Half Yearly Report

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Ocado Group PLC
01 July 2014

OCADO GROUP PLC

Half year results for the 24 weeks ended 18 May 2014

1 July 2014

Key financial and statutory highlights

	24 weeks ended 18 May 2014 £m	24 weeks ended 19 May 2013 £m	% Change
Gross sales[1] (Retail)	442.4	382.7	15.6%
Revenue	429.7	355.9	20.7%
EBITDA[2]	34.3	19.2	78.6%
Profit/(loss) before tax before exceptional items	7.5	(1.0)	-
Cash and cash equivalents	110.3	63.0	-
Net external cash/(debt)[3]	64.1	(74.6)	-

Ocado continues to deliver on its strategic objectives

Developing our proposition to customers
- Industry leading service levels for on time delivery and in full orders improved further with on time deliveries 95.7% (1H 2013: 94.4%) and order accuracy 99.2% (1H 2013: 98.9%)
- Range at Ocado.com now over 35,000 SKUs (1H 2013: over 31,000 SKUs) with an additional 8,000 SKUs offered at Fetch.co.uk, now available to all our delivery catchments
- Price initiatives, including LPP ("Low Price Promise"), continued to improve our actual price position versus our reference competitor

Growing customer numbers and spend
- Active customers increased to 396,000 (1H 2013: 360,000)
- New customer acquisition maintained with lower marketing spend
- Average basket in period £114.43 (1H 2013: £114.90)

Optimising operations
- Efficiency in both Hatfield and Dordon CFCs ("Customer Fulfilment Centre") improved. Hatfield CFC UPH increased to 142 (1H 2013: 132 UPH), with Dordon UPH exceeding Hatfield UPH for the first time towards the end of the period
- Delivery performance improved to 163 DPV/week (1H 2013: 158 DPV/week)

Enhancing capital efficiency of future capacity
- Site secured for next CFC, with works due to commence 2H 2014 on a smaller modular CFC design for Ocado's sole use, subject to planning
- Additional capacity expansion in Dordon CFC underway and due to be substantially complete during 2H 2014
- One additional spoke opened in the period increasing our delivery capacity, with more to follow in 2H 2014
- New unsecured 3 year working capital facility of £100m agreed to support our UK expansion

Developing and leveraging our proprietary intellectual property
- Morrisons.com successfully launched on 10 January 2014 and ramping up smoothly
- IT systems replatforming project and next generation fulfilment solution progressing well

Tim Steiner, Chief Executive Officer of Ocado, said:
"The online grocery market continued to outperform the traditional bricks and mortar supermarkets, with the overall rate of growth currently impacted by subdued and cautious consumer spending. At the same time, Ocado outperformed its key online grocery competitors.

"Although price competition increased, led by the traditional supermarket retailers, significant progress in operating efficiency and the development of our product offer meant that EBITDA was up almost 80% in the period. This was achieved despite increased investment in Ocado's strategic opportunities for the UK and overseas.

"The first half of the year was very busy for us as we continued to improve our proposition to customers, including the further expansion of our range and improvements to the user interface. Our specialist online pet store, Fetch, is growing at a significant pace as are sales of our Ocado own-label range, which were up over 50% in the period.

"The successful launch of Morrisons.com was particularly encouraging and paves the way for future agreements to commercialise the value of our intellectual property. We continue to invest to take advantage of partnership opportunities in the future as the demand for online grocery shopping increases internationally. Our IT projects to improve the platform and increase fulfilment capability are progressing well and position us to benefit from these future opportunities.

"We expect that our retail business will continue growing broadly in line with, or slightly ahead of, the online grocery market."

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 2BB. Presentation material will be available online at www.ocadogroup.com.
This presentation will be webcast and can be viewed at http://ocadogroup.com/investor-centre/hy14-half-year-results-webcast.aspx.

Contacts
Tim Steiner, Chief Executive Office on 020 7353 4200 today and 01707 228 000
Duncan Tatton-Brown, Chief Financial Officer on 020 7353 4200 today and 01707 228 000
David Hardiman-Evans, Head of IR & Corporate Finance on 020 7353 4200 today and 01707 228 000
Andrew Grant, David Shriver, Katharine Wynne at Tulchan Communications on 020 7353 4200

Notes
1. Gross sales include 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. Net external cash/(debt) excludes debt owing to MHE JV Co Limited

Chief Executive Officer's review

Against the backdrop of a subdued and ever more competitive grocery market, we have continued to make progress in each of our strategic objectives of driving growth, maximising our efficiency, and utilising our knowledge.

Strategic objectives
We drive shareholder value through the application of our proprietary intellectual property and technology to our retail businesses and operating platform, and from commercialisation of value from this platform. In order to deliver this value we develop our strategic objectives through a number of complementary actions:

- Developing our proposition to customers to retain our market leading position in terms of service, range and price;
- Growing customer numbers and spend - building an ever growing base of loyal and valuable customers;
- Optimising operations to lower our operating costs;
- Enhancing the capital efficiency of future capacity and driving scale benefits; and
- Developing, leveraging and commercialising our proprietary intellectual property and technology to generate significant value.

Developing our proposition to customers
We have continued to improve the key elements of our proposition to customers - our high quality service, the selection of products we offer, and consumers' confidence in our prices. We expect to accelerate the pace of change to our proposition following the increased resources we plan to add during the second half of the year.

We were rated number one in the Online Supermarkets category in a recent Which? "UK's best and worst supermarkets" satisfaction survey, reflecting our continuing focus on improving our customers' experience of shopping with us.

A high quality and reliable delivery service is critical to consumers adopting the online channel for their grocery shopping. We believe our customer delivery service remains market leading in the accuracy of orders and on time performance. Orders delivered on time or early improved to 95.7% (1H 2013: 94.4%) and order accuracy also improved to 99.2% (1H 2013: 98.9%) during the period.

We recognise the importance of the shopping experience for existing and potential new customers. We continued to improve the speed, convenience and usability of our service for our customers with the introduction of segmented search and improvements in our recommendations engine to assist customers in selecting products faster from an ever-growing range. Smart Pass, our membership scheme which combines free delivery, everyday discounts on a range of brands, priority Christmas Delivery slots and exclusive discounts, continued to be a popular choice for customers with the majority of our sales coming from customers who have a Smart Pass. We remain at the forefront of the mobile shopping trend, with over 45% of all orders delivered now checked out over a mobile device and mobile apps accounting for over 35% of all checkouts. We plan to launch a mobile version of our website in the next few months to complement our mobile offering.

Our range at Ocado.com is now over 35,000 products including everyday items, our own brand, more non-food and additional specialist ranges. These include extensions to our New Zealand and Australian selections, and the introduction of Carrefour nappies filling the gap created following the withdrawal of Huggies nappies from the UK market.

The Ocado own-label continues to grow in popularity with sales up over 50% over the equivalent period last year, and the average basket now containing over 5 Ocado own-label products.

Our non-food range has grown over 40% during the period, with over 30% of baskets now containing at least one non-food item, reflecting the appeal to customers of having non-food products delivered in the same convenient one hour time slot as their groceries.

The first of our destination sites, Fetch, our specialist pet store which was launched in 2013, was rolled out to all of our customers towards the end of the period and sales are now increasing at a significant rate. Fetch now has over 8,000 SKUs, including premium pet food and medicinal products which are not typically found in supermarkets, and customers appreciate the convenience of having their Fetch orders delivered with their weekly grocery orders. We plan to launch our next destination site, Sizzle.co.uk, a specialist kitchen and homewares shop with over 12,000 SKUs, in 2H 2014.

Amidst the current market environment focused on pricing initiatives, our Low Price Promise basket matching scheme continues to resonate well with our customers, reflecting the competitiveness of our prices and adding transparency to our pricing strategy. By the end of the period, when checking for LPP, more of our customers' baskets were already cheaper at Ocado in comparison to Tesco. The cost of LPP in the form of redeemed vouchers during the period remained low, despite the increased price reductions in the market, reflecting our competitiveness in prices and increased promotional activity.

Growing customer numbers and spend

Our active customers at the end of the period stood at 396,000 (1H 2013: 360,000). We have continued to place less focus on occasional customers who typically are motivated by promotional vouchers, reflecting the reduction in voucher spending during the period, while continuing to focus on growing our loyal customer base.

Overall marketing costs, including voucher spend, have fallen as a percentage of sales with a fall in retention vouchering and a similar rate of new customer acquisition as the previous year. We expect our marketing activity will increase over the coming months and anticipate overall marketing costs for the full year to be in line with historic trends.

Our customers' average basket stood at £114.43 (1H 2013: £114.90) for the period.

Optimising operations

Our Hatfield Customer Fulfilment Centre ("CFC1") continued to operate to a high level and with improved efficiency. Using the units per hour efficiency measure ("UPH"), the average productivity for the period in CFC1 increased to 142 UPH (1H 2013: 132 UPH).

CFC2 has continued to demonstrate its potential for improved efficiency with UPH in CFC2 exceeding that achieved in CFC1, by the end of the period.

Order volumes have grown to an average of over 161,000 orders per week ("OPW") (1H 2013: 139,000 OPW) with the highest number of orders delivered in a week exceeding 174,000 during the period. At the end of the period, approximately 70% of orders were fulfilled from CFC1 with the balance from CFC2, in line with our expectations.

We continue to introduce new developments to our CFCs to further improve efficiency in a cost effective manner. The installation of four purpose built bagging machines commenced during the period in CFC1 and are expected to be operational during the course of 2H 2014.

Our delivery performance has continued to improve benefiting from increased customer density, with deliveries per van per week ("DPV/week") of 163 (1H 2013: 158 DPV/week), despite modest investments in additional resource to improve our on time delivery metrics in a number of locations.

Enhancing the capital efficiency of future capacity

We have continued the phase 2 development of CFC2 which is planned to take capacity up to 180,000 OPW at a capital cost of £41 million over an 18 month period. Morrisons will pay for part of this capital cost under our agreement with them. This phase 2 work is expected to be largely completed during 2H 2014 and will enable us to continue to grow our grocery product range.

We have secured an existing site for a smaller future CFC in Andover, Hampshire, and subject to planning permission, expect to commence building works in our fourth quarter. We plan to open the site for Ocado's sole use at the end of 2015, following extensive testing of our new modular and scaleable fulfilment solution. The expected capacity of this site is 65,000 OPW.

We have expanded our delivery capacity with the opening of an additional spoke in Ruislip during the period. Further spokes in Enfield and Sheffield are due to open in 2H 2014. The delivery capacity for all of these spokes will be shared with Morrisons, resulting in improved cost and capital efficiencies during the ramp up phase.

As previously indicated, we anticipate capital expenditure in 2014 on capacity (CFCs, spokes and vehicles) will be approximately £100 million, excluding expenditure on new CFCs. The future CFC in Andover is expected to cost a further £30 million during 2014.

To increase our financial flexibility to support our UK expansion, we have put in place a new unsecured 3 year revolving credit facility of £100 million.

Developing and leveraging our proprietary intellectual property

Since inception we have utilised proprietary IP and technology as the foundation of our business. Maintaining and enhancing technology leadership in systems, processes and equipment supports our market-leading proposition to customers and drives operating excellence. This technology leadership affords us opportunities to generate significant value for Ocado through the commercialisation of our IP and operating knowledge.

Our first commercialisation agreement was signed with Morrisons in July 2013 and we were pleased that Morrisons.com was launched as planned with the first orders delivered on 10 January 2014. Morrisons online business has continued to ramp well and in line with our expectations.

We are progressing the replatforming of our IT systems to enable faster replication and roll out of our technology, and remain on track with our plans.

We continue to expand our IT team, and expect to increase further the numbers of our developers and other IT staff, to over 600 professionals by the end of 2014. The primary focus will be on the replatforming for international expansion, improving customer interfaces and other projects to drive improvements to our proposition to customers and drive efficiency in our operations.

Our new modular, scaleable fulfilment assets combined with our replatformed technology will enable us to offer potential partners a lower risk, less capital intensive platform solution for online retailing. This will provide end to end technology capability with best in class order fulfilment enabling partners to offer a market leading proposition to their customers. We expect the model for these services to be weighted towards ongoing annual usage fees rather than the high upfront fees typical of the technology licensing market, which we believe will make it a compelling proposition to potential partners.

We continue to receive interest from potential partners from a broad international geography to discuss how we might assist them in introducing or improving online business in their own markets.

Market backdrop

While there continues to be a more positive outlook for broader economic growth in the UK, we believe the grocery market remains subdued.

Moreover, in recent months there has been more emphasis placed on price initiatives in the market by certain of the supermarket groups, particularly to counter the growing threat from the discount operators. Prices of certain key value items, primarily in fresh private label categories, have been impacted by these initiatives; we have yet to see broad price reductions across grocery ranges. We will continue to assess price developments in the market carefully.

Notwithstanding this broader market activity, online grocery shopping continues to expand faster than the total market although currently we believe at a slower rate than recent years, evidenced by the online growth figures reported across the industry. All the major UK supermarket groups continue to invest to satisfy this growing demand. Overseas there continues to be more interest and investment in online services in many markets.

Board update

Jason Gissing retired from the Board at our AGM on 7 May 2014. We would like to thank Jason for his valuable contribution over many years, and wish him well for the future.

Outlook

We expect to continue growing broadly in line with, or slightly ahead of, the online grocery market.

Chief Financial Officer's review

For the period to 18 May 2014 Ocado's sales growth was driven by further improvement in our proposition to customers, an increase in the number of loyal customers, and the benefits of the Morrisons agreement. Operating profitability strengthened in comparison to the previous period benefiting from enhanced operational efficiency and the contribution from the Morrisons agreement, offset by an increase in depreciation and amortisation following the opening of CFC2.

	24 Weeks ended 18 May 2014 £m	24 Weeks ended 19 May 2013 £m	% Change
Gross sales (Retail)	442.4	382.7	15.6%
Revenue	429.7	355.9	20.7%
Gross profit	140.5	108.9	29.0%
EBITDA (pre-exceptional)	34.3	19.2	78.6%
Operating profit before share of result from joint venture and exceptional items[1]	9.8	1.7	-
Share of results from joint venture	1.1	n/a	n/a
Profit/(loss) before tax before exceptional items[1]	7.5	(1.0)	-
Exceptional items[2]	-	(2.8)	-
Profit/(loss) before tax	7.5	(3.8)	-

[1] Adjusted to exclude exceptional items which in the prior year were £(2.8)m relating to set up costs for CFC2 and NFDC ("Non Food Distribution Centre")
[2] Exceptional items also include exceptional finance costs

Sales

Gross sales from retail related activities were £442.4 million, an increase of 15.6%. Sales growth was driven by growing demand with average orders per week of 161,000 up from 139,000 in 1H 2013, partially offset by a decline in the average order size to £114.43 (£114.90 in 1H 2013).

The Morrisons agreement contributed £20.3 million to gross sales in 1H 2014. This comprised annual fees for services, IT support and R&D, a recharge of relevant variable and fixed costs, and management fees.

Revenue grew by 20.7% to £429.7 million. The change in marketing focus which began in the second half of 2012 has continued, with tailored voucher activity targeted at acquiring new customers and less emphasis on reactivating lapsed customers. There was a decrease in voucher spend in the period, down from 1.4% of revenue in 1H 2013 to 1.0% of revenue in 2014 and non voucher marketing spend also reduced as a percentage of sales from 1.1% of revenue in 1H 2013 to 0.9% of revenue in 1H 2014. New customer acquisitions were in line with last year.

Gross profit

Gross profit rose to £140.5 million, up 29.0% year-on-year. Gross margin was 32.7% of revenue (1H 2013: 30.6%), ahead of 1H 2013 principally due to the contribution from Morrisons gross profit. Average product wastage in 1H 2014 was 0.8% of retail revenue (1H 2013: 1.0%), wastage costs in 1H 2013 were higher in the first six months of operations at CFC2, but are now back in line with long term trends.

Other income increased to £15.7 million, a 93.8% increase on 1H 2013. Media income of £10.5 million was 2.5% of retail revenue (1H 2013: 2.3%). We continued to see supplier demand for our website related activities ahead of the rate of increase in revenue due to the benefits of scale and a wider product range. Other income also included £5.0 million of rental income arising from the leasing arrangements with Morrisons for CFC2.

Operating profit

Operating profit before the share of result from joint venture and exceptional items ("adjusted operating profit") for the period was £9.8 million, compared with £1.7 million in 1H 2013. The opening of CFC2 and NFDC ("Non Food Distribution Centre") increased depreciation and amortisation costs by £4.2 million in the period against 1H 2013.

At £110.7 million, distribution costs have increased by 25.9% compared to 1H 2013 and increased as a percentage of revenue from 24.7% in 1H 2013 to 25.8% in the current period. Distribution costs, excluding depreciation, as a percentage of Group revenue have increased from 21.4% in 2013 to 22.1% of revenue in the current period. This was driven by the additional operational costs to support Morrisons online business. Depreciation and amortisation costs were £15.7 million, an increase of 33.1% year-on-year driven mainly by the commencement of CFC2 operations, part way through the prior year.

Operational efficiencies continued to strengthen with year-on-year growth in CFC1 UPH of 7.6% to 142. CFC2 UPH by the end of the period was ahead of CFC1 UPH. Deliveries per van per week increased by 3.2% year-on-year to 163 due to increased volume and increased utilisation of our delivery assets.

Total administrative expenses which included recharges to Morrisons, marketing, depreciation and amortisation were £35.7 million, an increase of 30.3% year-on-year, and as a percentage of revenue was 8.3%.

	24 Weeks ended 18 May 2014 £m	24 Weeks ended 19 May 2013 £m	% Change
Administration - Central costs	(24.0)	(17.9)	34.1%
Administration - Depreciation	(7.7)	(5.7)	35.1%
Administration - Marketing (excluding voucher) costs	(4.0)	(3.8)	5.3%
Total Administration	(35.7)	(27.4)	30.3%

Administration central costs excluding costs driven by the Morrisons agreement grew by 14.0% year-on-year. Administration central costs included the implementation of new senior management long-term incentive schemes and bonus provisions which increased administrative costs by £1.2 million in 1H 2014 and increased spend in our technology team to enable more rapid development of our intellectual property. Depreciation and amortisation costs were £7.7 million, an increase of 35.1% year-on-year as a consequence of the increased investment in computer hardware and software required for the development of CFC2 and NFDC. Marketing costs excluding voucher spend were £4.0 million, an increase of 5.3% year-on-year.

MHE JV Co

Income from the joint venture was derived from Ocado's 50% equity interest in MHE JV Co Limited ("MHE JV Co"). The Group entered into a 25 year sale and leaseback transaction of its MHE ("Mechanical Handling Equipment") relating to CFC2. The MHE was sold to MHE JV Co and Ocado received £58.0 million and a 50% share of MHE JV Co. The Group share of MHE JV Co profit after tax in the period amounted to £1.1 million (1H 2013: £nil).

The investment in MHE JV Co and the sale and leaseback of MHE had a total £5.0 million positive impact on EBITDA with £1.1 million being derived from the Group share of MHE JV Co profit after tax. Together, these equate to the finance costs and depreciation on the leased assets incurred by Ocado and subsequently reimbursed by Morrisons.

Net finance costs

Net finance costs were £3.4 million, versus £2.7 million in 1H 2013. The Group repaid and cancelled its £100 million credit facility in 2013 which reduced finance costs in the period. This was offset by increased finance costs from the subsequent MHE JV Co sale and leaseback arrangement as above.

Profit before tax

Profit before tax for the period was £7.5 million (1H 2013: loss of £(3.8) million), £11.3 million above the prior period.

Taxation

Due to the availability of capital allowances and loss relief, the Group did not pay corporation tax during the year. No deferred tax credit was recognised in the period. Ocado has approximately £279.5 million of unutilised carried forward tax losses at the end of the period.

Earnings/(loss) per share

Basic earnings per share was 1.28p and diluted earnings per share was 1.20p.

Capital expenditure and cash flow

Capital expenditure for the period:

	24 Weeks ended 18 May 2014 £m	24 Weeks ended 19 May 2013 £m
CFCs	5.6	27.8
Vehicle and Spokes	6.7	3.9
Technology	6.7	6.7
Other	8.3	2.0
Total capital expenditure[1]	27.3	40.4
Total capital expenditure[1] (including share of MHE JV Co)	38.8	40.4

[1] Capital expenditure includes property, plant, equipment and intangible assets

Investment in CFC1 capital expenditure of £3.8 million was on both capacity and resiliency projects, and includes investments in bagging machines and upgrades and developments to the first generation pick aisles and cranes. Although CFC2 opened in the prior period, capital expenditure of £1.8m was incurred in 1H 2014 at this site in relation to the stage payments for build and fit out. The capital expenditure related to CFC2 Phase 2 was reported in MHE JV Co.

Investment in new vehicles, which are typically on five year financing contracts, was £4.4 million (1H 2013: £3.9 million) driven by business growth and replacement of existing vehicles. The delivery capital expenditure also included investments in property for new spokes and to support an expansion of our head office space.

Ocado continues to invest in technology by developing its own software, activities which enable us to retain the intellectual property rights. In the period, £6.6 million (1H 2013: £6.7 million) of internal development costs were capitalised as intangible assets; this was in line with the comparative period as a greater share of costs was treated as non-capitalisable. We continued to invest in a variety of strategic technology projects in the period. These include investments to replatform Ocado's technology and to migrate most of its systems to run on 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 to this we have invested internal resources to develop the following capital projects: next generation of fulfilment solutions; additional functionality for Morrisons.com; direct to spoke delivery model; launch of new destination sites; rollout of a new time and attendance system; and launch of CFC2 Phase 2.

Other capital expenditure mainly included £6.4 million for the investment in our next generation fulfilment solution and £1.3 million for the second phase of NFDC to provide further capacity to support growth.

At 18 May 2014, capital commitments contracted, but not provided for by the Group, amounted to £20.1 million (1H 2013: £19.7 million).

Net operating cash flow after finance costs increased to £33.8 million, up 40.2% from £24.1 million in 1H 2013 as detailed below:

	24 Weeks ended 18 May 2014 £m	24 Weeks ended 19 May 2013 £m
EBITDA	34.3	19.2
Working capital movement	(1.1)	13.2

Exceptional items (incl. exceptional impairment)	-	(2.8)
Other non-cash items	1.3	0.3
Finance costs paid	(0.7)	(5.8)
Operating cash flow	33.8	24.1
Capital investment	(24.9)	(39.4)
Decrease in net debt/finance obligations	(12.6)	(11.7)
Proceeds from share issues net of transaction costs	3.7	0.4
Movement in cash and cash equivalents[1]	-	(26.6)

[1] Excluded from movement in cash and cash equivalents is £(0.2) million exchange adjustment (1H 2013: £nil)

The increase in EBITDA to £34.3 million resulted in operating cash flow of £33.8 million. The prior period benefited from an improved working capital movement driven by increased trade payables as a result of the stock build on opening of CFC2 and NFDC.

Balance sheet

The Group had cash and cash equivalents of £110.3 million at the end of period, up from £63.0 million at the end of 1H 2013. The increase of £47.3 million mainly driven by the initial proceeds from the Morrisons agreement in July 2013. The Group cash and cash equivalents from 1 December 2013 have remained unchanged prior to exchange rate movements.

Gross debt at the period end was £154.9 million (FY 2013: £161.4 million) and external gross debt was £46.2 million (FY 2013: £48.7 million). Net external cash at the period end was £64.1 million (FY 2013: £61.8 million).

Increasing financing flexibility

On 30 June 2014, we signed an agreement for a new unsecured working capital 3 year revolving credit facility of £100 million. The participating banks are Barclays, HSBC, RBS and Santander. We believe this new facility enhances our flexibility to support our UK expansion.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for 1H 2014 and 1H 2013:

	24 Weeks ended 18 May 2014 £m (unaudited)	24 Weeks ended 19 May 2013 £m (unaudited)	% Change
Average orders per week	161,000	139,000	15.8%
Average order size (£) [1]	114.43	114.90	(0.4)%
Overall CFC1 efficiency (units per hour) [2]	142	132	7.6%
Average deliveries per van per week (DPV/ week)	163	158	3.2%
Average product wastage (% of retail revenue) [3]	0.8	1.0	0.2%
Items delivered exactly as ordered (%) [4]	99.2	98.9	0.3%
Deliveries on time or early (%)	95.7	94.4	1.3%

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

[1] Average retail value of goods a customer receives (including VAT and delivery charge) per order.
[2] Measured as total units dispatched from the CFC per variable hour worked by CFC1 operational personnel.
[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.

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 18 May 2014

	Notes	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Revenue	5	429.7	355.9	792.1
Cost of sales		(289.2)	(247.0)	(544.6)
Gross profit		140.5	108.9	247.5
Other income		15.7	8.1	23.1
Distribution costs		(110.7)	(87.9)	(200.0)
Administrative expenses		(35.7)	(27.4)	(69.6)
Operating profit before share of result from joint venture and exceptional items		9.8	1.7	1.0
Share of result from joint ventures		1.1	-	0.9
Exceptional items		-	(2.8)	(4.6)
Operating profit/(loss)		10.9	(1.1)	(2.7)
Finance income	6	0.2	0.1	0.4
Finance costs	6	(3.6)	(2.8)	(7.4)
Exceptional finance costs		-	-	(2.8)
Profit/(loss) before tax		7.5	(3.8)	(12.5)
Taxation		-	-	-
Profit/(loss) for the period		7.5	(3.8)	(12.5)
Earnings/(loss) per share		pence	pence	pence
Basic	9	1.28	(0.66)	(2.16)
Diluted	9	1.20	(0.66)	(2.16)

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

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Operating profit/(loss)	10.9	(1.1)	(2.7)
Adjustments for:			
Depreciation of property, plant and equipment	17.8	13.4	33.1
Amortisation expense	5.4	3.9	9.5
Impairment of property, plant and equipment	0.2	0.2	0.5
Impairment of Intangibles	-	-	0.8

Exceptional items	-	2.8	4.6
EBITDA	34.3	19.2	45.8

Consolidated statement of comprehensive income
for the 24 weeks ended 18 May 2014

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	53 weeks ended 1 December 2013 £m (audited)
Profit(loss) for the period	7.5	(3.8)	(12.5)
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Cash flow hedges			
- Gains/(losses) arising on interest rate swaps	-	0.1	0.4
	-	0.1	0.4
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges			
- (Losses)/gains arising on forward foreign exchange contracts	(0.2)	0.6	0.5
- Gains/(losses) transferred to property, plant and equipment	-	(0.1)	(0.3)
	(0.2)	0.5	0.2
Other comprehensive (expense)/ income for the period, net of tax	(0.2)	0.6	0.6
Total comprehensive income/ (expense) for the period	7.3	(3.2)	(11.9)

Consolidated balance sheet
as at 18 May 2014

	Notes	18 May 2014 £m (unaudited)	19 May 2013 £m (unaudited)	1 December 2013 £m (audited)
Non-current assets				
Intangible assets		28.8	24.6	27.0
Property, plant and equipment		226.4	220.1	224.3
Deferred tax asset		7.9	7.9	7.9
Available-for-sale financial asset		0.4	0.4	0.4
Investment in Joint Venture		66.5	-	58.9
		330.0	253.0	318.5
Current assets				
Inventories		21.8	20.9	23.9
Trade and other receivables		47.8	31.9	45.2
Cash and cash equivalents		110.3	63.0	110.5
Assets classified as held for sale		-	79.9	-
		179.9	195.7	179.6
Total assets		509.9	448.7	498.1
Current liabilities				
Trade and other payables		(134.7)	(104.8)	(130.0)

Borrowings	8	(3.9)	(5.0)	(3.3)
Obligations under finance leases	8	(29.8)	(15.5)	(25.0)
Derivative financial instruments		(0.3)	(0.2)	(0.2)
Provisions		(0.7)	(0.3)	(0.5)
Liabilities directly associated with assets classified as held for sale		-	(45.1)	-
		(169.4)	(170.9)	(159.0)
Net current assets		10.5	24.8	20.6
Non-current liabilities				
Borrowings	8	(4.3)	(43.7)	(6.2)
Obligations under finance leases	8	(116.9)	(28.3)	(126.9)
Provisions		(3.5)	(2.3)	(3.2)
Deferred tax liability		(0.4)	(0.4)	(0.4)
		(125.1)	(74.7)	(136.7)
Net assets		215.4	203.1	202.4
Equity				
Share capital		12.4	12.3	12.4
Share premium		254.5	248.1	251.5
Treasury shares reserve		(51.7)	(53.9)	(52.4)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		(0.3)	(0.1)	(0.1)
Retained earnings		116.7	112.9	107.2
Total equity		215.4	203.1	202.4

Consolidated statement of cash flows

for the 24 weeks ended 18 May 2014

	Notes	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Cash flow from operating activities				
Profit/(loss) before tax		7.5	(3.8)	(12.5)
Adjustments for:				
- Depreciation, amortisation and impairment losses		23.4	17.5	43.7
- Loss on disposal of property, plant and equipment		-	0.1	-
- Movement in provisions		0.4	-	0.6
- Share of profit in joint venture		(1.1)	-	(0.9)
- Share-based payments charge		2.0	0.3	3.3
- Net finance costs	6	3.4	2.7	9.8
Changes in working capital:				
- Movement in inventories		2.1	(3.3)	(6.4)
- Movement in trade and other receivables		(8.7)	1.2	(13.7)
- Movement in trade and other payables		5.5	15.2	43.6
Cash generated from operations		34.5	29.9	67.5
Interest paid		(0.7)	(5.8)	(7.1)

Net cash flows from operating activities	33.8	24.1	60.4
Cash flows from investing activities			
Purchase of property, plant and equipment	(17.6)	(32.3)	(60.7)
Borrowing costs capitalised in property, plant and equipment	-	-	(1.1)
Purchase of intangible assets	(7.4)	(7.2)	(15.7)
Interest received	0.1	0.1	0.3
Net cash flows from investing activities	(24.9)	(39.4)	(77.2)
Cash flows from financing activities			
Proceeds from the issue of ordinary share capital net of transactions costs	3.7	0.4	3.8
Proceeds from the sale and leaseback of property, plant and equipment	-	-	53.5
Proceeds from the sale and leaseback of intangible assets	-	-	4.4
Repayments of borrowings	(1.4)	(1.0)	(2.5)
Repayments of obligations under finance leases	(11.2)	(11.0)	(21.6)
Settlement of forward foreign exchange contracts	-	0.3	0.1
Net cash flows from financing activities	(8.9)	(11.3)	37.7
Net decrease/(increase) in cash and cash equivalents	-	(26.6)	20.9
Cash and cash equivalents at the beginning of the period	110.5	89.6	89.6
Exchange adjustments	(0.2)	-	-
Cash and cash equivalents at the end of the period	110.3	63.0	110.5

Consolidated statement of changes in equity

for the 24 weeks ended 18 May 2014

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
Balance at 1 December 2013	12.4	251.5	(52.4)	(116.2)	(0.1)	107.2	202.4
Profit for the period	-	-	-	-	-	7.5	7.5
Other comprehensive income/(expense):							
Cash flow hedges							
- Losses arising on forward foreign exchange contracts	-	-	-	-	(0.2)	-	(0.2)
Total comprehensive income/(expense) for the period	-	-	-	-	(0.2)	7.5	7.3
Transactions with owners:							

-	Issue of ordinary shares	-	3.0	0.7	-	-	-	3.7
-	Share-based payments charge	-	-	-	-	-	2.0	2.0
Total transactions with owners		-	3.0	0.7	-	-	2.0	5.7
Balance at 18 May 2014 (unaudited)		12.4	254.5	(51.7)	(116.2)	(0.3)	116.7	215.4

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 18 May 2014 (prior period 24 weeks ended 19 May 2013; prior financial period 52 weeks ended 1 December 2013).

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 1 December 2013 which were 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 this interim financial information are substantially the same as those applied by the Group in its consolidated financial statements for the 52 weeks ended 1 December 2013. Whilst there have been a number of minor changes to standards which become applicable for the financial year ending 30 November 2014, 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 the 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 interimfinancial 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 1 December 2013.

4 Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of IP and technology used for the online retailing, logistics and distribution of grocery and consumer goods, currently 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 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 activity of the Group is managed as one segment. The Group does not currently 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 segment.

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

5 Gross sales

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Revenue	429.7	355.9	792.1
VAT	28.7	21.7	50.4
Marketing vouchers	4.3	5.1	9.9
Gross sales	462.7	382.7	852.4

6 Finance income and costs

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Interest on cash balances	0.2	0.1	0.4
Finance income	0.2	0.1	0.4
Borrowing costs			
- Obligations under finance leases	(3.5)	(1.4)	(4.7)
- Borrowings	(0.3)	(2.5)	(3.6)
Capitalised borrowing costs	-	1.1	1.1
Fair value movement on derivative financial instruments	0.2	-	(0.2)
Finance costs	(3.6)	(2.8)	(7.4)
Net finance costs	(3.4)	(2.7)	(7.0)

7 Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £21.1 million(1H 2013: £33.4 million). Of the current period additions of £21.1 million, £0.9 million relates to the initial sale of assets to MHE JVCo which were leased back and included in total additions. During the period, the Group acquired intangible assets of £0.5 million (1H 2013: £0.3 million) andinternal development costs capitalised to £6.6 million (1H 2013: £6.7 million).

In the period the Group disposed of property, plant and equipment with a book value of £0.9 million (1H 2013: £0.1 million). All of the current period disposals relate to the initial sale of assets to MHE JVCo which were subsequently leased back. There were no disposals of intangible assets during the period (1H 2013: £nil). At period end, capital commitments contracted, but not provided for by the Group, amounted to £20.1 million (1H 2013:£19.7 million).

8 Borrowings and obligations under finance leases

	18 May 2014	19 May 2013	1 December 2013
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Borrowings	3.9	5.0	3.3
Obligations under finance leases	29.8	15.5	25.0
	33.7	20.5	28.3
Non-current liabilities			
Borrowings	4.3	43.7	6.2
Obligations under finance leases	116.9	28.3	126.9
	121.2	72.0	133.1
Borrowings included in non-current assets held for sale	-	44.9	-
Total Group borrowings and finance leases	154.9	137.4	161.4

9 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 which are 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 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/(loss) per share have been calculated as follows:

	24 weeks ended 18 May 2014	24 weeks ended 19 May 2013	52 weeks ended 1 December 2013
	million	million	million
	(unaudited)	(unaudited)	(audited)
Number of shares			
Issued shares at the beginning of the period	580.0	578.3	578.3
Effect of share options exercised in the period	1.3	0.1	1.4
Effect of treasury shares disposed of in the period	0.3	-	0.3
Effect of shares issued in the period	-	-	-
Weighted average number of shares at the end of the period for the purposes of basic earnings per share	581.6	578.4	580.0
Potentially dilutive share options and shares	37.9	-	-
Weighted average numbers of diluted ordinary shares	619.5	578.4	580.0

Earnings	£m	£m	£m
Profit/(loss) for the period	7.5	(3.8)	(12.5)
	pence	pence	pence
Basic earnings/(loss) per share	1.28	(0.66)	(2.16)

Diluted earnings/(loss) per share	1.20	(0.66)[1]	(2.16)[1]

[1]As the Group made a loss in these periods, there is no effect of potentially dilutive share options or shares on the earnings per share.

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

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 2013: £1,500). 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 the period, key management personnel did not owe the Group any amounts (1H 2013: £27,000). 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 overPaneltex Limited.

The following direct transactions were carried out with Paneltex Limited:

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Purchase of goods			
- Plant and machinery	-	-	0.1
- Consumables	0.1	0.1	0.9
	0.1	0.1	1.0

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 thevalue of £2.0 million (1H 2013: £1.5 million).

At period end, the Group was owed £5,000 by Paneltex (1H 2013: Payable of £10,000).

Joint Venture

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

	24 weeks ended 18 May 2014 £'m (unaudited)	52 weeks ended 1 December 2013 £'m (audited)
Sale of assets to MHE JVCo Limited	11.5	115.8
Leaseback of assets from MHE JVCo Limited	0.9	112.1
Settlement of finance lease obligation	5.4	0.3

Included within trade and other receivables is a balance of £6.5 million owed by MHE JV Co.

Included within trade and other payables is a balance of £8.4 million owed to MHE JV Co.

Included within obligations under finance leases is a balance of £108.7 million owed to MHE JV Co.

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

11 Analysis of net debt

(a) Net debt

	18 May 2014 £m (unaudited)	19 May 2013 £m (unaudited)	1 December 2013 £m (audited)
Current assets			
Cash and cash equivalents	110.3	63.0	110.5
	110.3	63.0	110.5
Current liabilities			
Borrowings	(3.9)	(5.0)	(3.3)
Obligations under finance leases	(29.8)	(15.5)	(25.0)
	(33.7)	(20.5)	(28.3)
Non-current liabilities			
Borrowings	(4.3)	(43.7)	(6.2)
Obligations under finance leases	(116.9)	(28.3)	(126.9)
	(121.2)	(72.0)	(133.1)
Total net debt before non-current assets held for sale	(44.6)	(29.5)	(50.9)
Borrowings associated with non-current assets held for sale	-	(44.9)	-
Total net debt	(44.6)	(74.4)	(50.9)

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

	24 weeks ended 18 May 2014 £m (unaudited)	24 weeks ended 19 May 2013 £m (unaudited)	52 weeks ended 1 December 2013 £m (audited)
Net decrease in cash and cash equivalents	-	(26.6)	20.9
Exchange adjustments	(0.2)	-	-
Net decrease/(increase) in debt and lease financing	12.6	12.0	24.1
Non-cash movements:			
- Assets acquired under finance lease	(6.1)	(3.8)	(122.4)
- Debt settled by third party	-	-	85.3
- Net movement in arrangement fees charged against loans	-	(0.8)	(3.6)
Movement in net debt in the period	6.3	(19.2)	4.3
Opening net debt	(50.9)	(55.2)	(55.2)
Closing net debt	(44.6)	(74.4)	(50.9)

12 Post balance sheet events

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

Financial risk management and Financial instruments

Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value

interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements;
they should be read in conjunction with the Annual Report and Accounts of the Group as at 1 December 2013. There have been no changes in the risk management department or in any risk management policies since the year end.

Fair value of financial instruments
The Group carries derivative liabilities, which are held at fair value. These are not material and therefore further information is not disclosed. The fair value of the Group's borrowings are not materially different to their respective carrying values as presented in the consolidated balance sheet.

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 factors as the principal potential risks 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 maintain a compelling range
- Failure to achieve sales growth and utilisation of existing capacity
- A risk that future efficiency improvements may be limited
- A risk of delays in the implementation of new capacity for both Ocado and Morrisons
- Failure to develop a competitive model for further commercialisation
- Failure to protect current technology and processes
- A risk of a serious food or product safety incident
- A risk of changes in regulations impacting our business operations
- Failure of technology or data loss
- Business interruption
- A risk of unintentional infringement of competition legislation

More information on these principal risks and uncertainties together with an explanation of the Group's approach to risk management is set out in Ocado Group plc's Annual Report and Accounts for the 52 weeks ended 1 December 2013 on pages 44 to 47, 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 and Business Affairs Director;
Duncan Tatton-Brown, Chief Financial Officer;
Mark Richardson, Operations Director;
Non-Executive Directors
Sir Stuart 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

1 July 2014

Independent review report to Ocado Group plc

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed the condensed consolidated interim financial statements, defined below, in the Half year results for the 24 weeks ended 18 May 2014 of Ocado Group plc. Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements are 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 Conduct Authority.

This conclusion is to be read in the context of what we say in the remainder of this report.

What we have reviewed

The condensed consolidated interim financial statements, which are prepared by Ocado Group plc, comprise:

- the consolidated balance sheet as at 18 May 2014;
- the consolidated income statement and statement of comprehensive income for the period then ended;
- the consolidated statement of cash flows for the period then ended;
- the consolidated statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed consolidated interim financial statements.

As disclosed in note 2, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The condensed consolidated interim financial statements included in the Half year results for the 24 weeks ended 18 May 2014 have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

What a review of condensed consolidated financial statements involves

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.

We have read the other information contained in the Half year results for the 24 weeks ended 18 May 2014 and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Responsibilities for the condensed consolidated interim financial statements and the review

Our responsibilities and those of the directors

The Half year results for the 24 weeks ended 18 May 2014, including the condensed consolidated interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Half year results for the 24 weeks ended 18 May 2014 in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express to the company a conclusion on the condensed consolidated interim financial statements in the Half year results for the 24 weeks ended 18 May 2014 based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, 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.

PricewaterhouseCoopers LLP
Chartered Accountants
1 July 2014
St. Albans

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