 million (15 May 2011: £60.8 million) relates to property, plant and equipment and building costs for CFC2.

## 10 Borrowings and obligations under finance leases

	13 May 2012	15 May 2011	27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Current liabilities</b>			
Borrowings	3,056	3,901	3,270
Obligations under finance leases	20,536	18,873	19,643
	23,592	22,774	22,913
<b>Non-current liabilities</b>			
Borrowings	76,505	6,982	45,793
Obligations under finance leases	36,575	44,507	42,561
	113,080	51,489	88,354
<b>Total borrowings and finance leases</b>	136,672	74,263	111,267

## 11 Earnings/(loss) per share

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

Diluted earnings/(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 two categories of potentially dilutive shares, namely share options and shares held pursuant to the Group's Joint Share Ownership Scheme. The effect of adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares did not have a material effect on the reported earnings per share for the current and comparative periods. Potential ordinary shares were not taken into account for 52 weeks ended 27 November 2011 as their effect would have been anti-dilutive.

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	000s (unaudited)	000s (unaudited)	000s (audited)
Issued shares at the beginning of the period	521,895	520,959	520,959
Effect of share options exercised in the period	253	386	619
Effect of treasury shares disposed of in the period	-	38	105
Weighted average number of shares at the end of the period	522,148	521,383	521,683
	£'000	£'000	£'000
Profit/(loss) attributable to the owners of the Company	181	2,094	(503)
	pence	pence	pence
Basic and diluted earnings/(loss) per share	0.03	0.40	(0.10)

## 12 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. All transactions are on an arm's length basis and no period end balances have arisen as a result of these transactions.

At the end of all periods key management did not owe the Group any amounts.

In addition to his role as a Non-Executive Director, Robert Gorrie provides consultancy services to the Group and chairs the meetings of the Ocado employee council. He provides these services through Robert Gorrie Limited (of which he is the sole shareholder) and is paid a per diem fee for these services, as shown in the table below. There were no other material transactions or balances between the Group and its key management personnel or members of their close family.

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Purchase of professional services</b>			
- Non-Executive Directors	3	7	9
	3	7	9

### 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 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Sale of goods</b>			
- Plant and machinery	(4)	41	34
- Other	-	-	2
<b>Total sale of goods</b>	<b>(4)</b>	<b>41</b>	<b>36</b>
<b>Purchase of goods</b>			
- Plant and machinery	37	3	32
- Consumables	88	74	167
<b>Total purchase of goods</b>	<b>125</b>	<b>77</b>	<b>199</b>
<b>Amounts payable at the end of the period</b>	<b>14</b>	<b>23</b>	<b>24</b>

The following indirect transactions were carried out with Paneltex Limited:

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Purchase of goods</b>			
- Plant and machinery	1,215	2,801	3,664

Indirect transactions comprise the value of the Group's transactions with Paneltex Limited which are included in amounts of finance obtained from some of the Group's finance lease counterparties.

### 13 Analysis of net (debt)/cash

#### (a) Net (debt)/cash

	13 May 2012	15 May 2011	27 November 2011
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
<b>Current assets</b>			
Cash and cash equivalents	65,401	123,615	92,102
	65,401	123,615	92,102
<b>Current liabilities</b>			
Borrowings	(3,056)	(3,901)	(3,270)
Obligations under finance leases	(20,536)	(18,873)	(19,643)
	(23,592)	(22,774)	(22,913)
<b>Non-current liabilities</b>			
Borrowings	(76,505)	(6,982)	(45,793)

Obligations under finance leases	(36,575)	(44,507)	(42,561)
	(113,080)	(51,489)	(88,354)
<b>Total net (debt)/cash</b>	<b>(71,271)</b>	<b>49,352</b>	<b>(19,165)</b>

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

	24 weeks ended 13 May 2012	24 weeks ended 15 May 2011	52 weeks ended 27 November 2011
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Net decrease in cash and cash equivalents	(26,720)	(1,394)	(32,802)
Exchange adjustments	19	370	265
Decrease in short-term investment	-	(30,000)	(30,000)
Net (increase)/decrease in debt and lease financing	(21,731)	4,841	(27,883)
Non-cash movements:			
- Assets acquired under finance lease	(3,165)	(5,686)	(9,270)
Settlement of forward foreign exchange contracts	(509)	696	-
<b>Movement in net (debt)/cash in the period</b>	<b>(52,106)</b>	<b>(31,173)</b>	<b>(99,690)</b>
Opening net (debt)/cash	(19,165)	80,525	80,525
<b>Closing net (debt)/cash</b>	<b>(71,271)</b>	<b>49,352</b>	<b>(19,165)</b>

#### 14 Post balance sheet events

There are no post balance sheet events which require amendment to or disclosure in these financial statements.

#### 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 principal risks and uncertainties set out in Ocado Group plc's Annual Report and accounts for the 52 weeks ended 27 November 2011 remain as those that may have an adverse impact on the Group's operation or performance for the balance of the 53 weeks ending on 2 December 2012. These principal risks and uncertainties can be summarised as follows:

- Strategy - expansion of CFC1 and construction of CFC2; expansion of non-food product range;
- Operational - reliance on a single CFC;
- Relationship with third parties - the sourcing agreement with Waitrose;
- IT - IT systems; IT security and fraud; intellectual property rights;
- Financing - funding for capital expenditure; liquidity; exchange rate, interest rate and commodity fluctuations;
- Staff - key management, staff retention and recruitment;
- Risks relating to the industry - competition and the online grocery market; UK and global economic conditions; and
- Regulation and safety - health and safety law; product safety; governmental regulation.

For more information on the above principal risks and uncertainties and how the Group mitigates these risks refer to pages 18 to 23 of the Annual Report and accounts for the 52 weeks ended 27 November 2011, a copy of which is available on the Group's corporate website, [www.ocadogroup.com](http://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;  
Jason Gissing, Commercial Director;  
Neill Abrams, Legal and Business Affairs Director;  
Mark Richardson, Operations Director;

**Non-Executive Directors**

Michael Grade, Chairman;  
David Grigson, Senior Independent Director;  
Ruth Anderson;  
Robert Gorrie;  
Jörn Rausing;  
Douglas McCallum;  
Wendy Becker; and  
Alex Mahon.

Andrew Bracey resigned from the Board on 23 March 2012. Acting in the capacity of Chief Financial Officer is Richard Exact, Director of Finance & Risk. David Young resigned from the Board at the AGM, on 23 May 2012. Wendy Becker joined the Board on 30 March 2012, and Alex Mahon joined on 1 June 2012.

By order of the Board

**Tim Steiner**

Chief Executive Officer

**Neill Abrams**

Legal and Business Affairs Director

26 June 2012

**Independent review report to Ocado Group plc****Introduction**

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 13 May 2012, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

**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 and Transparency Rules of the United Kingdom's Financial Services 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 consolidated 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 consolidated financial statements in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'

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

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 13 May 2012 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
St Albans

26 June 2012

This information is provided by RNS  
The company news service from the London Stock Exchange

END

IR SEMFWIFESEDM