Half-year Report

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RNS Number : 2685T
Ocado Group PLC
21 July 2022

OCADO GROUP PLC

Building blocks all now in place for profitable growth and strong cash flows
Retail trading environment remains challenging
Guidance unchanged

Interim results for the 26 weeks ended 29 May 2022

21 July 2022

Business Highlights

- **Strong growth in new, cash-generating assets; 6 new Customer Fulfilment Centres ('CFCs') opened in H1 2022**
- **16 CFCs now live for Ocado Smart Platform ('OSP') partners around the world; 85 live modules, up 57% year on year**
- **11 OSP partners in 9 countries with signing of Auchan Polska in March**
- **8 out of 11 OSP partners are now using Ocado Group technology to power their online grocery services**
- **Ocado Retail's CFC 5, in Purfleet, opened in September 2021, has already achieved original target OSP economics and is on track to deliver Group 22% ROCE with a clear path to 30%**
- **Accelerated customer acquisition at Ocado Retail, up 12% to 867k in H1 2022, despite UK cost of living headwinds**
- **On track to deliver Ocado Re: Imagined innovations for CFCs opening from H2 2023**
- **Ocado Re: Imagined is set to transform already industry-leading OSP economics, benefiting both Ocado and its partners**

Financial Highlights

- **Group revenue down 4% to £1.3bn; strong growth in International Solutions and UK Solutions & Logistics offset by fall in Ocado Retail revenue**
- **Ocado Retail revenue of £1.1bn fell 8% versus H1 2021, reflecting tough comparatives as the grocery market contracted post pandemic and the rising cost of living crisis in UK**
- **International Solutions revenue more than doubled to £59m; 10 CFCs now live compared with 4 at the end of H1 2021**
- **Group EBITDA* loss of £(14)m vs. profit of £61m in 1H21; driven largely by Retail that saw a £72.8m reduction in EBITDA due to lower sales and cost inflation, partly offset by release of management long-term incentive provisions**
- **Loss before tax of £(211)m reflects increased depreciation and amortisation costs with the ongoing roll out of OSP, and reduced exceptional insurance income received in the period, compared with the prior year**
- **Strong liquidity position of £1.1bn at 1H22; currently c.£2.0bn including £578m capital raise and £300m bank financing on 21 June**
- **No further Group financing expected to be required into the mid-term, as the business becomes cash flow positive**

£ million	**H1 2022**	**H1 2021 (restated)[2]**	Change
Revenue[1]			
Retail	1,122.2	1,224.1	(8.3)%
UK Solutions & Logistics	395.6	357.3	10.7 %

International Solutions	58.5	26.6	119.9 %
Inter-segment and other	(313.9)	(288.1)	9.0%
Group	**1,262.4**	**1,319.9**	**(4.4)%**
EBITDA*[3]			
Retail	31.3	104.1	(72.8)
UK Solutions & Logistics	28.6	30.1	(1.5)
International Solutions	(57.2)	(56.6)	(0.6)
Group and other	(16.3)	(16.6)	+0.3
Group*	**(13.6)**	**61.0**	**(74.6)**
Exceptional items[24]	(7.0)	53.0	(60.0)
Loss before tax[4]	**(211.3)**	**(27.9)**	**(183.4)**
Capital expenditure	366.8	319.0	+47.8
Cash and cash equivalents and treasury deposits	1,082.7	1,657.8	(575.1)
Net (debt)/cash*	(758.8)	188.5	(947.3)

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

1. Revenue is a. Retail - online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax, b. International Solutions - the fees charged to international clients and c. the recharge of costs and associated fees from UK Solutions & Logistics to our UK clients with the exception of recharges from UK Solutions & Logistics to Ocado Retail which are eliminated on consolidation.
2. See note 3 to the financial statements for details of the restatements.
3. EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items
4. Net exceptional costs of £(7.0)m primarily relates to £6.4m of insurance income related to the Erith CFC fire in 2021, offset by litigation costs of £11.1m (principally related to patent infringement litigation between the Group and AutoStore Technology AS). Other exceptional items include costs associated with Ocado Group Finance transformation and Software-as-a-Service (SaaS) implementation costs, Ocado Retail IT systems transformation, and Andover CFC and a benefit related to changes in fair value of contingent consideration.

The commentary is on a pre-exceptional basis to aid understanding of underlying performance of the business

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

"The last six months has seen significant progress at Ocado Group and we have put all the building blocks in place to deliver profitable growth and strong cash flows. Our International Solutions business has good momentum, with 16 CFCs now open, of 58 committed so far. Each of these CFCs will generate dependable, recurring cash flows and attractive returns on capital. 11 of the world's leading grocers are looking to Ocado to provide the technology and solutions to power their online grocery activities and our new partner pipeline is as strong as ever.

Ocado Re:Imagined, the suite of ground-breaking innovations launched in January this year, will redefine both the customer experience, and the economics, of online grocery shopping. We expect enhanced economics, and improved customer propositions, to lead to faster growth from existing, and new, OSP partners.

Following our recent successful financing, we now have a strong financial position and ample liquidity to fund the requirements of our existing and expected customer commitments into the mid-term. No additional Group financing will be needed as the business becomes cash flow positive.

With these building blocks in place, notwithstanding the near-term challenges for the consumer in the UK, we look forward to the future with confidence".

Key milestones in H1 2022

Ocado Group provides end-to-end online grocery fulfilment solutions to some of the world's largest grocery retailers. It created the award winning UK online grocery business Ocado.com over twenty years ago, which is now a 50:50 joint venture with Marks & Spencer. Ocado has spent two decades innovating in the online grocery space, investing in a broad technology estate that includes robotics, AI & machine learning, *simulation, forecasting, vision systems, and cutting edge intelligence. This know-how is embodied in the highly flexible Ocado Smart Platform, a hardware and software solution that has been developed in-house to enable the eleven grocery companies we work with around the world to bring the market-leading Ocado consumer experience to their own customers.*

Ocado Solutions: strong execution; roll out of OSP platform accelerating globally

- The build programmes for new CFCs are progressing well. In Europe, Alcampo has announced the site of its CFC while in APAC Coles and Aeon's first tranche of CFCs remain on track. Good progress is being made in North America in the rollout of new CFCs for Kroger and Sobeys
- 18 sites (including 2 micros) are now live, globally, across 6 partners and 5 countries, as we build into the 58 CFCs already announced by our global OSP partners
- 6 CFCs went live in the half, including the first CFC for ICA in Sweden, a second site in Canada for Sobeys, and 4 further sites for Kroger in the US
- In the US specifically, Kroger now has 6 CFCs live in Monroe, OH, Groveland, FL, Atlanta, GA, Dallas, TX, Pleasant Prairie, WI and Romulus, MI. Order volumes are ramping up well. Kroger is also accelerating its spoke program (trans-shipment sites used for the intermediate handling of customers' orders) with the opening of spokes in Columbus, OH in April and Miami, FL and Louisville, KY in May. Further spokes opened in Birmingham, AL and Oklahoma City, OK in June, followed by Chicago, IL, Nashville, KY in July. Spokes in San Antonio and Austin, TX are due to open soon. Kroger expects to extend the reach of Kroger Delivery to over 40 million more US customers by the end of 2022
- Our first fully automated micro fulfilment centre ('MFC') opened in Canning Town, serving Ocado Retail's Zoom immediacy proposition; we plan to launch 3 more MFCs in the next 12 months, including the first internationally, in the US
- 8 of our 11 OSP partners are now live on the OSP platform, with Alcampo live for In-Store Fulfilment ('ISF') less than a year after signing
- 6 of our partners are now using our ISF solution, taking advantage of the breadth and flexibility of the OSP platform to bring an online offer to a wider customer base and to build volumes online ahead of future CFC launches
- Despite ongoing challenges in global supply chains, projects have been delivered on time and on budget, and each one of our live CFC partners is reporting leading customer satisfaction metrics in their respective markets

Ocado Solutions: progress towards target OSP economics

- Reflecting the early stage of the ongoing roll out of the OSP platform, though revenues in the International Solutions segment more than doubled in the period, to £59 million, EBITDA was broadly stable year on year, a result of the previously guided upfront investments made in our technology capabilities, and the impact of IFRS 15 Revenue from Contracts with Customers ('IFRS 15'), which means we are unable to recognise fees received from OSP partners for CFCs in build, before go-live
- We continued to make encouraging progress towards our targeted level of engineering costs for OSP sites; cost per "each" (individual pick of stock keeping units (SKUs)) fell 11% year on year at Erith CFC, with all our new CFCs in the UK also operating at a similar level of engineering costs
- Direct operating cost (including engineering, cloud and other technology support costs) at our latest UK site, Purfleet, is already tracking ahead of our original target of 2% of client sales. With capital costs also on target, the site is on track to achieve a 22%+ ROCE, with a clear path towards 30% after including the benefits of Ocado Re: Imagined

Innovating to reset the bar in online fulfilment, once again, with Ocado Re: Imagined

- In January, we unveiled 7 key innovations, collectively called Ocado Re: Imagined, which we expect to further transform OSP economics for partners and Ocado Group. These are the 600 Series Bots, 600 Grid and Optimised Site Design, Automated Frameload ('AFL'), On-Grid Robotic Pick ('OGRP'), Ocado Swift Router, Ocado Orbit, and Ocado Flex. Clients ordering a CFC today for delivery from the second half of 2023 and onwards will have these features enabled, whilst orders made prior to the launch of Re: Imagined can be also be retrofitted to include many of these enhancements
- Combining an additive first approach to the construction of the 600 series bot, with the use of topology optimisation, is expected to mirror the operating metrics of the existing bot whilst driving weight down by 80%. In turn, this innovation also enables a lighter grid and more optimised site design and so a step change in capital efficiency for Ocado Group and partners. Taken together, we expect these improvements to reduce the capex we spend on mechanical handling equipment ('MHE') to fit out a site by at least 15%, whilst also halving the time we require for fit out of a standard

facility to just 5 months. Partners will benefit from reduced site capex associated with the opportunity to deploy the solution in existing, versus purpose-built, facilities, on a smaller footprint, and with c50% higher productivity

- In H1 2022 we have started operating the 600s series bot in a live test environment, running multiple more prototype development cycles than we did in the development of the 500 Series bots and we have successfully begun testing to build at scale from 2023
- We have also been testing the build of the lighter grid, and target the first installation in a partner site for H2 2023
- We expect we can reduce the footprint required for standard sites operating this Re: Imagined technology by 15-20% in future builds
- Increased automation, through the deployment of OGRP and AFL, is expected to drive a step change in operating efficiency across our partner sites. As we deliver a solution that can robotic pick 50-80% of the range, by volume, in a given site, we expect to reduce labour cost by a further 30-40%, in turn driving UPH >300
- In the UK, where we are testing the solution, we can now pick 30% of the ambient temperature range
- We announced the acquisition of materials handling robotic start-up, Myrmex, our partner in the development of Automated Frameload, bringing 30 new colleagues as well as new opportunities for the development of bespoke automation solutions for OSP
- We expect to begin live trials of both OGRP and AFL, in Purfleet, in H2 2022
- Orbit (the world's first virtual distribution centre) and Swift Router (delivery of short lead time orders as well as larger, longer lead-time orders from the same van) will enable us to further push the boundaries in terms of leading customer experience, by reducing the trade off currently required from customers and retailers between range, speed and value. These changes will materially reduce the higher cost of supply chain and delivery typically associated with smaller sites and shorter lead time orders, whilst preserving range
- The go-live of our first fully automated MFC in Canning Town (UK) in the half represents a significant step with the seamless launch of the first instance of Ocado OSP infrastructure allowing a larger range and more volume potential from a significantly smaller site
- Ocado Flex further improves the flexibility of the platform, enabling partners to use their own webshop and app solutions using a suite of Ocado micro services to power core and advanced functionalities while taking advantage of the data-collecting and analytics of OSP. We are on track to have the core shopping journey enabled by the end of the year

Growing the OSP 'club'; bringing new partners to the platform and extending current partnerships

- In signing Auchan Polska, we have our first deal in a market outside of our previous guidance describing customer opportunity geographies as those with a GDP per capita of over $25,000. This reinforces our expanding opportunity set as we drive further step changes in operating and capital efficiency with Re: Imagined
- We have extended our partnership with Groupe Casino. In addition to growing together through the CFC in Fleury-Merogis, Paris, and ISF, we have formed a joint venture to provide logistics services to other potential OSP partners of Ocado Solutions in France. In addition to further reducing complexity for prospective OSP partners, this capital-light joint venture will open up the potential for multi-tenant CFCs across France. Integrating the marketplace solution, Octopia, into the OSP platform will further increase front end functionality, opening up an incremental fee opportunity
- The pipeline for future deals is encouraging; we are engaged in more conversations with prospective partners than ever before and across a wider range of markets, further increasing the Total Addressable Market

Strong liquidity position to deliver ambitious growth plans; no further financing expected; cash flow positive in the mid-term

- Following the end of the half, the Group successfully raised gross liquidity of £878 million via a £578 million equity placing and a £300 million revolving credit facility ('RCF'), bringing total liquidity to around £2.0 billion
- This structure also provides us a further diversification of funding sources bringing in access to a meaningful RCF
- The funding will provide the liquidity support for capex, underpinning delivery of the committed and expected CFC programme for our partners in the mid-term; we are on track to roll out around 50 modules (or 10 sites, at an average of 5 modules each) per year in the coming 4-6 years, with around 80% of this build programme already ordered
- We expect our strong liquidity position to be enough to fund the requirements of this roll out into the mid-term, with no additional Group financing as the business then becomes cash flow positive

Ocado Retail, now a 50:50 JV between Ocado Group and M&S, is Ocado Group's original business and a leading pure play online grocer.

Ocado Retail: growth in customer numbers despite challenging trading environment in the UK

- Active customers (Ocado.com customers who have shopped in the last 12 weeks) grew to 867k at the end of H1 2022, up 12% on the prior year, and 9% higher than the pre-COVID high, evidencing continued demand for online grocery and Ocado Retail's leading customer proposition; net promoter score for Ocado.com is outperforming other online grocery offerings in the UK by 25 ppts
- Revenue declined 8% in the period, with successful acquisition of new customers offset by changing customer shopping behaviours as the trend towards shopping smaller baskets with the end of Covid restrictions was further compounded by the growing cost of living crisis in the UK
- Average basket in the period was £120, down 13% from £138 in H1 2021, largely driven by customers shopping fewer items per basket, down 15%, a trend only partially offset by the impact of a 3% increase in average selling price
- EBITDA of £31 million, compared with £104 million in the prior year, reflects the impact of the current trading environment; a reduction in volumes relative to fixed costs of new capacity, as well as higher utility and fuel costs and increased customer acquisition costs, partly offset by a release of management long-term incentive provisions given current trading, as well as the non-repeat of investment spend seen in the prior year
- Underlying efficiency in both fulfilment and the last mile continues to improve. Units picked per hour ('UPH') improved to 174 from 172 at mature sites, and is consistently above 200 at newest sites Andover and Purfleet, with Andover achieving 220. Deliveries per van per shift have improved by 10%, though drops per van per week ('DPV') has declined to 177 from 183, reflecting a decision to hold surplus vans to mitigate supply uncertainty
- As the business recovers the fixed costs of new capacity and when the impact of the current cost of living crisis begins to abate, we expect EBITDA margin to recover to high mid-single digit in the mid-term, with the benefits of Re: Imagined still to come
- Alongside 4 further CFCs planned for the UK, Ocado Retail is expanding the reach of its leading immediacy offering. The business will open a further 2 Zooms in Leyton (East London), and Leeds by the end of the year

FY 2022 guidance

On track to deliver results in line with guidance given previously, at FY 2021 results and in the Ocado Retail trading update on May 25th.

Revenue

- **Ocado Retail: low single digit growth** reflecting the impact of the cost of living crisis in the UK on consumer behaviour
- **UK Solutions & Logistics:**
  - **Fee growth over 30%** reflecting the accelerated capacity build out in UK
  - **Cost recharges to grow at least in line with Retail revenue growth** as we support our clients to build into the growing capacity
- **International Solutions:**
  - **OSP fee revenue to more than double** with increase of live international CFCs from 4 to 12, and continued ramp in ISF volumes
  - **Double digit growth in Kindred revenues** from £10m in FY 2021

EBITDA

- **Ocado Retail: low single digit margin:** a result of slower sales growth, coupled with the impact of higher utility and fuel costs
- **UK Solutions & Logistics: EBITDA to increase by around 50%**, reflecting increased fees due to the increasing live capacity for clients and engineering costs growing slower relative to this new capacity
- **International Solutions: flat versus 2021**; rising margin contribution as revenues grow, offset by increased investments in platform development and a minimum level of engineering cost required to support new CFCs in the early stages of ramp

Total capital expenditure for the Group is expected to be around £800m driven by accelerating roll out of OSP worldwide

- **30% UK,** of which 60% dedicated to the continued roll out of CFC and Zoom sites, inclusive of land, build and MHE cost, given consolidation of the Ocado Retail joint venture
- **50% International,** reflecting an additional 8CFCs to go-live during the year, of a total of 13 CFCs in build internationally at the end of 2021
- **20% Technology investment** to support key areas of OSP platform development including additional focus areas such as autonomy

We continue to target further Solutions deals which would generate additional cash fees but would negatively impact short term profits

We have a clear path to >£6.3 billion in revenue and >£750 million in EBITDA in the mid-term (4-6 years) as outlined in the modelling seminar hosted on the 25th May 2022
Note: Revenue and EBITDA guidance for UK Solutions & Logistics adjusts for the accounting treatment, under IFRS 16, of lease costs for Ocado Retail exclusive CFCs. No impact on Group revenue or EBITDA as revenues and costs are eliminated on consolidation

Autostore update

The litigation between Ocado Group and AutoStore Technology AS ('AutoStore') continues, with claims brought by Ocado Group against AutoStore in the US, Germany and UK, and by AutoStore against Ocado Group in the US and UK.

In the first half of 2022, a final US International Trade Commission ('ITC') decision was handed down in March with the full Commission formally confirming the initial determination, in favour of Ocado. AutoStore has now appealed this decision to the Court of Appeals for the Federal Circuit in the USA and a decision is expected in Q3 2023.

Also in the US, IPRs (Inter Partes Reviews) of two Autostore patents were decided by the Patent Trial Appeal Board (PTAB). In the first, the PTAB invalidated 3 out of the 4 claims asserted by Autostore. The second patent was maintained, but in terms that Ocado does not directly infringe. In a very recent development, AutoStore's attempt to invalidate Ocado's Single Space Bot patent was firmly rejected yesterday when the PTAB refused to institute a review and held that the Ocado patent was valid. The Ocado claim against Autostore in New Hampshire continues with a trial date set for December 2023 and an outcome expected in Q1 2024. All other actions are currently stayed.

The UK infringement trial was heard in the High Court in March with judgement expected in Q3 or Q4 2022. Three of the six asserted AutoStore patents have been revoked by the European Patent Office and two have been maintained. All of these decisions except one are now in EPO Appeal proceedings. Further EPO oppositions have been started with hearings expected between Q3 2022 and Q3 2023. As is common in patent litigation, a date for a Trial B in these proceedings has been set for April 2023.

In Germany, the District Court infringement proceedings against AutoStore were stayed in January pending AutoStore filing invalidity proceedings at the German Patent Office on the IP rights Ocado asserted. The German Patent Office decision is expected in Q4 2022.

Ocado continues to have confidence in the merits of its position and actively continues to pursue its claims against AutoStore for infringement of Ocado's patents and to defend Ocado's business against AutoStore's claims in both the United States and Europe.

Results presentation

A results presentation will be available online for investors at 9.30am. This can be accessed here. Following the session there will be Q&A, also accessible via the webcast.

Contacts

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000
Stephen Daintith, Chief Financial Officer on 020 7353 4200 today or 01707 228 000
David Shriver, Director of Communications, on 020 7353 4200 today or 01707 228 000
Martin Robinson at Tulchan Communications on 020 7353 4200

Financial Calendar

The schedule for Ocado Retail results for the remainder of the 2022 financial year is for a Q3 Trading Statement on the 13th September and a Q4 Trading Statement on the 8th of December.

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and assumptions and are subject to a number of risks and uncertainties that could cause actual events or results to differ materially from any expected future events or results expressed or implied in these forward-looking statements. Persons receiving this announcement should not place undue reliance on forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, Ocado does not undertake to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.

Financial Review

- **Revenue** declined 4.4% to £1,262.4 million (H1 2021: £1,319.9 million), reflecting the challenging trading environment for Ocado Retail, down 8.3% to £1,122.2 million, with the cost of living crisis compounding the impact of a return to more normalised consumer behaviour compared to last year when the country was experiencing peak COVID restrictions. There remains strong demand for Ocado Retail's customer proposition with an 11.6% year on year growth in active customers to 867,000 customers. Revenue growth in UK Solutions & Logistics was good and in International Solutions was very strong, up 119.9% to £58.5 million, as a further 6 CFCs went live in the period.

- **Gross profit and other income** of £533.6 million was broadly in line with prior year (H1 2021: £533.4 million), despite the 4.4% decline in revenue with a gross margin improvement in period; 42.3% up from 40.4%, driven by a more material contribution from the high gross margin International Solutions business.

- **Distribution and administrative costs** of £546.7 million grew by 16.1% (H1 2021: £471.0 million) due to three key reasons; 1. continued investment in building our technology capabilities for our partners, across both CFC and in-store fulfilment solutions, 2. expanding our support functions in order to fully support our rapidly growing and increasingly global CFC operations and 3. significant inflationary pressures on the cost of utilities, fuel and labour.

- **Group EBITDA*** loss of £(13.6) million (H1 2021: profit of £61.0 million), a reduction of £74.6 million, was driven by the £72.8m reduction in Retail EBITDA* to £31.3 million (H1 2021: £104.1 million) reflecting lower volumes together with the inflationary cost impacts on labour, utility and fuel costs and the continued investment in our technology capability and support functions, partially offset by releases of management long-term incentive provisions given current trading.

- **Statutory loss before tax** of £(211.3) million (H1 2021: £(27.9) million) after including depreciation, amortisation and impairment charges of £157.3 million (H1 2021: £104.2 million), net finance costs of £33.4 million (H1 2021: £37.7 million), and net exceptional costs of £7.0 million (H1 2021: income of £53.0 million) including litigation costs and insurance income for the Andover and Erith CFCs.

- **Strong balance sheet, with cash and cash equivalents of £1.1 billion** as at the end of the period, supporting our significant UK and International growth plans. Net debt at the end of the period was £(758.8) million (H1 2021: £188.5 million net cash). In June 2022, the Group successfully raised additional gross liquidity of £878.2 million, comprising a £578.2 million equity placing and a new £300.0 million revolving credit facility, providing a healthy liquidity position today of almost £2.0 billion and securing the funding of our future growth plans.

	H1 2022			**H1 2021 (restated)[2]**			
£ million	**Pre-exceptional**	**Exceptional items**	**Total statutory reported**	Pre-exceptional	Exceptional items	Total statutory reported	Pre-exceptional change
Revenue[1]	**1,262.4**	-	**1,262.4**	**1,319.9**	-	**1,319.9**	**(4.4%)**

Gross profit and other income[2,3]	533.6	6.3	539.9	533.4	62.7	596.1	0.0%
Distribution and administrative costs[2]	(546.7)	(13.3)	(560.0)	(471.0)	(1.2)	(472.2)	16.1%
Share of results from joint ventures and associates[4]	(0.5)	-	(0.5)	(1.4)	(8.5)	(9.9)	(64.3%)
EBITDA*	**(13.6)**	**(7.0)**	**(20.6)**	**61.0**	**53.0**	**114.0**	**(122.3%)**
Depreciation, amortisation and impairment	(157.3)	-	(157.3)	(104.2)	-	(104.2)	51.0%
Net finance costs	(33.4)	-	(33.4)	(37.7)	-	(37.7)	(11.4%)
Loss before tax	**(204.3)**	**(7.0)**	**(211.3)**	**(80.9)**	**53.0**	**(27.9)**	**152.5%**

1. Revenue is a. Retail - online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax, b. International Solutions - the fees charged to international clients and c. the recharge of costs and associated fees from UK Solutions & Logistics to our UK clients with the exception of recharges from UK Solutions & Logistics to Ocado Retail which are eliminated on consolidation.
2. See note 3 to the financial statements for details of the restatements.
3. Other income is income that is not generated through the primary trading activities of the segments (for example, media income in the Retail segment)
4. Share of results from joint ventures relates to joint ventures where the Group does not exercise control, such as MHE JVCo Limited ("MHE JVCo"), Karakuri Limited and Infinite Acres Holdings BV (which the Group disposed of in October 2021). The Ocado Retail joint venture, over which the Group exercises control, is not included in this category as its results are fully consolidated.

* These measures are Alternative Performance Measures. Please refer to the section "Alternative Performance Measures" in the condensed financial statements

The commentary is on a pre-exceptional basis to aid understanding of the performance of the business on a comparable basis.

Group revenue for the period declined by 4.4% to £1,262.4 million (H1 2021: £1,319.9 million). Retail revenue declined by 8.3% year on year in a challenging trading environment, with the cost of living crisis compounding the impact of a return of more normal customer behaviours compared with peak lockdown restrictions in the prior year. International Solutions revenue increased from £26.6 million to £58.5 million with the go-live of four additional CFCs for Kroger in the US, a second CFC for Sobeys in Canada (Montreal) and our first CFC for ICA Gruppen in Sweden (Stockholm). Total invoiced fees (design and capacity fees) across all International partners were £61.1 million, an increase of 21.7% compared to the prior year. Cumulative invoiced fees not yet recognised as revenue across international partners amounted to £354.2 million at the end of the period.

Gross profit and other income increased slightly to £533.6 million (H1 2021: £533.4 million), despite a decline of £47.5 million in Retail (£385.4 million (H1 2021: £432.9 million), a gross margin of 34.4% (H1 2021: 35.3%), driven by a combination of lower volumes, supplier cost inflation pressure and product mix. This was largely offset by a good increase of £34.6 million in International Solutions gross margin to £57.5 million (H1 2021: £22.9 million).

Distribution and administrative costs grew by £75.7 million to £546.7 million (H1 2021: £471.0 million) as the business expanded both in the UK and internationally. The total costs of £546.7 million include £314.1 million of distribution costs (increase of 9.5%); (H1 2021: £286.8 million) and £54.5 million of administrative costs (increase of 28.5%); (H1 2021: £42.4 million) in UK Solutions & Logistics. UK distribution costs increased by 9.5%, against a reduction in eaches (individual basket items) of 8.8%, reflecting the significant inflationary pressures on the cost of utilities, fuel and labour. The short-term increase in distribution costs also reflect the minimum level of engineering cost required during the early stages of ramp for the three UK CFCs that went live during the prior period (Bristol, Andover and Purfleet). Distribution and administrative costs in the International Solutions segment grew by 44.3% to £114.7 million as a result of increased engineering support and technology costs reflecting the go-live of operations and annualised costs for our 10 live international client sites, and continued investment in the development of the Ocado Smart Platform as we build our capabilities for our partners across both CFC and in-store fulfilment solutions. Technology costs that have been expensed (and not capitalised) increased from £121.9 million to £160.8 million reflecting wage inflation and an increase in technology headcount from 2,400 to over 2,700.

EBITDA* for the period was £(13.6) million (H1 2021: £61.0 million) with the £74.6 million reduction driven by a £72.8 million reduction in Retail. Despite this decline in Retail, growth in UK Solutions & Logistics and International Solutions helped to deliver a Group gross profit and other income of £533.6 million, broadly in line with prior year (H1 2021: £533.4 million), and a gross margin of 42.3% (H1 2021: 40.4%). We continue to reinvest much of our gross margin in our technology and support functions in order to support our ambitious plans for growth in both the UK and internationally, in turn scaling and improving the Ocado Smart Platform for our clients.

Depreciation, amortisation and impairment increased by 51.0% to £157.3 million (H1 2021: £(104.2) million), primarily due to an increase in depreciation and amortisation costs relating to our investment and rollout of OSP hardware and software at live CFC locations. At the end of the period we had 8 live UK sites (including Zoom) and 10 live international sites. Property, plant and equipment held on the balance sheet is now £1,495.8 million (H1 2021: £978.5 million).

Net finance costs decreased from £37.7 million to £33.4 million, largely reflecting unrealised foreign exchange gains of £8.2 million (H1 2021: £(7.8) million loss) on foreign currency denominated cash balances. This was partly offset by £7.0 million of incremental interest cost arising from the issue of £500.0 million of Senior Unsecured Notes in October 2021 following the redemption of the existing £225.0 million Senior Secured Notes. Gross debt at the end of the period was £1,841.5 million (H1 2021: £1,469.3 million).

After including net exceptional costs of £(7.0) million (H1 2021: £53.0 million net income), primarily relating to litigation costs of £11.1 million (principally related to patent infringement litigation between the Group and AutoStore Technology AS), offset by £6.4 million of insurance income from the Erith CFC, the **Statutory loss before tax** for the period was £(211.3) million (H1 2021: loss of £(27.9) million).

Segmental summary

£ million	**H1 2022**	**H1 2021**	Change
Revenue			
Retail	1,122.2	1,224.1	(8.3)%
UK Solutions & Logistics	395.6	357.3	10.7 %
International Solutions	58.5	26.6	119.9 %
Inter-segment and other	(313.9)	(288.1)	9.0 %
Group	**1,262.4**	**1,319.9**	**(4.4)%**
EBITDA*			
Retail	31.3	104.1	(69.9)%
UK Solutions & Logistics	28.6	30.1	(5.0)%
International Solutions	(57.2)	(56.6)	1.1 %
Group and other	(16.3)	(16.6)	(1.8)%
Group	**(13.6)**	**61.0**	**(122.3)%**

Inter-segment eliminations and other

All revenue charged from UK Solutions & Logistics to Ocado Retail is eliminated on consolidation. For H1 2022, this was £314.2 million (H1 2021: £288.4 million) on a pre-exceptional basis and is included as an elimination entry in the 'Inter-segment and other' line within revenue. This is partly offset by other revenue earned by Jones Food Company.

Group key performance indicators

The following table sets out a summary of selected unaudited operating information in the period:

	H1 2022	H1 2021	Change
No. of modules live[1,2]	**86**	54	59.3%
No. of modules ordered[1,2,3]	**221**	177	24.9%
Direct operating cost (% of site sales)[4]	**2.4%**	3.5%	47.7%

1. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and c. £70m pa of sales capacity.
2. A module is considered live when it has been fully installed and is available for use by our partner
3. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been issued for the associated capacity and design fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed and invoiced
4. Direct operating costs as a % of site sales capacity reflects the exit rate position at the period end. Direct operating costs include engineering, cloud, and other technology support costs.

Retail

£ million	H1 2022	H1 2021 (restated)[4]	Change
Revenue[2]	**1,122.2**	**1,224.1**	**(8.3)%**
Gross profit and other income[3,4]	**385.4**	**432.9**	**(11.0)%**
Distribution costs[4,5]	(292.2)	(262.3)	11.4 %
Marketing (non-voucher) costs[6]	(25.3)	(14.8)	70.9 %
Other administrative costs[5]	(36.6)	(51.7)	(29.2)%
EBITDA*	**31.3**	**104.1**	**(69.9)%**

1. The results of the Ocado Retail Limited joint venture (referred to as either "Ocado Retail" or "Retail") are fully consolidated in the Group
2. Retail segment includes results from Speciality Stores Limited ("Fetch") until its disposal on 31 January 2021. Revenue decline excluding Fetch in 2021 was (7.8)%
3. Other Income includes £2.4 million income from the Transitional Services Agreement relating to the sale of Fetch in H1 2021
4. See note 3 to the financial statements for details of the restatements
5. Distribution and administrative costs exclude depreciation, amortisation and impairment
6. Marketing costs exclude the cost of vouchers given to customers, these are instead included in cost of sales
7. EBITDA* does not include the impact of exceptional items

Retail revenue declined by 8.3% year on year (underlying decline of 7.8% adjusted for the disposal of Fetch) and EBITDA* decreased by £72.8 million from £104.1 million to £31.3 million, driven by lower sales, together with the impact of higher utility and fuel costs and fixed costs from the three new CFCs launched in 2021 which continue to ramp to capacity.

Ocado Retail has continued to win new customers and grow market share. Active customers now stand at 867,000, up by 11.6% from 777,000 at H1 2021. Ocado share of the online grocery market is estimated to be 12.1% (H1 2021: 10.8%) (Nielsen). Ocado Retail has grown order volumes; averaging 381,000 orders per week in the period and up by 7.0% (H1 2021: 356,000 orders per week). The sales decline versus H1 2021 is almost entirely related to more normalised customer behaviour in the post-COVID environment, in particular smaller shopping baskets.

In the second week of May Ocado Retail delivered 400,000 orders to customers for the first time. With the opening of a second Zoom site in Canning Town, the first fully automated immediacy site in the UK, Ocado Retail started to expand the reach of its leading immediacy solution.

Key indicators of efficiency in both fulfilment and the last mile continue to show positive trends. Of particular note, units picked per labour hour (UPH) in our newest sites, Andover and Purfleet, are exceeding our 200 UPH target.

Revenue

Retail revenue declined by 8.3% year on year (7.8% on an underlying basis excluding Fetch), in a challenging trading environment, with the cost of living crisis compounding the impact of changing customer shopping behaviours trends towards shopping smaller baskets as COVID restrictions have ended and many people return to eating out of the home.

In the last few months, the UK grocery market has declined by 4-5% compared to 2021 levels when the country was experiencing peak COVID restrictions. The online grocery market has declined by around 20% compared with last year, although remains 60-70% higher compared with pre-COVID levels. Today's online share of the grocery market of 11-12% is almost double that of pre-pandemic levels.

The average basket value for Retail is trending around 13% lower at £120 (H1 2021: £138) reflecting the impact of the cost of living crisis and the normalisation of consumer behaviour, with consumers ordering fewer items per shop than in the prior year, resulting in a decline in eaches (items) per basket of around 14% to 48 (H1 2021: 55). Ocado Retail is committed to offering customers fair value, however the business is experiencing the high cost inflation also being experienced by food suppliers and others in the grocery supply chain, and this is reflected in an increase in average selling price of 2.9% in the period to £2.52 (H1 2021: £2.45).

With increased capacity through three new CFCs (Bristol, Andover and Purfleet) going live during 2021, average orders per week grew to 381,000 (+7.0% year on year) with active customers growing to 867,000 (+11.6% year on year), as we invested in marketing activity to drive long-term stable growth. The Bicester CFC going live in H2 2022 will bring Retail CFC capacity at maturity to in excess of 600,000 orders per week.

Gross profit and other income

Gross profit and other income declined by 11.0% to £385.4 million, driven by a combination of lower volumes, supplier cost inflation pressure and product mix as customers trade down to lower price products. As a result, gross margin deteriorated year on year to 34.3% (H1 2021: 35.4%).

Distribution costs

£ million	H1 2022	H1 2021 (restated)[1]	Change
CFC costs	(107.7)	(89.0)	21.0 %
Trunking and delivery	(132.0)	(122.5)	7.8 %
Other operating costs[1]	(52.5)	(50.8)	3.3 %
Total Distribution costs[1]	**(292.2)**	**(262.3)**	**11.4 %**

1. See note 3 to the financial statements for details of the restatements

Distribution costs primarily consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the UK Logistics operation of the Ocado Group.

CFC costs increased by 21.0% to £107.7 million compared to a growth in average orders per week in the period of 7.0%. The higher rate of cost growth (+21.0%) compared to order volume growth (+7.0%) reflects several factors. These include the impact of fixed costs from the three new CFCs launched in 2021 which continue to ramp to capacity. CFC costs have also been impacted by inflation, with significant increases in utility, labour and dry ice costs together with labour challenges at the start of the financial year, with the costs of additional temporary incentives to attract and retain staff. Despite the labour challenges, overall productivity improved in the first half, with Units per Hour (UPH) in mature sites improving year on year by 1.2% to 174.

Trunking and delivery costs increased by 7.8% to £132.0 million, slightly more than the growth in orders as a result of increased labour and fuel costs. Deliveries per van per shift increased by 13.2% to 21.5, but the number of eaches (items) per delivery van reduced by 6.7% reflecting the reduced order sizes (the 14% reduction in basket size noted above).

Other operating costs of £52.5 million (H1 2021: £50.8 million) include OSP fees and the costs of logistics services provided by UK Solutions & Logistics to Ocado Retail. The increase is primarily due to the increase in OSP fees payable to UK Solutions from the new CFCs in Bristol, Andover and Purfleet which went live in 2021.

Marketing costs increased by £10.5 million to £25.3 million, increasing as a percentage of revenue to 2.3% (H1 2021: 1.2%). During 2021 Retail was able to operate at lower than historical levels of marketing spend, largely due to strong customer demand during the COVID lockdown period. As further capacity has become available, we have increased investment in customer acquisition spend including our new multi-media brand campaign, "There's An Ocado Just For You", to drive brand awareness. The number of active customers has increased significantly by 11.6% year on year to 867,000.

Administrative costs decreased by £15.1 million to £36.6 million, reflecting non-repeat of prior year investment spend and releases of management long-term incentive provisions given current trading.

EBITDA*

EBITDA* for the Retail business was £31.3 million (H1 2021: £104.1 million). Amounts recoverable under business interruption insurance for Andover and Erith are included in Group exceptional items, and therefore are excluded from the Retail segmental result. Costs related to the exit of long term agreements for IT services of £3.2 million are also included in exceptional items.

Key drivers

The following table sets out a summary of selected unaudited operating information in the period:

	H1 2022	**H1 2021**	Change
Active customers (000s)[1]	**867**	777	11.6%
Revenue (£ million)	**1,122.2**	1,224.1	(8.3%)
Average orders per week (000s)	**381**	356	7.0%
Average basket value (£)[2]	**120**	138	(13.0%)
Average selling price (£)[3]	**2.52**	2.45	2.9%

1. Active customers are classified as active if they have shopped at ocado.com within the previous 12 weeks
2. Average basket value refers to results of ocado.com
3. Average selling price is defined as gross sales divided by total eaches

UK Solutions & Logistics

£ million	**H1 2022**	**H1 2021 (restated)[4]**	Change
Fee revenue[1]	79.7	73.2	8.9 %
Cost recharges[2]	315.9	284.1	11.2 %
Revenue	**395.6**	**357.3**	10.7 %
Other income, net of cost of sales	1.6	2.0	(20.0)%
Distribution costs[3,4]	(314.1)	(286.8)	9.5 %
Administrative costs[3,4]	(54.5)	(42.4)	28.5 %
EBITDA*	**28.6**	**30.1**	**(5.0)%**

1. Fee revenue includes fees charged to Ocado Retail of £63.4 million which eliminate on consolidation

2. Cost recharges include cost recharges to Ocado Retail of £250.4 million which eliminate on consolidation
3. Distribution and administrative costs excludes depreciation, amortisation and impairment
4. Distribution and administrative costs have been re-presented for FY2021 to reflect an updated split of activities, with no impact on overall revenue and EBITDA

UK Solutions & Logistics saw a good performance in the period, with customer fee revenue (from Ocado Retail and Morrisons) increasing by 8.9% to £79.7 million as we continued to invest in capacity for current and future growth. There are now 6 live CFCs in the UK and 54 live modules (H1 2021: 44). Total throughput in CFCs decreased by 8.8% to 611.9 million eaches picked (H1 2021: 670.6 million), but average orders per week increased by 6.5% to 491,000 orders per week (H1 2021: 461,000) across Ocado Retail and Morrisons. The decline in eaches reflected the changing customer shopping behaviour trends towards shopping smaller baskets. With the addition of three new CFCs in Bristol, Andover and Purfleet in 2021 and the expected go-live of our CFC in Bicester in H2 2022, live CFCs at the end of the year will have a total capacity of around 800,000 orders per week at maturity across Ocado Retail and Morrisons.

Cost recharges to our UK partners increased by 11.2% to £315.9 million. The increase in recharges compared to the decline in volume (the 8.8% decline in eaches) reflects the higher costs as our new sites ramp up to full efficiency, together with the impact of significantly increased utility, fuel, labour and dry ice costs. This cost inflation impact is partially offset by improvements in CFC efficiency in our mature CFCs.

EBITDA* decreased from £30.1 million to £28.6 million as the increase in fee revenue in the period driven by the higher capacity fees relating to the three new CFCs that went live in the prior period are outweighed by a year on year reduction in capital recharges (the recharges to Ocado Retail for the lease costs of CFCs used exclusively by Ocado Retail are accounted for as finance income and excluded from EBITDA) and the continuing investment in, and rollout of, our Ocado Smart Platform.

Revenue

Revenue from the UK Solutions & Logistics business increased by £38.3 million to £395.6 million, an increase of 10.7%.

Fee revenue comprises the fees charged to our UK partners Ocado Retail and Morrisons for access to Ocado's technology platforms, capital recharges, management fees and research and development (those fees charged to Ocado Retail are eliminated on consolidation of the Group). Total fees grew by 8.9% to £79.7 million, with fees to Ocado Retail growing broadly in line with overall live module capacity growth from the three new CFCs delivered in the prior period. Fees to Morrisons also grew following the return to the Erith CFC in February 2021. This resulted from the end of an agreement to temporarily release the Morrisons' Erith capacity back to Ocado Retail following the fire in the Andover CFC in February 2019.

Cost recharges represent the relevant operational variable and fixed costs recharged by UK Solutions & Logistics to Ocado Retail and Morrisons (costs recharged to Ocado Retail are eliminated on Group consolidation). These predominantly relate to fulfilment and delivery operations included in distribution costs, but also include certain central, head office activities, and transitional services fees to Ocado Retail that are reported within administrative costs. Cost recharges grew by 11.2% due to the increased costs at our new CFCs at Andover, Bristol and Purfleet as they ramp up to full capacity, together with higher utility, dry ice and labour costs.

Other income, net of cost of sales

Other income, net of cost of sales, was £1.6 million (H1 2021: £2.0 million). Other income primarily relates to Erith and Dordon property rental costs that are charged to Morrisons.

Distribution and administrative costs

Distribution costs comprise the costs of fulfilment and delivery operations which are recharged to Ocado Retail and Morrisons. These also include engineering and other support costs for the provision of the contracted services, for which OSP fees are charged.

Total distribution costs grew by 9.5% to £314.1 million (H1 2021: £286.8 million), against a reduction in average eaches shipped per week (total CFC throughput) of 8.8% to 23.5 million (H1 2021: 25.8 million eaches per week). Distribution costs grew despite the reduction in eaches delivered due to higher costs from new sites as they ramp up to full efficiency, together with the impact of significant cost inflation in respect of energy and fuel costs and investment in labour costs to address labour shortage challenges that were particularly evident during Q4 2021 and into the first quarter of 2022.

Productivity improvements saw the average number of Units per Hour (UPH) in mature CFCs (Hatfield, Dordon and Erith) improve year on year to 174 in the period (H1 2021: 172). Since opening in 2022, our first mini CFC in Bristol has achieved UPH of 192, and our newest sites in Andover and Purfleet are already well ahead of our original expectations and each exceeding our target of 200 UPH.

Trunking and delivery operations saw average deliveries per van shift improve across both UK partners, driven by more normalised shopping behaviour during the week enabling roster improvements. These productivity improvements were offset by a fall in deliveries per van per week to 177 (H1 2021: 183), reflecting a decision to retain a surplus of vans to mitigate supply uncertainty.

Distribution costs also include the engineering costs of operating CFCs for which the OSP fee is charged to our UK partners. Due to the continued ramp and relative immaturity of the three new CFCs that went live in 2021, these costs are relatively higher on a cost per each basis as these CFCs ramp up volumes and we maintain a largely fixed level of engineering support. By the end of the period all three new CFCs are experiencing engineering costs per each broadly in line with those at the Erith CFC, which itself saw engineering cost per each fall by 11% during the period.

Administrative costs consist of direct and centrally allocated head office costs (which are largely recharged to Ocado Retail and Morrisons) and an allocation of central technology costs that are incurred to support the continued development of the Ocado Smart Platform. Administrative costs grew by 28.5% to £54.5 million (H1 2021: £42.4 million), primarily as a result of the allocation of additional headcount and technology resources to support and improve the OSP. These costs also include investment in infrastructure (to support the growing UK capacity) and the ongoing investment in recruitment and learning and development.

EBITDA*

EBITDA* from UK Solutions & Logistics activities was £28.6 million, a decrease of £1.5 million. This reduction largely resulted from the continuing investment in, and rollout of, our Ocado Smart Platform and a year on year reduction in capital recharges to Ocado Retail as the lease costs of CFCs used exclusively by Ocado Retail are accounted for as finance income and excluded from EBITDA. These are eliminated on Group consolidation.

Key drivers

The following table sets out a summary of selected unaudited operating information in the period:

	H1 2022	**H1 2021**	Change
Total eaches (million)	**611.9**	670.6	(8.8%)
Orders per week (000s)	**491**	461	6.5%
Mature site UPH[1]	**174**	172	1.2%
Average deliveries per van per week	**177**	183	(3.3%)

1. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel.

International Solutions

£ million	**H1 2022**	**H1 2021 (restated)[4]**	Change
Fees invoiced[1]	**61.1**	**50.2**	**21.7 %**
Revenue[2]	**58.5**	**26.6**	**119.9 %**
Cost of sales	(1.0)	(3.7)	(73.0)%

Gross profit	**57.5**	**22.9**	151.1 %
Distribution costs[3]	(22.2)	(12.9)	72.1 %
Administrative costs[3]	(92.5)	(66.6)	38.9 %
EBITDA*	**(57.2)**	**(56.6)**	**1.1 %**

1. Fees invoiced represents design and capacity fees invoiced during the period for existing and future CFC and in-store fulfilment commitments. These are recognised in the Income Statement according to IFRS15 once a working solution is provided to the customer
2. Revenue includes £4.5 million revenue (H1 2021: £3.9 million) from Kindred Systems, and £1.9 million of equipment sales (H1 2021: £3.3 million) to retail partners recognised as revenue under IFRS 15. The cost of this equipment is recognised in cost of sales.
3. Distribution and administrative costs excludes depreciation, amortisation and impairment
4. Distribution and administrative costs have been re-presented for H1 2021 to reflect an updated split of activities, with no impact on overall revenue and EBITDA

We continue to expand our international operations with six new CFCs going live in the period. These include a further four CFCs for Kroger in the US, the second CFC for Sobeys in Montreal and our first CFC for ICA Gruppen in Stockholm. Despite global supply chain challenges, these facilities have all been delivered on time and on budget. We now have 10 live international sites (H1 2021: 4 sites) and 32 live modules (H1 2021: 10 modules). As a result of this growth the International Solutions business is starting to deliver material revenue, with revenue increasing from £26.6 million in H1 2021 to £58.5 million in 2022.

We have a strong pipeline of further CFC commitments in addition to significant in-store fulfilment (ISF) capabilities to be delivered across a number of our existing partners, including a new partnership with Auchan Poland that was signed in March 2022.

We also continue to invest in the Ocado Smart Platform and build the support functions to support rapid international expansion. This has resulted in distribution and administrative costs growing to £114.7 million from £79.5 million in 2021, primarily reflecting the increase in technology costs allocated to the segment. Losses in the period grew slightly from £(56.6) million to £(57.2) million.

Fees and revenue

Fees invoiced in the period totalled £61.1 million (H1 2021: £50.2 million), and include design and capacity fees invoiced across a number of clients relating to existing and future CFC and in-store fulfilment commitments, including our new partnership with Auchan Poland, and fees associated with the live operations with Kroger, Sobeys and ICA.

Under revenue recognition rules, fees relating to OSP are not recognised as revenue until a working solution is delivered to the partner, i.e. the CFC goes 'live'. At the end of the period, cumulative fees not yet recognised as revenue, but instead recorded on the balance sheet within contract liabilities, amounted to £354.2 million.

Revenue in the period of £58.5 million reflects ongoing capacity fees of £38.0m and amounts previously recorded on the balance sheet relating to design and upfront fees across our current operational partners, Group Casino, Sobeys, Kroger and ICA, that are gradually released to revenue once the site has gone 'live'. In addition to revenue contribution of £4.5 million from Kindred Systems, International Solutions revenue also includes £1.9 million relating to the sale of equipment (at cost) to a number of partners and is recognised as revenue.

Distribution costs

Distribution primarily consists of the engineering and technology costs of operating the OSP platform and CFCs for our international clients. These costs grew from £12.9 million in H1 2021 to £22.2 million in H1 2022 as a result of increased people and cloud costs to support the growing number of international CFCs. This includes costs relating to our 10 live international sites, that now include our first six CFCs with Kroger, and reflects the additional costs for new sites which have gone live in the period. Distribution costs are also impacted by the annualisation of costs relating to the 4 live international CFC sites at the start of the year as they continue to ramp up.

Administrative costs

Administrative costs primarily consist of costs supporting our international partnership agreements and the non-capitalised costs of employees who are developing the OSP platform, such as research costs. These costs grew from £66.6 million in the prior year to £92.5 million in 2022 as we continued to increase our investment in building long-term OSP capabilities for our partners, across both CFC and in-store fulfilment (ISF) solutions.

EBITDA*

EBITDA* from our International Solutions activities was a loss of £(57.2) million (H1 2021: £(56.6) million), reflecting the growing investment in technology to support our international growth ambitions, and the support costs relating to new CFCs.

Key drivers

The following table sets out a summary of selected unaudited operating information in the period:

	H1 2022	**H1 2021**	Change
Invoiced fees (£ million)	**61.1**	50.2	21.7%
No. of modules live[1,3]	**32**	10	220.0%
No. of modules ordered[2,3]	**152**	115	32.2%

1. A module is considered live when it has been fully installed and available for use by our partner
2. A module is classified as ordered when a contractual agreement has been signed with a partner and an invoice has been sent for the associated fees. This excludes modules which are required to be ordered in order to maintain exclusivity agreements, but which have not yet been agreed and invoiced
3. A module of capacity is assumed as approximately 5,000 eaches per hour (dependent on the specific metrics of a partner) and c. £70m pa of sales capacity.

Group and other

The 'Group and other' segment represents revenue and costs which do not relate to the Retail, UK Solutions & Logistics, and International Solutions segments. This includes Board costs, the consolidated results of Jones Food Company, and MHE rental income. This segment reported an EBITDA* loss of £(16.3) million in the current period (H1 2021 loss: £(16.6) million). This loss includes a decrease in share-based senior management incentive charges reflecting the lower Ocado Group plc share price and a reduction in losses in our ventures businesses following the disposal of our interest in Infinite Acres Holding B.V. in October 2021 (H1 2021: £1.3 million loss).

£ million	**H1 2022**	**H1 2021**	Change
Board costs[1]	(6.4)	(6.2)	3.4%
Share based payments[2]	(9.5)	(11.1)	(14.6%)
Jones Food Company and other ventures[3]	(1.6)	(3.2)	(49.8%)
Other[4]	(6.3)	(3.4)	85.3%
Group and other costs	**(23.8)**	**(24.0)**	**(0.5%)**
MHE rental income[5]	5.1	5.2	(1.9%)
Research and development credit ("RDEC")[6]	2.4	2.2	11.6%
Group and other EBITDA	**(16.3)**	**(16.6)**	**(1.8%)**

1. Board costs include salaries, bonuses and fees for Directors totalling £4.5 million (H1 2021: £4.5 million); director insurance costs of £0.8 million (H1 2021: £0.9 million) and other Board costs of £1.1m (H1 2021: £0.8 million)
2. Of the share based payment charges for the Group (excluding ORL), £7.6 million are allocated out to other segments and £9.5 million remains in the Group segment.

3. Ventures relates to the profits and losses on our share of investments and joint ventures during the period. The most significant is Jones Food Company where we recorded losses of £1.1 million (H1 2021: £1.8 million loss). The others are: Infinite Acres / 80 Acres, which was disposed in October 2021 (H1 2021: £1.3 million loss); MHE JVCo, for which we recorded profits of £nil (H1 2021: £0.1 million profit) and Karakuri, for which we recorded losses of £0.5 million (H1 2021: £0.3 million loss)
4. Other costs include a small allocation of Group support and central costs.
5. Rental income totalling £5.1 million was received from MHE JVCo, a joint venture with Morrisons.
6. Research and development (R&D) subsidies totalling £2.4 million were received in H1 2022. These are granted by HMRC as a fixed percentage on the value of qualifying R&D expenditure.

Exceptional items

£ million	H1 2022	H1 2021
Andover CFC		
Insurance reimbursement income	-	62.7
Other exceptional costs	(0.1)	(2.9)
Total Andover exceptional	**(0.1)**	**59.8**
Erith CFC		
Insurance reimbursement income	6.3	-
Total Erith exceptional	**6.3**	**-**
Ocado Group Finance transformation and Software-as-a-Service (SaaS) implementation costs	(4.0)	(4.3)
Gain on disposal of Speciality Stores Limited ("Fetch")	-	1.7
Litigation costs	(11.1)	(11.4)
Changes in fair value of contingent consideration	5.1	7.2
Ocado Retail IT systems transformation	(3.2)	-
Total exceptional items	**(7.0)**	**53.0**

Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

Insurance reimbursement income

This comprises reimbursement for the costs of rebuilding the CFC and business interruption losses and recognised as income within Exceptional items. Total cumulative income recognised to date, across all prior periods, is £206.3 million and included £62.7 million in H1 2021. Amounts yet to be received are recognised as accrued income and total £22.5 million within the cumulative income recognised to date. This relates to reimbursement of spend on the capital expenditure and will be received in H2 2022. As at 29 May 2022, the final settlement of the insurance claim had not been agreed, therefore, no further insurance reimbursement income was recognised in H1 2022.

Subsequent to H1 2022, the Group has now reached agreement with the insurers for the final settlement of the insurance claim for a total of £273.8 million. This means that a further £67.5 million of insurance reimbursement income and £90.0 million of cash has been received and recognised in H2 2022, together with any further associated costs. This will then conclude the Andover fire insurance claim.

Other exceptional costs

In addition to the building, machinery and inventory costs relating to the fire, other exceptional costs have been incurred that relate to, but are not limited to, professional fees in respect of the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative costs to date amount to £121.5 million with £0.1 million of these costs incurred in the period.

Erith CFC

In July 2021, a fire destroyed part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurer.

As at H1 2022, agreement was reached with the insurers for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3 million. An interim payment of £2.0 million was received in August 2021 which was recognised as insurance reimbursement income in H2 2021 and a further £6.3 million has been received in H2 2022 which has been recognised as insurance reimbursement income in H1 2022 and a corresponding accrued income is held on the balance sheet. The receipt of the £6.3 million will conclude the Erith fire claim.

Ocado Group Finance transformation and SaaS implementation costs

As part of the Group's finance transformation programme, the Group implemented various SaaS solutions, primarily Oracle Fusion which went live in H2 2021, across the business. Following the IFRIC agenda decision, in FY2021 the Group updated its accounting policy for the treatment of SaaS related costs under IAS 38 Intangible Assets. The updated policy was applied retrospectively and as a result, the prior year comparatives have been restated to expense £4.3 million of SaaS costs incurred in H1 2021 that had originally been capitalised, and which no longer meet the criteria for recognition as an asset. The cumulative finance transformation and SaaS implementation costs expensed to date amount to £25.6 million and include £4.0 million in H1 2022.

These amounts have been disclosed as exceptional items because they are material and arise from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.

The finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related finance processes to improve efficiency across the business. Incremental costs incurred in relation to the ongoing programme will continue to be disclosed as exceptional items. Ongoing license fees for SaaS arrangements and the cost of business as usual finance activity will not form part of the exceptional items.

Litigation costs

Litigation costs relating to the patent infringement litigation between the Group and Autostore Technology AS ("Autostore") amounted to £11.1 million (H1 2021: £10.9 million). The prior year litigation costs also includes costs of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hilary and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property.

Change in fair value of contingent consideration

In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of ORL to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. As at 29 May 2022, the total value of the contingent consideration across these two transactions was £161.8 million (FY 2021: £156.7 million). A gain on revaluation of £5.1 million is reported through exceptional items.

Ocado Retail IT systems transformation

In FY 2021, Ocado Retail initiated its IT Roadmap programme which focuses on delivering IT systems and services that will enable Ocado Retail to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme, which is expected to run until FY2023, includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet asset recognition criteria will be recognised as intangible assets, and implementation costs that do not meet asset recognition will be expensed. The cumulative costs expensed to date amount to £7.8 million.

These costs have been classified as exceptional because they are expected to be significant and result from a transformational activity which is considered only incremental to the core activities of the Group.

Tax impact on exceptional items

The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £2.3 million of which £0.6m (H1 2021: nil) has been recognised. A further tax credit of £1.7 million (H1 2021: nil) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

Other items

Depreciation, amortisation and impairment

Total depreciation, amortisation and impairment costs were £157.3 million (H1 2021: £104.2 million), an increase of £53.1 million, or up 51.0% year on year, and includes depreciation of property, plant and equipment of £76.6 million (H1 2021: £38.9 million), depreciation of right-of-use assets of £33.9 million (H1 2021: £28.9 million), amortisation expense of £46.4 million (H1 2021: £35.7 million) and impairment costs of £0.4 million (H1 2021: £0.7 million).

The increase was principally driven by CFCs that have gone live within the previous 12 months (£24.4 million; including right-of-use leases). The charge incurred on CFCs that were live in the prior year also increased by £14.9 million, as we see the impact of annualisation, alongside additional spend as we ramp our live sites. The remaining movement is driven primarily by amortisation of technology projects following the go-live of CFCs in the period (£11.9 million).

Net finance costs

Net finance costs of £33.4 million reduced by £4.3 million (H1 2021: £37.7 million) largely reflecting unrealised foreign exchange gains in the year of £8.2 million (H1 2021: £(7.8) million loss) on foreign currency denominated cash and intercompany balances. This was partly offset by the incremental costs incurred with the issue of £500.0 million of Senior Unsecured Notes in October 2021, offset by the redemption of the existing £225.0 million Senior Secured Notes. Gross debt increased (as a result of the new note issue and redemption of the existing note) to £1,841.5 million at the end of the period (H1 2021: £1,469.3 million). The majority of the additional costs are non-cash items relating to the effective interest rate of these instruments and accrued interest.

Share of results from joint ventures and associates

The Group has accounted for the share of results from joint ventures and associates. MHE JVCo is a 50/50 joint venture with Morrisons and holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business. The Group's share of MHE JVCo profit after tax in the period amounted to £nil (H1 2021: £0.1 million). The Group's interest in Infinite Acres Holdings BV was disposed of in October 2021 and contributed £nil to the Group's results in the period (H1 2021: £(1.3) million). The Group's interest in Karakuri Limited contributed a loss of £(0.5) million in the period (H1 2021: £(0.3) million loss).

Loss before tax

The loss before tax for the period was £(211.3) million (H1 2021 - restated: loss of £(27.9) million). This includes EBITDA (post exceptionals) of £(20.6) million (H1 2021: £114.0 million), depreciation, amortisation and impairment costs of £157.3 million (H1 2021: £104.2 million) and net finance costs (post exceptionals) of £33.4 million (H1 2021: £37.7 million).

Taxation

The Group's reported total tax charge for the period was £0.8 million (H1 2021: £10.8 million). This reflects a corporation tax credit of £3.1 million (H1 2021: £12.5m charge) and a deferred tax charge of £3.9 million (H1 2021: £1.7 million credit). The reduction in tax charge and other movements mainly relate to Ocado Retail due to accelerated tax relief for capital expenditure.

At the end of the period, the Group had £904.7 million (H1 2021: £507.1 million) of unutilised carried forward tax losses.

Dividend

During the period, the Group did not declare a dividend (H1 2021: nil).

Loss per share

Basic and diluted loss per share were (28.67)p (H1 2021: (11.12)p).

Capital expenditure

Capital expenditure totalled £366.8 million in the period (H1 2021: £319.0 million) as we continued to develop new CFCs both in the UK and with our international retail partners. We also continued to invest in technology to support our OSP growth ambitions, and within our Group support functions.

£ million	H1 2022	H1 2021[4]
UK CFCs and operations	119.8	138.0
International CFCs	140.7	105.7
Technology, Fulfilment Development and Innovation	106.3	75.3
Total capital expenditure[1,2,3] (including MHE JVCo)	**366.8**	**319.0**

1. Capital expenditure includes tangible and intangible assets
2. Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements
3. Capital expenditure includes MHE JVCo capital expenditure in 2022 of £1.6 million and in 2021 of £2.0 million
4. 2021 reflects changes in the allocation of certain expenditure between UK Operations, International CFCs and Technology, Fulfilment Development and Innovation to support appropriate comparison with 2022

In the period we invested £119.8 million in our UK CFCs and operations (H1 2021: £138.0 million), of which £93.1 million (H1 2021: £97.2 million) relates to our CFCs in the UK. This includes £4.8 million for our second Zoom site in Canning Town which went live during the period and £31.5 million for our CFC in Bicester which will be operational during the second half of the year. The opening of these sites will increase total potential capacity across both our UK retail partners to over 800,000 orders per week at maturity. The Group also incurred £26.8 million of capital expenditure in relation to our CFC in Luton which is expected to go-live during 2023. The remaining £56.7 million of UK operations capital expenditure includes post go-live capital expenditure at our sites in Andover, Erith and Purfleet of £22.2 million, new site development costs of £5.1 million, pre go-live engineering and cloud costs and central spares of £9.1 million, group property costs of £5.0 million including new technology sites, and investment of £6.8 million to upgrade some of our core group support systems to support ORL and international expansion.

Investment in developing international CFCs for our partners continues to accelerate as our committed CFC pipeline grows. Our capital expenditure on international CFCs in the period was £140.7 million (H1 2021: £105.7 million), including £115.6 million related to the CFCs in North America where four Kroger CFCs and one Sobeys CFC have gone live during the period, £13.6 million in Asia-Pacific and £3.1 million in Europe.

We also continue to invest in the development of our own technology, particularly around the further development of the Ocado Smart Platform including Ocado Re:Imagined, the suite of ground-breaking innovations launched in January this year. We expanded technology and engineering headcount to over 2,700 staff as we increased investments to support the business' strategic initiatives. Total technology expenditure in the period was £161.0 million, of which £93.5 million was capitalised. The main areas of investment continue to be the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and existing partners' future CFCs.

Within this CFC-focussed investment, £35.6 million relates to Retrieval and Handling Robotics (for which total cash spend, including operating expenditure, in the period was £42.0 million), and where we see a significant opportunity to drive further improvements in online grocery economics for Ocado, and our clients globally.

Investment in the development of fulfilment equipment totalled £9.9 million (H1 2021: £6.0 million), enhancing our next generation fulfilment solutions for CFCs and delivery operations for all our Solutions partners, further reinforcing our 'lowest cost operator' pursuit.

Cash Flow

£ million	H1 2022	H1 2021
EBITDA*	**(13.6)**	**61.0**
Movement in contract liabilities	43.1	57.5
Other working capital movements	23.1	(32.4)
Insurance proceeds relating to business interruption	10.0	30.0
Finance costs paid	(27.3)	(16.9)
Taxation paid	(0.5)	(9.2)
Other operating cash flow	(29.1)	3.3
Operating cash flow	**5.7**	**93.3**
Capital expenditure	(387.8)	(297.2)
Insurance proceeds relating to rebuilding Andover CFC	5.0	-
Acquisition of Kindred Systems and Haddington Dynamics	-	(196.2)
Repayment of lease liabilities	(23.1)	(22.2)
Proceeds from share issues	1.8	2.1
Movement of short-term deposits	-	370.0
Other investing and financing activities	0.7	8.1
Movement in cash and cash equivalents (excl. FX changes)	**(397.7)**	**(42.1)**
Effect of changes in FX rates	11.8	(6.9)
Movement in cash and cash equivalents (incl. FX changes)	**(385.9)**	**(49.0)**

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

EBITDA* in the period was £(13.6) million (H1 2021: £61.0 million) and a £74.6 million reduction on the prior year reflecting a challenging environment for our Retail segment with lower volumes alongside inflationary cost pressures. The reduction in EBITDA was the single largest driver of the movement in operating cash flow during the period of £5.7 million, a reduction of £87.6 million compared with the prior year (H1 2021: £93.3 million).

The **movement in contract liabilities** includes cash received from our UK and international Solutions partners and was £43.1 million (H1 2021: £57.5 million). The reduction is due to a smaller number of CFC agreements with partners and therefore reduced design fees being invoiced compared with prior year.

Other working capital movements include a net reduction in other working capital (representing a net cash inflow) in the period of £23.1 million (H1 2021: net increase/cash outflow of £32.4 million). Driving this movement was an increase in trade payables of £33.3 million (net cash inflow), driven by the expansion of International Solutions activity, and a reduction in inventories of £12.0 million (net cash inflow), reflecting the release of Ocado Retail stock after the busy Christmas period, in combination with the seasonal decline in stock levels ahead of the summer holiday period. Trade and other receivables increased by £22.4 million (net cash outflow) which was principally due to prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction.

Insurance proceeds relating to business interruption of £10.0 million (H1 2021: £30.0 million) is the reimbursement of business interruption losses and associated costs in relation to the fire at our Andover CFC in February 2019.

Taxation paid of £0.5 million (H1 2021: £9.2 million) relates to overseas entities. No UK tax was paid in the period reflecting the impact of the acceleration of tax relief for capital expenditure in Ocado Retail as a result of the 'super-deduction'.

Finance costs paid of £27.3m (H1 2021: £16.9m) increased by £10.4m primarily due to interest paid on the £500.0 million senior unsecured notes issued in October 2021.

Other operating cash flow items of £(29.1) million includes £(18.4) million of cash-settled exceptional costs including litigation costs of £(11.1) million, together with £(10.7) million of non-cash adjustments reflecting £(12.7) million of revenue recognised from long-term contracts and £(19.6) million movement on provisions, offset by £21.1 million of share-based payment charges.

Capital expenditure (cash) during H1 2022 amounted to £387.8 million (H1 2021: £297.2 million) as the Group continues to invest for future growth, incurring additional investment in new CFCs both in the UK and internationally, developing next generation fulfilment solutions, and investing in our central support capabilities.

Insurance proceeds relating to rebuilding Andover CFC of £5.0 million relates to the reimbursement of costs for the rebuild of our CFC at Andover which includes machinery costs. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

Lease liability repayments increased by £0.9m in the period to £23.1 million (H1 2021: £22.2 million) and broadly reflect the additional cost of UK CFCs that went live during and after the prior period.

Proceeds from share issues of £1.2 million (H1 2021: £1.3 million) relates to the exercise of fully vested share options.

Movement of short-term deposits in the prior year represented a drawdown of £370.0 million of treasury deposits which matured during the period, and were not defined as cash and cash equivalents at the start of the 2021 financial year.

Effect of changes in FX rates of £11.8 million relates to the FX gain (reported under net finance costs) and translation FX on cash balances predominantly regarding USD balances driven by the international expansion of our Solutions business.

Balance Sheet

£ million	29 May 2022	30 May 2021 (restated)[1]	28 Nov 2021
Assets			
Goodwill	152.6	136.4	144.8
Other intangible assets	385.4	328.6	345.2
Property, plant and equipment	1,495.8	978.5	1,257.8
Right-of-use assets	481.7	427.7	494.6
Investment in joint ventures and associates	26.0	39.7	26.5
Trade and other receivables	324.7	242.9	324.4
Cash and cash equivalents	1,082.7	1,657.8	1,468.6
Other financial assets	233.6	218.9	222.5

Other	93.1	82.1	99.2
Total assets	**4,275.6**	**4,112.6**	**4,383.6**
Liabilities			
Contract liabilities	(390.3)	(326.4)	(378.5)
Trade and other payables	(412.8)	(427.4)	(393.2)
Borrowings	(1,315.7)	(1,012.0)	(1,300.0)
Lease liabilities	(525.8)	(457.3)	(528.4)
Other	(62.4)	(65.2)	(74.1)
Total liabilities	**(2,707.0)**	**(2,288.3)**	**(2,674.2)**
Net assets	**1,568.6**	**1,824.3**	**1,709.4**

1. See note 3 to the financial statements for details of the restatements.

Assets

Goodwill increased during the six month period by £7.8 million to £152.6 million as a result of foreign exchange rate revaluations primarily reflecting the movement in GBP / USD. Goodwill represents the future benefit of new technology, the ability to attract new customers, and future synergies through Ocado Group plc cost savings.

Other intangible assets increased by £40.2 million to £385.4 million mainly as a result of capitalised internal development costs reflecting investment in building our technology capabilities for our partners, across both CFC and in-store fulfilment solutions, along with additional software costs.

Property, plant and equipment increased by £238.0 million to £1,495.8 million (FY 2021: £1,257.8 million). The increase principally relates to our ongoing investment in the development and go-live of our international CFCs for our client partners including Kroger, Sobeys and ICA.

Right of use assets decreased by £(12.9) million to £481.7 million largely due to depreciation (£29.7 million), partially offset by additions of motor vehicles and other operational assets.

Investment in joint ventures and associates decreased by £0.5 million to £26.0 million as a result of a £(0.5) million loss incurred in relation to the Group's interest in Karakuri Limited during the period.

Trade and other receivables increased by £0.3 million to £324.7 million (FY 2021: £324.4 million) driven by prepayments for the purchase of long lead items of capital expenditure required for CFCs under construction.

The Group had **cash and cash equivalents** totalling £1,082.7 million (FY 2021: £1,468.8 million) at the end of the period. Gross debt (including lease liabilities) at the period end was £1,841.5 million (FY 2021: £1,828.4 million), with net debt at the period-end of £(758.8) million (FY 2021: £(359.8) million). In June 2022, the Group successfully raised additional gross liquidity of £878.2 million, comprising a £578.2 million equity placing and a new £300.0 million revolving credit facility, providing a healthy liquidity position today of almost £2.0 billion. We believe this provides sufficient liquidity to support investment in capital expenditure to meet existing financial commitments, and deliver future growth in the short to medium term.

Other financial assets increased by £11.1 million to £233.6 million reflecting an increase of £5.1m in the fair value of contingent consideration receivable in respect of the sale of 50% of Ocado Retail to Marks and Spencer Group plc ("M&S") and an increase in derivative financial assets of £4.5m in relating to diesel hedge commodity swaps.

Other assets of £93.1 million predominantly consist of inventories (£78.9 million) and deferred tax assets (£8.9 million) relating to the recognition of losses in US and Canada Solutions.

Liabilities

Contract liabilities of £390.3 million (FY 2021: £378.5 million) relates to Solutions contracts, payments made for performance-based delivery, or progress payments on ongoing service delivery. Where invoicing is greater than the revenue recognised at the end of a period, a contract liability is recognised for the difference.

Trade and other payables increased by £19.6 million to £412.8 million due to increases in supplier payables aligned with the growth of the business.

Borrowings increased by £15.7 million to £1,315.7 million (FY 2021: £1,300.0 million) as a result of interest accruing on borrowings during the period.

Lease liabilities decreased by £2.6 million to £(525.8) million primarily due to the movement of existing lease obligations into current liabilities partly offset by additional liabilities in respect of new leases.

Other liabilities of £(62.4) million principally refers to deferred tax liabilities of £31.5 million arising from business combinations and decelerated capital allowances resulting from a 'super deduction' claim being made by Ocado Retail, along with provisions of £29.8 million including liabilities in respect of share incentive schemes of £7.8 million and dilapidations of £22.0 million.

Subsequent Events

Acquisitions

On 19 May 2022, Ocado Ventures (Myrmex) Limited entered into an agreement to acquire an 87.8% share in materials handling robotic start-up, Myrmex Inc ("Myrmex"), a private company incorporated in the United States of America. Myrmex became a wholly owned subsidiary of the Group following the completion of the transaction on 6 June 2022. Prior to the transaction, the Group held a 12.2% interest in Myrmex.

Financing

On 21 June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares") at a price of 795 pence per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors subscribed via the PrimaryBid platform for a total of 246,405 new Ordinary Shares in the capital of the Group (the "Retail Offer Shares") at the Placing Price.

In conjunction with the Placing, the Group CEO, CFO and General Counsel subscribed for an aggregate of 150,944 new ordinary shares in the capital of the Company at the Placing Price pursuant to the Subscription (the "Subscription Shares").

Together, the Placing Shares, the Retail Offer Shares and the Subscription Shares in aggregate comprise 72,724,393 new Ordinary Shares, which will raise gross proceeds of approximately £578.2 million. The Placing Price of 795 pence per Placing Share represented a discount of approximately 9.41% to the closing share price of 877.6 pence on 20 June 2022. The Placing Shares, the Retail Offer Shares and the Subscription Shares being issued together represent approximately 9.7% of the existing issued ordinary share capital of the Company prior to the Placing, the Retail Offer and the Subscription.

The Placing Shares, the Retail Offer Shares and the Subscription Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing Ordinary Shares of Ocado Group. This includes the right to receive all dividends and other distributions declared or paid in respect of such ordinary shares after the date of issue of the Placing Shares, the Retail Offer Shares and the Subscription Shares.

Following Admission, the total number of ordinary shares in issue in Ocado Group will be 824,753,451. Ocado Group currently holds no ordinary shares in treasury, and, therefore, following Admission, the total number of voting shares in Ocado Group in issue will be 824,753,451.

Together with the share issue of £578.2 million in June 2022, the Group successfully agreed a new £300.0 million revolving credit facility, provided by a syndicate of six leading international banks.

Groupe Casino

On 30 June 2022, the Group announced the extension of its partnership deal with French retailer Groupe Casino. The extension includes the creation of a joint venture to provide logistics services to Ocado-powered customer fulfilment centres in France, which will be available to all grocery retailers.

Insurance

In June 2022, a final settlement agreement was reached with our insurers in respect of the claim relating to the fire at Andover in 2019 for £273.8 million. This will result in the recognition of a further £67.5 million of exceptional income in H2 2022. The Group had received £183.8 million in respect of the claim at H1 2022. Cash settlement of the remaining £90.0 million was received in July 2022.

Condensed Consolidated Income Statement
for the 26 weeks ended 29 May 2022

		26 weeks ended 29 May 2022 (unaudited)			26 weeks ended 30 May 2021 (unaudited) (restated[1])		
		Before exceptional items	**Exceptional items (Note 5)**	**Total**	Before exceptional items	Exceptional items (Note 5)	Total
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Revenue	4	1,262.4	-	1,262.4	1,319.9	-	1,319.9
Cost of sales		(777.7)	-	(777.7)	(836.2)	-	(836.2)
Gross profit		**484.7**	**-**	**484.7**	483.7	-	483.7
Other income		48.9	6.3	55.2	49.7	62.7	112.4
Distribution costs		(418.8)	(0.2)	(419.0)	(348.8)	(1.2)	(350.0)
Administrative expenses		(285.2)	(13.1)	(298.3)	(226.4)	(8.5)	(234.9)
Operating (loss)/profit before results from joint ventures and associate		**(170.4)**	**(7.0)**	**(177.4)**	(41.8)	53.0	11.2
Share of results from joint ventures and associate		(0.5)	-	(0.5)	(1.4)	-	(1.4)
Operating (loss)/profit		**(170.9)**	**(7.0)**	**(177.9)**	(43.2)	53.0	9.8
Finance income	7	10.1	-	10.1	1.0	-	1.0
Finance costs	7	(43.5)	-	(43.5)	(38.7)	-	(38.7)
Loss before tax		**(204.3)**	**(7.0)**	**(211.3)**	(80.9)	53.0	(27.9)
Taxation		(1.4)	0.6	(0.8)	(10.8)	-	(10.8)
(Loss) / profit for the period		**(205.7)**	**(6.4)**	**(212.1)**	(91.7)	53.0	(38.7)
Attributable to:							
Owners of Ocado Group plc				(212.5)			(82.1)
Non-controlling interests				0.4			43.4
				(212.1)			(38.7)

Profit / (loss) per share		Pence	Pence
	6	**(28.67)**	(11.12)

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA*)

	Note	**26 weeks ended 29 May 2022 £m (unaudited)**	26 weeks ended 30 May 2021 (restated[1]) £m (unaudited)
Operating (loss)/profit		(177.9)	9.8
Adjustments for:			
Depreciation of property, plant and equipment		76.6	38.9
Depreciation of right-of-use assets		33.9	28.9
Amortisation of intangible assets		46.4	35.7
Impairment of property, plant and equipment		0.4	0.4

Impairment of intangible assets		-	0.3
Exceptional items*	5	7.0	(53.0)
EBITDA*		**(13.6)**	**61.0**

1. See note 3 for the details of the restatements.

* See Alternative performance measures in note 16 for further information.

Condensed Consolidated Statement of Comprehensive Income
for the 26 weeks ended 29 May 2022

	26 weeks ended 29 May 2022 £m (unaudited)	26 weeks ended 30 May 2021 (restated[1]) £m (unaudited)
Loss for the period	**(212.1)**	**(38.7)**
Other comprehensive income:		
Items that may be reclassified to profit or loss in subsequent years:		
Cash flow hedges		
- Gains arising on hedging contracts	4.6	1.0
Gains on equity instruments designated as fair value through other comprehensive income	0.2	-
Foreign exchange gain/(loss) on translation of foreign subsidiaries	43.6	(20.9)
Other comprehensive income/(expense) for the period, net of tax	**48.4**	**(19.9)**
Total comprehensive expense for the period	**(163.7)**	**(58.6)**
Attributable to:		
Owners of Ocado Group plc	(164.1)	(102.0)
Non-controlling interests	0.4	43.4
	(163.7)	**(58.6)**

1. See note 3 for the details of the restatements.

Condensed Consolidated Balance Sheet
as at 29 May 2022

	Notes	**29 May 2022 £m (unaudited)**	**30 May 2021** (restated[1]) **£m (unaudited)**	28 November 2021 £m (audited)
Non-current assets				
Goodwill		152.6	136.4	144.8
Other intangible assets		385.4	328.6	345.2
Property, plant and equipment		1,495.8	978.5	1,257.8
Right-of-use assets		481.7	427.7	494.6
Deferred tax assets		8.9	4.9	7.2
Contract assets		-	0.1	-
Costs to obtain contracts		0.7	0.7	0.7
Financial assets	9	217.3	184.0	211.4
Investment in joint ventures and associates		26.0	39.7	26.5
Trade and other receivables		-	5.5	0.5
Derivative financial assets	10	10.5	-	9.6
		2,778.9	**2,106.1**	**2,498.3**
Current assets				
Assets held for sale		4.4	4.2	4.2
Inventories		78.9	71.8	86.7
Contract assets		0.1	0.3	0.3
Costs to obtain contracts		0.1	0.1	0.1
Trade and other receivables		324.7	237.4	323.9
Derivative financial instruments	10	4.9	0.9	0.3

Financial assets	9	0.9	34.0	1.2
Cash and cash equivalents	8	1,082.7	1,657.8	1,468.6
		1,496.7	**2,006.5**	**1,885.3**
Total assets		**4,275.6**	**4,112.6**	**4,383.6**
Current liabilities				
Trade and other payables		(412.3)	(427.4)	(393.2)
Contract liabilities		(25.3)	(21.3)	(21.8)
Lease liabilities	8	(61.3)	(51.4)	(51.0)
Provisions	12	(1.1)	(1.2)	(1.0)
		(500.0)	**(501.3)**	**(467.0)**
Net current assets		**996.7**	**1,505.2**	**1,418.3**
Non-current liabilities				
Contract liabilities		(365.0)	(305.1)	(356.7)
Borrowings	8	(1,315.7)	(1,012.0)	(1,300.0)
Lease liabilities	8	(464.5)	(405.9)	(477.4)
Provisions	12	(29.8)	(44.6)	(48.7)
Trade payables		(0.5)	-	-
Deferred tax liabilities		(31.5)	(19.4)	(24.4)
		(2,207.0)	**(1,787.0)**	**(2,207.2)**
Net assets		**1,568.6**	**1,824.3**	**1,709.4**
Equity				
Share capital		15.0	15.0	15.0
Share premium		1,373.8	1,366.9	1,372.0
Treasury shares reserve		(113.0)	(113.1)	(113.0)
Other reserves		118.3	63.2	69.9
Retained earnings		51.9	365.2	244.3
Equity attributable to owners of Ocado Group plc		1,446.0	1,697.2	1,588.2
Non-controlling interests		122.6	127.1	121.2
Total equity		**1,568.6**	**1,824.3**	**1,709.4**

1. See note 3 for the details of the restatements.

Condensed Consolidated Statement of Changes in Equity
for the 26 weeks ended 29 May 2022

	Attributable to owners of Ocado Group plc							
	Share capital	Share premium	Treasury shares reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 28 November 2021 (audited)	**15.0**	**1,372.0**	**(113.0)**	**69.9**	**244.3**	**1,588.2**	**121.2**	**1,709.4**
(Loss)/ profit for the period	-	-	-	-	(212.5)	(212.5)	0.4	(212.1)
Other comprehensive income:								
- Gain arising on hedging contracts	-	-	-	4.6	-	4.6	-	4.6
- Gain on equity investments designated as at fair value through other comprehensive income	-	-	-	0.2	-	0.2		0.2
- Foreign exchange gain on translation of foreign subsidiaries and joint venture	-	-	-	43.6	-	43.6	-	43.6
Total comprehensive income / (expense) for the period ended 29 May 2022 (unaudited)	**-**	**-**	**-**	**48.4**	**(212.5)**	**(164.1)**	**0.4**	**(163.7)**
Transactions with owners:								
- Issue of ordinary shares	-	1.2	-	-	-	1.2	-	1.2
- Allotted in respect of share option schemes	-	0.6	-	-	-	0.6	-	0.6
- Share-based payments charge (net of tax)	-	-	-	-	21.1	21.1	-	21.1
- Reduction in investment in Jones Food[1]	-	-	-	-	(1.0)	(1.0)	1.0	-
Total transactions with owners	**-**	**1.8**	**-**	**-**	**20.1**	**21.9**	**1.0**	**22.9**
Balance at 29 May 2022 (unaudited)	**15.0**	**1,373.8**	**(113.0)**	**118.3**	**51.9**	**1,446.0**	**122.6**	**1,568.6**

	Attributable to owners of Ocado Group plc							
	Share capital	Share premium	Treasury shares reserve	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m	£m
Balance at 29 November 2020 (audited) (restated[2])	**15.0**	**1,361.6**	**(113.2)**	**76.9**	**421.4**	**1,761.7**	**71.4**	**1,833.1**
(Loss)/profit for the period (restated[2])	-	-			(82.1)	(82.1)	43.4	(38.7)
Other comprehensive income:								
- Gains arising on hedging contracts	-	-	-	1.0	-	1.0	-	1.0
- Foreign exchange gain on translation of foreign subsidiaries and joint venture	-	-	-	(20.9)	-	(20.9)	-	(20.9)
Total comprehensive expense for the period ended 30 May 2021 (unaudited) (restated[2])	**-**	**-**	**-**	**(19.9)**	**(82.1)**	**(102.0)**	**43.4**	**(58.6)**
Transactions with owners:								
- Issue of ordinary shares	-	0.7	-	-	-	0.7	-	0.7
- Allotted in respect of share option schemes	-	4.6	-	-	-	4.6	-	4.6
- Disposal of treasury shares	-	-	0.1	-	-	0.1	-	0.1
- Share-based payments charge	-	-	-	-	16.3	16.3	-	16.3
- Issue of ordinary shares for the purchase of Haddington Dynamics Inc	-	-	-	6.2	-	6.2	-	6.2
- IFRS 3 portion of the rollover shares issued by Ocado for the purchase of Kindred Systems Inc	-	-	-	-	1.9	1.9	-	1.9
- Additional investment in Jones Food Company Limited[3]	-	-	-	-	7.7	7.7	12.3	20.0
Total transactions with owners	**-**	**5.3**	**0.1**	**6.2**	**25.9**	**37.5**	**12.3**	**49.8**
Balance at 30 May 2021 (unaudited) (restated[2])	**15.0**	**1,366.9**	**(113.1)**	**63.2**	**365.2**	**1,697.2**	**127.1**	**1,824.3**

1. In January 2022, Jones Food Company Limited ("Jones Food Company") issued new shares to three individuals, which resulted in the Group's shareholdings in Jones Food Company decreasing to 48%. The Group retains control of Jones Food Company.

2. See note 3 for the details of the restatements.

3. In April 2021, Jones Food Company completed an equity raise of £25.0m, as part of which Ocado Ventures (JFC) Limited invested an additional £5.0m in ordinary shares, this resulted in the Group's shareholding decreasing from 72% to 52%. The Group retained control of Jones Food Company.

Condensed Consolidated Statement of Cash Flows
for the 26 weeks ended 29 May 2022

	Note	**26 weeks ended 29 May 2022**	26 weeks ended 30 May 2021 (restated[1])
		£m	£m
		(unaudited)	(unaudited)
Cash generated from operations	12	**23.5**	**89.4**
Corporation tax paid		(0.5)	(9.2)
Interest paid		(27.3)	(16.9)
Insurance proceeds relating to destroyed inventory and business interruption		10.0	30.0
Net cash flows from operating activities		**5.7**	**93.3**
Cash flows from/(used in) investing activities			
Insurance proceeds relating to rebuilding Andover Customer Fulfilment Centre ("CFC")		5.0	-
Purchase of property, plant and equipment		(305.8)	(231.0)
Purchase of intangible assets		(82.0)	(66.2)
Proceeds from disposal of Speciality Stores Limited ("Fetch"), net of cash		-	(0.4)
Net cash on business acquisitions		-	(196.2)
Purchase of unlisted equity investment		-	(10.0)
Proceeds from other treasury deposits		-	370.0
Loan to joint venture		-	(2.2)

Interest received	0.7	0.7
Net cash flows used in investing activities	**(382.1)**	**(135.3)**
Cash flows from/(used in) financing activities		
Proceeds from issue of ordinary share capital, net of transaction costs	0.6	0.7
Proceeds from allotment of share options	1.2	1.3
Proceeds from disposal of treasury shares on exercise by participants	-	0.1
Net cash as a result of additional investment in Jones Food Group	-	20.0
Repayment of lease liabilities	(23.1)	(22.2)
Net cash flows used in financing activities	**(21.3)**	**(0.1)**
Net decrease in cash and cash equivalents	(397.7)	(42.1)
Cash and cash equivalents at the beginning of the period	1,468.6	1,706.8
Effects of changes in foreign exchange rates	11.8	(6.9)
Cash and cash equivalents at the end of the period	**1,082.7**	**1,657.8**

1. See note 3 for the details of the restatements.

Notes to the condensed consolidated interim financial information

1. General information

Ocado Group plc (hereafter the "Company") is incorporated in the United Kingdom under the Companies Act 2006 (company number: 07098618). The address of its registered office is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, AL10 9UL, United Kingdom. The condensed consolidated interim financial information (hereafter "Financial Information") comprises the results of the Company and its subsidiaries (hereafter the "Group").

The financial period represents the 26 weeks ended 29 May 2022. The prior financial periods represent the 26 weeks ended 30 May 2021 and the 52 weeks ended 28 November 2021.

2. Basis of preparation

This condensed consolidated interim financial report for the half-year reporting period ended 29 May 2022 has been prepared in accordance with the UK-adopted International Accounting Standard 34, 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the UK's Financial Conduct Authority. The group transitioned to UK-adopted International Accounting Standards in its consolidated financial statements on 29 November 2021. This change constitutes a change in accounting framework. However, there is no impact on recognition, measurement or disclosure in the period reported as a result of the change in framework.

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 28 November 2021 which was prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union and was filed with the Registrar of Companies. This report is available either on request from the Company's registered office or at www.ocadogroup.com. The Independent 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 pounds sterling, rounded to the nearest million unless otherwise stated. It has been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain financial assets and liabilities, which are held at fair value.

Going concern

The Directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At the end of the period, the Group had cash and cash equivalents of £1,082.7m (28 November 2021: £1,468.6m) and net current assets of £996.7m (28 November 2021: £1,418.3m), which, together with the recently announced fundraising that raised gross proceeds of approximately £578m and the £300m revolving credit facility (refer to note 14) the Directors believe would be sufficient to maintain the Group's liquidity over the going concern period, including continued investment to meet existing financial commitments and to deliver future growth.

The Directors considered a range of scenarios as part of their assessment, each of which showed positive cash headroom throughout the 18-month period from the balance sheet date that has been considered in the assessment. In addition, the Directors considered mitigating actions available in the event of a deterioration in trading performance, notably the ability to reduce capital expenditure in the short term or to make cost efficiencies where appropriate.

Taking these factors together, the Directors believe that it is appropriate to continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

3. Significant accounting policies and restatements to prior year

Accounting policies
The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the 52 weeks ended 28 November 2021 except for the one new accounting policy outlined below.

Inventories - low-value spares (items below £500)
During the period the Group has adopted a new inventory accounting policy for its low-value spares (items below £500). Under the new accounting policy low-value spares will be recognised initially in inventory and expensed as used.

In prior years the Group recognised low-value spares as an expense upon purchase. This was accounted as such as the aggregate amount of those items have historically not been material. The Group has adopted the inventory accounting policy for low value spares as outlined above as it expects the purchase of low-value spares to increase in line with the growing number of CFCs and the aggregate value of these spares to become more significant.

This is a new accounting policy for an area that was previously immaterial and as such has been applied prospectively from the beginning of the period in accordance with the requirements of IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors. Consequently, £5.4m which would have been otherwise expensed on purchase has been recognised within inventories at the period end. No adjustment has been made for the year ended 28 November 2021.

Judgements and estimates
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, liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the Annual Report and Accounts for the 52 weeks ended 28 November 2021.

New standards, amendments and interpretations
The following new standards, interpretations and amendments to published standards and interpretations are relevant to the Group and have been deemed to have an immaterial effect on these interim financial statements:

- Interest Rate Benchmark Reform Phase 2 (Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 (Part A)) - effective 1 January 2021.

Restatement of prior year

The prior period comparatives have been restated to reflect the impact of the following items. All of these items were identified and reported in the FY21 Annual Report and Accounts and the adjustments below represent the flow through of these to the comparative half year period:

1. In H2 2021, the Group updated its policy on IAS 38 Intangible Assets following the IFRIC interpretation on accounting for configuration or customisation costs in cloud computing or Software as a Service ("SaaS") arrangements. As a result of the Group's change in accounting policy, following the IFRIC's agenda decision in relation to SaaS arrangements, H1 2021 comparatives have been restated to derecognise previously capitalised SaaS related costs amounting to £4.3m. This restatement increased the Group's loss for the prior period by £4.3m and a corresponding decrease in the net exceptional income for the same amount. The impact on the H1 2021 balance sheet is a decrease in non-current assets by £12.6m which includes amounts capitalised in FY20 of £8.3m.

2. In H2 2021, the Group implemented a new Enterprise Resource Planning ("ERP") system, a business analytics solution used for analysis, reporting and collaboration. As part of the implementation process, the Group reviewed the categorisation of certain prior period costs and has made the following reclassifications for H1 2021: cost of sales (£7.0m increase), distribution costs (£21.6m decrease) and administrative expenses (£14.6m increase). There is no impact on the Group's balance sheet.

3. In H2 2021, an adjustment of £4.2m was identified relating to the part-disposal of Ocado Retail Limited ("ORL"). The impact on the H1 2021 balance sheet is an increase of £4.2m in current assets and a corresponding increase in opening reserves.

4. In H2 2021, the Group updated its approach to netting deferred tax assets and liabilities and the H1 2021 comparatives have been restated to reflect this approach. The impact on the balance sheet is a reduction in deferred tax liabilities of £26.5m and a corresponding reduction in deferred tax assets. There is no impact on net assets.

In addition to the restatements above, consistent with the FY21 Annual Report the Group has adopted a three column format for the income statement which shows exceptional items as a column rather than a single line item. The H1 2021 comparatives have been represented to reflect this approach.

The effect of the above restatements on the Consolidated Income Statement is as follows:

	26 weeks ended 30 May 2021 (previously reported)	Restatement 1 - SaaS	Restatement 2 - classification	Represent exceptional items	**26 weeks ended** 30 May 2021 (restated)
	£m	£m	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	1,319.9	-	-	-	1,319.9
Cost of sales	(829.2)	-	(7.0)	-	(836.2)
Gross profit	**490.7**	**-**	**(7.0)**	**-**	**483.7**
Other income	49.7	-	-	62.7	112.4
Distribution costs	(370.4)	-	21.6	(1.2)	(350.0)
Administrative expenses	(211.8)	(4.3)	(14.6)	(4.2)	(234.9)
Operating profit/(loss) before exceptional items and results from joint ventures and associate	(41.8)	(4.3)	-	57.3	11.2
Exceptional items	57.3	-	-	(57.3)	-
Share of results from joint ventures and associate	(1.4)	-	-	-	(1.4)
Operating profit/(loss)	**14.1**	**(4.3)**	**-**	**-**	**9.8**
Finance income	1.0	-	-	-	1.0
Finance costs	(38.7)	-	-	-	(38.7)
Loss before tax	(23.6)	(4.3)	-	-	(27.9)
Taxation	(10.8)	-	-	-	(10.8)
Loss for the period	**(34.4)**	**(4.3)**	**-**	**-**	**(38.7)**
Attributable to:					
Owners of Ocado Group plc	(77.8)	(4.3)	-	-	(82.1)
Non-controlling interests	43.4	-	-	-	43.4
	(34.4)	**(4.3)**	**-**	**-**	**(38.7)**

The effect of the above restatements on the Consolidated Balance Sheet is as follows:

Balance sheet (extract)	30 May 2021 (previously reported) £m (unaudited)	Restatement 1 - SaaS £m (unaudited)	Restatement 3 - ORL £m (unaudited)	Restatement 4 - Tax £m (unaudited)	30 May 2021 (restated) £m (unaudited)
Other non-current assets	1,767.1	-	-	-	1,767.1
Other intangible assets	341.2	(12.6)	-		328.6
Deferred tax assets	31.4	-	-	(26.5)	4.9
Trade and other receivables	1.3	-	4.2		5.5
Non-current assets	**2,141.0**	**(12.6)**	**4.2**	**(26.5)**	**2,106.1**
Current assets	**2,006.5**	**-**	**-**	**-**	**2,006.5**
Total assets	**4,147.5**	**(12.6)**	**4.2**	**(26.5)**	**4,112.6**
Current liabilities	**(501.3)**	**-**	**-**	**-**	**(501.3)**
Net current assets	**1,505.2**	**-**	**-**	**-**	**1,505.2**
Other non-current liabilities	(1,767.6)	-	-	-	(1,767.6)
Deferred tax liabilities	(45.9)	-	-	26.5	(19.4)
Non-current liabilities	**(1,813.5)**	**-**	**-**	**26.5**	**(1,787.0)**
Net assets	**1,832.7**	**(12.6)**	**4.2**	**-**	**1,824.3**
Equity					
Retained earnings	373.6	(12.6)	4.2	-	365.2
Other equity	1,332.0	-	-	-	1,332.0
Equity attributable to owners of Ocado Group plc	**1,705.6**	**(12.6)**	**4.2**	**-**	**1,697.2**
Non-controlling interest	127.1	-	-	-	127.1
Total equity	**1,832.7**	**(12.6)**	**4.2**	**-**	**1,824.3**

All of the above restatements are non-cash items and have no impact on the totals of the Group's operating, investing or financing cash flows for the 26 weeks ended 30 May 2021.

4. Segmental reporting

The Group's principal activities are grocery retailing and the development and monetisation of Intellectual Property ("IP") and technology used for online grocery retailing, fulfilment and logistics and services in the United Kingdom, Europe, North America, Australia and Japan. The Group is not currently reliant on any major customer for 10% or more of its revenue.

In accordance with IFRS 8 "Operating Segments", an operating segment is defined as a business activity whose operating results are reviewed by the chief operating decision-maker ("CODM"), for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the CODM, as required by IFRS 8. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The Group has determined it has three reportable segments: Retail, UK Solutions & Logistics and International Solutions.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and relates entirely to the Ocado Retail joint venture.

The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics services for customers in the United Kingdom (Wm Morrison Supermarkets plc and Ocado Retail Limited).

The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom.

In order to reconcile segmental revenues and EBITDA* with the Group's revenue and EBITDA* two other headings are used: "Group eliminations and Other" represents revenue and costs which do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions, primarily between Retail and UK Solutions & Logistics.

The Board assesses the performance of all segments on the basis of revenue and EBITDA*. Revenue and EBITDA*, as reported internally by segment, are the key measures utilised in assessing the performance of operating segments within the Group.

The accounting policies of the segments are the same as those for the Group as a whole. Any transactions between the business segments are subject to normal commercial terms and market conditions. Segmental results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental revenue and EBITDA*	Retail £m	UK Solutions & Logistics £m	International Solutions £m	Other £m	Group eliminations £m	**Total £m**
26 weeks ended 29 May 2022 (unaudited)						
Segmental revenue*	1,122.2	395.6	58.5	0.3	(314.2)	**1,262.4**
Segmental EBITDA*	31.3	28.6	(57.2)	(15.7)	(0.6)	**(13.6)**
26 weeks ended 30 May 2021 (unaudited)						
Segmental revenue*	1,224.1	357.3	26.6	0.3	(288.4)	**1,319.9**
Segmental EBITDA*	104.1	30.1	(56.6)	(16.6)	-	**61.0**
52 weeks ended 28 November 2021 (audited)						
Segmental revenue*	2,289.9	710.4	66.6	0.4	(568.5)	**2,498.8**
Segmental EBITDA*	150.4	68.5	(119.3)	(37.5)	(1.1)	**61.0**

* See Alternative performance measures in note 15 for further information.

5. Exceptional items

Exceptional items, as disclosed on the face of the Consolidated Income Statement, are items that are considered to be significant due to their size and/or nature, not in the normal course of business or are consistent with items that were treated as exceptional in prior periods or that may span multiple financial periods. They have been classified separately in order to draw them to the attention of the readers of the financial statements, and facilitate comparison with prior periods to assess trends in financial performance more readily. The Group applies judgement in identifying the items of income and expense that are recognised as exceptional.

	26 weeks ended 29 May 2022 £m (unaudited)	26 weeks ended 30 May 2021 (restated[1]) £m (unaudited)
Andover CFC		
- Insurance reimbursement	-	62.7
- Other exceptional costs	(0.1)	(2.9)
Erith CFC		
- Insurance reimbursement	6.3	-
Ocado Group Finance transformation and SaaS implementation costs	(4.0)	(4.3)
Gain on disposal of Speciality Stores Limited ("Fetch")	-	1.7
Litigation costs	(11.1)	(11.4)
Ocado Retail IT systems transformation	(3.2)	-
Change in fair value of contingent consideration	5.1	7.2
Net exceptional (costs) / income	**(7.0)**	**53.0**

1. See note 3 for the details of the restatements.

Andover CFC

In February 2019, a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurers.

Insurance reimbursement comprises reimbursement for the costs of rebuilding the CFC and business interruption losses. The reimbursement has been recognised as other income. Total insurance reimbursement recognised in the income statement, including those recognised in prior periods is £206.3m. Amounts that are yet to be received are accounted for as accrued income and total £22.5m within the cumulative income recognised to date. Amounts recognised to date relates to reimbursement of capital expenditure costs. As at 29 May 2022, the final settlement of the insurance claim had not been agreed, therefore, no further insurance reimbursement income was recognised in H1 2022.

Subsequent to H1 2022, the Group has now reached agreement with the insurers for the final settlement of the insurance claim for a total of £273.8m. This means that a further £67.5m of insurance reimbursement income and £90.0m of cash has been received and recognised in H2 2022, together with any further associated costs. This will then conclude the Andover fire insurance claim.

Other exceptional costs include, but are not limited to, professional fees relating to the insurance claims process, business rates, temporary costs of transporting employees to other warehouses to work and redundancy costs. The cumulative costs to date amount to £121.5m.

Erith CFC
In July 2021, a fire destroyed part of the Erith CFC, including some machinery and inventory held on site. The Group has comprehensive insurance and claims have been formally accepted by the insurer.

As at H1 2022, an agreement was reached with the insurers for the final settlement in respect of the claims relating to the Erith fire for a total of £8.3m. An interim payment of £2.0m was received in August 2021 which was recognised as insurance reimbursement income in H2 2021 and a further £6.3m has been received in H2 2022 which was recognised as an insurance reimbursement income in H1 2022 and a corresponding accrued income is held in the balance sheet. The receipt of the £6.3m will conclude the Erith fire claim.

Ocado Group Finance transformation and SaaS implementation costs
As part of the Group's Finance transformation programme, the Group implemented various SaaS solutions, primarily Oracle Fusion which went live in H2 2021, across the business. Following the IFRIC agenda decision, in FY21 the Group updated its accounting policy for the treatment of SaaS configuration and customisation related costs under IAS 38 Intangible Assets. The updated policy was applied retrospectively and as a result, the prior period comparatives have been restated to expense £4.3m of SaaS configuration and customisation costs incurred in H1 2021 that had originally been capitalised, and which no longer meet the criteria for recognition as an asset. The cumulative finance transformation and SaaS implementation costs expensed to date amount to £25.6m and include £4.0m in H1 2022.

These amounts have been disclosed as exceptional items in both 2021 and 2022 because they are material and arise both from a strategic project that is not considered by the Group to be part of the normal operating costs of the business.
The finance transformation programme will continue through to, and will complete in, FY23 with a focus on optimising and enhancing the SaaS solutions and related finance processes to improve efficiency across the business. Incremental costs incurred in relation to the ongoing programme will continue to be disclosed as exceptional items. Ongoing license fees for SaaS arrangements and the cost of business as usual finance activity will not form part of the exceptional items.

Litigation costs
Litigation costs are costs incurred on patent infringement litigation between the Group and AutoStore Technology AS ("AutoStore"). The costs amounted to £11.1m (H1 2021: £10.9m). The prior year litigation costs also include costs of legal proceedings brought by the Group against Jonathan Faiman, Jonathan Hilary and Project Today Holdings Limited ("T0day"), in relation to misappropriation and unlawful use of the Group's confidential information and intellectual property.

Ocado Retail IT systems transformation
In FY21, Ocado Retail initiated its IT Roadmap programme which focuses on delivering IT systems and services that will enable ORL to meet its obligation to transition away from Ocado Group IT services, tools and support. The IT Roadmap programme which is expected to run until FY2023 includes the development of both on-premises and SaaS solutions. IT Roadmap programme costs that meet assets recognition criteria will be recognised as intangible assets, and implementation costs that do not meet assets recognition will be expensed. The cumulative costs expensed to date amount to £7.8m. These costs have been classified as

exceptional because they are expected to be significant and result from a transformational activity which is considered only incremental to the core activities of the Group.

Change in fair value of contingent consideration
In 2019, the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of ORL to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. As at 29 May 2022, the value of the contingent consideration was £161.8m (FY 2021: £156.7m). A gain on revaluation of £5.1m (H1 2021:£7.2m) is reported through exceptional items.

Tax impact on exceptional items
The change in fair value of contingent consideration receivable is not subject to tax. The remaining exceptional items are taxable or tax deductible and give rise to a tax credit of £2.3m of which £0.6m (H1 2021: nil) has been recognised. A further tax credit of £1.7m (H1 2021: nil) has not been recognised as it relates to tax losses which are not recognised for deferred tax purposes.

6. Profit / (loss) per share

Basic loss per share is calculated by dividing the loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme ("JSOS"), and linked jointly-owned equity ("JOE") awards under the Value Creation Plan ("VCP"), which are accounted for as treasury shares.

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion or vesting of all dilutive potential shares. The Company has five classes of instruments that are potentially dilutive: share options, share interests held pursuant to the Group's JSOS, linked JOE awards under the VCP, shares under the Group's staff incentive plans and convertible bonds.

There was no difference in the weighted average number of shares used for the calculation of basic and diluted loss per share as the effect of all potentially dilutive shares outstanding was anti-dilutive.

The basic and diluted loss per share has been calculated as follows:

	26 weeks ended 29 May 2022 Million (unaudited)	26 weeks ended 30 May 2021 restated[1] Million (unaudited)
Weighted average number of shares at the end of the period	741.1	738.6
	£m	£m
Loss for the period attributable to the owners of Ocado Group plc	(212.5)	(82.1)
	Pence	Pence
Basic and diluted loss per share	**(28.67)**	**(11.12)**

1. See note 3 for the details of the restatements.

7. Finance income and costs

	26 weeks ended 29 May 2022 £m (unaudited)	26 weeks ended 30 May 2021 £m (unaudited)
Interest on cash balances	0.7	0.7
Interest on loan to joint venture	0.4	0.3
Gain on revaluation of equity investments designated at FVTPL	0.8	-
Foreign exchange gain	8.2	-
Finance income	**10.1**	**1.0**
Borrowing costs:		
- Interest on lease liabilities	(13.5)	(8.1)
- Interest on borrowings	(29.5)	(22.5)
Foreign exchange loss	-	(7.8)

Unwinding of discounting of provisions	(0.5)	(0.3)
Finance costs	**(43.5)**	**(38.7)**
Net finance cost	**(33.4)**	**(37.7)**

8. Analysis of net (debt)/cash*

Net (debt)/cash* is calculated as cash and cash equivalents less total debt (borrowings and lease liabilities).

	29 May 2022 £m (unaudited)	30 May 2021 £m (unaudited)	28 November 2021 £m (audited)
Current assets			
Cash and cash equivalents	1,082.7	1,657.8	1,468.6
Cash and cash equivalents including treasury deposits	**1,082.7**	**1,657.8**	**1,468.6**
Current liabilities			
Lease liabilities	(61.3)	(51.4)	(51.0)
Non-current liabilities			
Borrowings	(1,315.7)	(1,012.0)	(1,300.0)
Lease liabilities	(464.5)	(405.9)	(477.4)
	(1,780.2)	**(1,417.9)**	**(1,777.4)**
Total borrowings and lease liabilities	**(1,841.5)**	**(1,469.3)**	**(1,828.4)**
Net (debt)/cash*	**(758.8)**	**188.5**	**(359.8)**

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

	29 May 2022 £m (unaudited)	30 May 2021 £m (unaudited)	28 November 2021 £m (audited)
Net decrease in other treasury deposits	-	(370.0)	(370.0)
Net decrease in cash and cash equivalents	(385.9)	(49.0)	(238.2)
Net decrease/(increase) in debt and lease financing	6.4	7.6	(430.9)
Non-cash movements:			
- (Assets acquired)/terminations of leases	(19.5)	(71.7)	7.7
Movement in net debt* in the period	**(399.0)**	**(483.1)**	**(1,031.4)**
Opening net cash*	(359.8)	671.6	671.6
Closing net (debt)/cash*	**(758.8)**	**188.5**	**(359.8)**

* Net (debt)/cash is an alternative performance measure. See note 15 for further information.

9. Financial assets

Financial assets comprise treasury deposits with a maturity of more than three months at the date of acquisition, contingent consideration receivable, unlisted equity investments, loans to a joint venture and an associate, and contributions towards dilapidations costs receivable.

	29 May 2022 £m (unaudited)	30 May 2021 £m (unaudited)	28 November 2021 £m (audited)
Non - current assets			
Contingent consideration receivable	161.1	147.6	156.5
Unlisted equity investments held at FVTOCI[1]	39.5	21.8	30.5
Unlisted equity investments held at FVTPL	0.9	1.0	0.9
Loans receivable held at FVTPL	13.2	11.1	12.1
Convertible loan to associate [1]	1.9	1.8	10.7
Contribution towards dilapidation costs receivable	0.7	0.7	0.7
	217.3	**184.0**	**211.4**
Current assets			
Contingent consideration receivable	0.7	33.2	0.2

Contribution towards dilapidation costs receivable	-	0.8	0.8
Convertible loan to associate	0.2	-	0.2
	0.9	**34.0**	**1.2**

[1] During the period Wayve Technologies Limited ("Wayve") undertook a fundraise event which triggered conversion of the convertible loan into 168,028 Series B shares, at a conversion rate of £59.51 per share. Wayve's Series B shares were valued at £89.76 per share.

10. Financial instruments

Financial assets and liabilities at fair value

Financial instruments carried at fair value on the Condensed Consolidated Balance Sheet comprise contingent consideration, unlisted equity investments and the derivative assets and liabilities. The Group uses the following hierarchy for determining and disclosing the fair value of these financial instruments:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the assets or liabilities that are not based on observable market data (level 3).

The Group's derivative financial assets and liabilities are classified as level 2. The contingent consideration and unlisted equity investments are classified as level 3.

Set out below is an analysis of all financial instruments at fair value:

		29 May 2022	30 May 2021	28 November 2021
		£m	£m	£m
		(unaudited)	(unaudited)	(audited)
Financial assets held at fair value				
- Contingent consideration receivable	Level 3	161.8	180.8	156.7
- Unlisted equity instruments	Level 3	40.4	22.8	31.4
- Convertible loan to associate	Level 3	2.1	1.8	10.9
- Derivative assets: warrants	Level 3	10.4	-	9.6
- Derivative assets: commodity swaps	Level 2	4.9	0.9	0.4
Total financial assets held at fair value		**219.8**	**206.3**	**209.0**

The following table provides information about how the fair values of financial instruments classified as level 3 are determined:

Description	Valuation techniques and key inputs	Significant unobservable inputs
Contingent consideration receivable	· Discounted cash flows. · Expected cash inflows are estimated based on the terms of the share purchase agreements and the Group's expectations of future performance and meeting financial and operational targets.	Discount rate of 8.40%. Expected cash inflows of £194.1m.
Unlisted equity investments and derivative assets	· Probability weighted expected return method ("PWERM"). · Forecasted revenue, revenue multiples, exit date, discount rate and probabilities. · Market approach along with a capitalisation of earnings approach. · Forecasted EBITDA, EBITDA multiples and discount rates. · Undiscounted, estimate based valuation.	Probabilities of expected revenue in five different scenarios. Probabilities of various future valuations.

The contingent consideration relating to the part-disposal of ORL to M&S valued at £158.9m (FY 2021: £152.6m; H1 2021: £177.9m) comprises three individual amounts, with separate payment triggers. Management considers it probable that the remaining trigger will be met, and this has been reflected in the calculation of the fair value.

The consideration relating to the disposal of Fabled valued at £2.9m (FY 2021: £4.1m; H1 2021: £2.9m) is based on an "earn-out" agreement whereby the Group will receive sums in proportion to Fabled's future sales.

The convertible loan to associate was initially recognised at the amount of cash loaned. Accrued interest is added to the carrying amount. It is held at fair value through profit or loss ("FVTPL") and is revalued at each reporting date.

11. Capital expenditure and commitments

During the period, the Group acquired property, plant and equipment of £264.7m (H1 2021: £207.5m, FY 2021: £374.0m) and intangible assets of £20.2m (H1 2021: £10.4m, FY 2021: £6.9m). Internal development costs of £87.1m (H1 2021: £77.0m, FY 2021: £89.6m) were capitalised. Capital expenditure relates to CFCs in the UK, investment in international CFCs and technology expenditure.

At 29 May 2022 capital commitments contracted, but not provided for by the Group, amounted to £387.2m (H1 2021: £370.8m, FY 2021: £324.2m).

12. Provisions

During the period, the Group recorded a net release of provisions of £19.4m (HY 2021: increase in provision of £7.5m), the majority of which relates to Ocado Retail, in respect of IFRS 2 cash settled share based payment obligations. This release of prior provisions is a result of current trading.

13. Analysis of cash flows given in the cash flow statement - cash generated from operations

	Note	**26 weeks ended 29 May 2022 £m (unaudited)**	26 weeks ended 30 May 2021 (restated[1]) £m (unaudited)
Loss before tax		(211.3)	(27.9)
Adjustments for:			
- Depreciation, amortisation and impairment losses		157.3	104.2
- Movement in provisions		(19.6)	6.0
- Share of results from joint ventures and associate		0.5	1.4
- Net loss/(profit) on derivative financial instruments		-	1.0
- Revenue from long-term contracts		(12.7)	(7.6)
- Other income from insurance proceeds		(6.3)	(62.7)
- Share-based payments charge		21.1	16.3
- Net finance cost	7	33.4	37.7
- Other non-cash exceptional items		(5.1)	(4.6)
- Settlement of cash flow hedges		-	0.5
Changes in working capital:			
- Movement in inventories		12.0	(26.4)
- Movement in trade and other receivables		(22.4)	(21.5)
- Movement in trade and other payables		33.3	15.5
- Movement in contract liabilities		43.1	57.5
- Movement in contract assets		0.2	-
Cash generated from operations		**23.5**	**89.4**

14. Related party transactions

Key management personnel
Only the Executive and Non-Executive Directors are recognised as being key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group.

With the exception of remuneration, there were no related party transactions with key management personnel (H1 2021: none). At the end of the period, there was £nil (H1 2021: £nil) owed by key management personnel to the Group.

Joint venture

The following transactions were carried out with MHE JVCo Limited ("MHE JVCo"), a company incorporated in the United Kingdom in which the Group holds a 50% interest:

	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021	52 weeks ended 28 November 2021
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Dividend received from MHE JVCo	**-**	-	7.7
Reimbursement of supplier invoices paid on behalf of MHE JVCo	-	0.7	2.5
Capital element of lease liability instalments accrued or paid to MHE JVCo	9.5	9.1	15.6
Interest element of lease liability instalments accrued or paid to MHE JVCo	0.9	1.2	2.1

Included within trade and other receivables is a balance of £0.5m (H1 2021: £1.5m; FY 2021: £0.2m) owed by MHE JVCo. Included within trade and other payables is a balance of £12.0m (H1 2021: £10.7m; FY 2021: £1.8m) owed to MHE JVCo. Included within lease liabilities is a balance of £25.9m (H1 2021: £42.0m; FY 2021: £34.0m) owed to MHE JVCo.

Associate
During 2020, the Group loaned £1.7m to Karakuri Limited ("Karakuri"), a company incorporated in England and Wales in which the Group holds a 26.3% interest. The loan is held at fair value through profit or loss within other financial assets, and its carrying amount was £1.9m (H1 2021: £1.8m) at the reporting date. During the period, £0.1m (H1 2021: £0.1m) of interest income was recognised within finance income.

No other transactions that require disclosure under IAS 24 "Related Party Disclosures" have occurred during the current financial period. There are no changes in the related party transactions described in the last annual report that could have a material effect on the financial position or performance of the group in the first six months of the current financial year.

15. Post-Balance-Sheet events

Acquisition
On 19 May 2022, Ocado Ventures (Myrmex) Limited entered into an agreement to acquire an 87.8% share in Myrmex Inc, ("Myrmex") a private company incorporated in the United States of America for a cash consideration of €8.3m. Myrmex is a materials handling robotics provider and became a wholly owned subsidiary of the Group following the completion of the transaction on 6 June 2022. Prior to the transaction, the Group held 12.2% interest in Myrmex.

Fundraising
In June 2022, Ocado Group plc successfully completed the placing of 72,327,044 new ordinary shares of 2 pence each (the "Placing Shares") at a price of 795 pence per Placing Share (the "Placing Price"), with existing and new institutional investors. In addition, retail investors have subscribed via the PrimaryBid platform for a total of 246,405 new Ordinary Shares in the capital of the Group (the "Retail Offer Shares") at the Placing Price.

In conjunction with the Placing the Group CEO, CFO and GC have agreed to subscribe for an aggregate of 150,944 new ordinary shares in the capital of the Company at the Placing Price pursuant to the Subscription (the "Subscription Shares").

Together, the Placing Shares, the Retail Offer Shares and the Subscription Shares in aggregate comprise 72,724,393 new Ordinary Shares, which will raise gross proceeds of approximately £578m. The Placing Price of 795 pence per Placing Share represents a discount of approximately 9.41% to the closing share price of 877.6 pence on 20 June 2022. The Placing Shares, the Retail Offer Shares and the Subscription Shares being issued together represent approximately 9.7% of the existing issued ordinary share capital of the Company prior to the Placing, the Retail Offer and the Subscription.

The Placing Shares, the Retail Offer Shares and the Subscription Shares will, when issued, be credited as fully paid and will rank *pari passu* in all respects with the existing Ordinary Shares of Ocado Group. This includes the right to receive all dividends and other distributions declared or paid in respect of such ordinary shares after the date of issue of the Placing Shares, the Retail Offer Shares and the Subscription Shares.

Following Admission, the total number of ordinary shares in issue in Ocado Group will be 824,753,451. Ocado Group currently holds no ordinary shares in treasury, and, therefore, following Admission, the total number of voting shares in Ocado Group in issue will be 824,753,451.

Alongside the capital raised in June 2022, the Group also successfully agreed a new £300m revolving credit facility, provided by a syndicate of leading international banks.

Groupe Casino
On 30 June 2022, the Group announced the extension of its partnership deal with French retailer Groupe Casino. The extension includes the creation of a joint venture to provide logistics services to Ocado-powered customer fulfilment centres in France, which will be available to all grocery retailer.

Insurance
In June 2022, agreement was reached with our insurers in respect of the claim relating to the fire at Andover in 2019 for £273.8m. This will result in the recognition of a further £67.5m of exceptional income in H2 2022. The Group had received £183.8m in respect of the claim at H1 2022. Cash settlement of the remaining £90.0m was received in July 2022.

16. Alternative performance measures

The Group assesses its performance using a variety of alternative performance measures, which are not defined under IFRS and are therefore termed "non-GAAP" measures. These measures provide additional useful information on the underlying trends, performance and position of the Group. The non-GAAP measures used by the Group are as follows:

- Exceptional items;
- EBITDA;
- Segmental EBITDA;
- External gross debt; and
- Net cash/(debt).

Reconciliations of these non-GAAP measures to the nearest measures prepared in accordance with IFRS are presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

In addition to the alternative performance measures, there are additional statutory measures that are also considered - these are segmental revenue, segmental gross profit, segmental other income, segment distribution and administrative costs.

Exceptional items

The Group's Condensed Consolidated Income Statement identifies separately trading results before exceptional items. The Directors believe that presentation of the Group's results in this way is relevant to an understanding of the Group's financial performance. This presentation is consistent with the way that financial performance is measured by management and reported to the Board and assists in providing a meaningful analysis of the trading results of the Group. This also facilitates comparison with prior periods to assess trends in financial performance more readily. Exceptional items are disclosed in note 5.

The Group applies judgement in identifying significant exceptional items of income and expense that are recognised as exceptional to help provide an indication of the Group's underlying business. In determining whether an event or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include, but are not limited to corporate reorganisations, material litigation, multi-year transformation programmes and any material costs outside of the normal course of business as determined by management.

Segmental revenue

Segmental revenue is a measure of reported revenue for the Group's Retail, UK Solutions & Logistics and International Solutions segments. A reconciliation of reported revenue, the most directly comparable IFRS measure, with the segmental revenues is disclosed in note 4.

Segmental gross profit

Segmental gross profit is a measure which seeks to reflect the profitability of segments in relation to their revenues earned. A reconciliation of reported gross profit, the most directly comparable IFRS measure, with the segmental gross profits, is set out below:

	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021 (restated)[1]	52 weeks ended 28 November 2021
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail gross profit	345.8	392.0	737.5
UK Solutions & Logistics gross profit	395.6	357.6	710.4
International Solutions gross profit	57.4	22.9	57.5
Other gross profit	0.1	(0.4)	(1.0)
Group eliminations	(314.2)	(288.4)	(568.5)
Reported gross profit	**484.7**	**483.7**	**935.9**

Segmental other income

Segmental other income is a measure which seeks to reflect segmental income which is not generated through the primary trading activities of the segments (for example, volume-rebates from suppliers in the Retail segment). A reconciliation of reported other income, the most directly comparable IFRS measure, with the segmental other incomes, is set out below:

	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021	52 weeks ended 28 November 2021
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail other income	39.6	40.9	84.8
UK Solutions & Logistics other income	1.6	1.7	3.5
International Solutions other income	0.1	-	0.6
Other segment other income	7.6	7.4	15.2
Group eliminations	-	(0.3)	-
Reported other income	**48.9**	**49.7**	**104.1**

Segmental distribution and administrative costs

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

	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021 (restated[1])	52 weeks ended 28 November 2021
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail distribution and administrative costs	354.1	328.8	671.9
UK Solutions & Logistics distribution and administrative costs	368.6	329.2	645.4
International Solutions distribution and administrative costs	114.7	79.5	177.4
Other distribution and administrative costs	22.9	22.2	49.4
Group eliminations	(313.6)	(288.7)	(567.4)
Depreciation, amortisation, impairment and other central costs	157.3	104.2	238.4
	704.0	**575.2**	**1,215.1**

	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021 (restated[1])	52 weeks ended 28 November 2021
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Reported distribution costs	418.8	348.8	666.7
Reported administrative expenses	285.2	226.4	548.4
	704.0	**575.2**	**1,215.1**

1. See note 3 for the details of the restatements.

EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. A reconciliation of operating profit with EBITDA can be found on the face of the Condensed Consolidated Income Statement.

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

Segmental EBITDA

The financial performance of the Group's segments is measured based on EBITDA, as reported internally. A reconciliation of the EBITDA of the Group with the EBITDA for the segments is disclosed in note 4.

External gross debt

External gross debt is calculated as gross debt (borrowings and lease liabilities as disclosed in note 8), less lease liabilities payable to joint ventures of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered related parties of the Group. A reconciliation of gross debt with external gross debt is set out below:

	Note	26 weeks ended 29 May 2022	26 weeks ended 30 May 2021	52 weeks ended 28 November 2021
		£m	£m	£m
		(unaudited)	(unaudited)	(audited)
Gross debt	8	1,841.5	1,469.3	1,828.4
Lease liabilities payable to joint ventures		(25.9)	(42.0)	(34.0)
External gross debt		**1,815.6**	**1,427.3**	**1,794.4**

Net cash/(debt)

Net cash/(debt) is calculated as cash and cash equivalents less gross debt (borrowings and lease liabilities as disclosed in note 8). Total debt is measured as the net proceeds raised, adjusted to amortise any discount over the term of the debt.

Net cash/(debt) is a measure of the Group's net indebtedness, and provides an indicator of the overall strength of the Condensed Consolidated Balance Sheet. It is also a single measure that can be used to assess the combined effect of the Group's cash position and its indebtedness. The use of the term "net cash" does not necessarily mean that the cash included in the net cash calculation is available to settle the liabilities included in this measure.

Net cash/(debt) is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities and cash and cash equivalents. A reconciliation of these measures with net cash/(debt) is disclosed in note 8.

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 assesses and monitors the principal risks of the business. Set out in the Group's Annual Report and Accounts for the 52 weeks ended 28 November 2021 were details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them, applicable at that time.

Since year-end, the impact on the Ocado business of certain geopolitical and economic risks has become more acute. The Board has taken this into account as part of its review of principal risks and although the description of our principal risks remain unchanged, these significant external pressures have had a significant impact on both the Ocado Retail business and the Solutions business. These risks present significant uncertainty for the remainder of the financial year.

We continue to carefully monitor the impact of the war in Ukraine and working with our international offices, partners and suppliers have taken steps to mitigate disruption to our OSP development programmes. The global impact of the war is apparent within the entire supply chain of products and services that are already struggling to recover from the pandemic and now experiencing further increasing inflationary pressures and economic uncertainty.

The period since year end has seen increasing financial related risks, these include inflationary pressures and interest rate rises. Whilst the Group has taken cost mitigation measures to protect profitability during the year, it has few mitigations for increasing commodity, freight and utility costs, aside from its existing diesel and foreign exchange hedging arrangements. Although increasing consumer pricing and other Ocado Retail initiatives will help mitigate some of these impacts on the Ocado Retail business. The significant increase in cost of living is having a significant impact on customer behaviour and will be an ongoing challenge for the remainder of the year.

During the COVID pandemic Ocado implemented extensive measures to mitigate impacts to our business. These measures were to ensure the health and safety of our employees, customers and suppliers and to ensure the continuity of the business, both the Ocado Retail business and the Solutions business. Governments, over the last six months, have rescinded much regulation and guidance and these changes have been reflected in our revised operating procedures. The reduction in pandemic restrictions has impacted business performance; for the OSP business, this has meant we are better able to support our OSP Clients, but the effects have also meant a reduction in customer demand in the Retail business. Ocado will continue to remain vigilant to the ongoing COVID risks.

As part of the ongoing risk management process, emerging risks are identified and assessed. These risks are deemed to be significant but are not listed as one of the Group's principal risks. The business will bring additional focus to these emerging risks and look at actions for addressing them. The Group's Annual Report and Accounts for the 52 weeks ended 28 November 2021 contains a description of the emerging risks for the Group.

The Board does not consider that the principal risks and uncertainties have changed and remain relevant for the remaining six months of the 2022 financial year.

- Our business operations and growth plans could be at risk from a difficulty finding and retaining sufficient employees to support our growth, in filling key positions and critical roles, a loss of top performers, a potential shortfall of future leaders, and an inability to embed diversity and inclusion.

- We risk the loss of critical assets and sensitive information as a result of a cyber-attack, insider threat, or a data breach. This could result in business disruption, reputational damage, significant fines or the loss of confidential business information.

- Health, safety and wellbeing risks that can lead to the harm, injury, death, or illness of a worker in a workplace or to a retail customer of our product.

- Ocado must comply with legislative and regulatory requirements both locally and internationally. Failure to comply could negatively impact our business model, our ability to conduct business and the viability of our Solutions deals, and also risks damage to our reputation, loss of stakeholder support and financial penalties.

- Risks causing disruption to our extended and complex supply chain. Impacting responsible sourcing and adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue.

- Major service disruption, customer confidence and increased costs arising from a failure at key locations caused by physical events, such as fire, or technical events, such as an IT outage or mechanical failure through malicious or accidental means.

- Our OSP offer, pricing and contractual terms do not provide adequate and sustainable returns for us and our shareholders and an attractive commercial proposition for our clients.

- Implementation and service delivery do not provide the client with timely, consistently reliable performance at a level of quality to meet the needs of their end customers. This could lead to increased costs, reduced revenue and penalties.

- Failure to build a quality product in terms of performance, security, availability, safety and overall OSP economic model. Failure to meet emerging client needs or support growth in client operational volumes. Risk that technological innovation supersedes our own and offers improved methods of distribution to consumers.

- Failure to protect Ocado Group's own IP or risk of infringing a third party's IP (including the risk of an adverse outcome in current litigation or patent office opposition/review proceedings), which could result in loss of use of the Group's assets, financial damages or harm to the Company's reputation or relationship.

- Our UK and international operations are dependent on access to a range of people, resources, markets and suppliers. Economic and political disruption and uncertainty could disrupt our business model, preventing the delivery of new capacity or undermining our operations.

- Climate change and governmental actions to reduce such changes may increase our costs and/or disrupt our operations.

This principal risks section should be read in conjunction with the rest of this statement as the impact of the geopolitical and economic risks and Covid-19 on the business is explained there and helps provide an understanding of the risks and opportunities facing Ocado.

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 28 November 2021, a copy of which is available on the Group's corporate website, www.ocadogroup.com.

Independent Review Report to Ocado Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 May 2022 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 2, the annual financial statements of the group will be prepared in accordance with United Kingdom adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with United Kingdom adopted International Accounting Standard 34 "Interim Financial Reporting".

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 29 May 2022 is not prepared, in all material respects, in accordance with United Kingdom adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Use of our report

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
London, UK
20 July 2022

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge:

- the condensed set of financial statements gives a true and fair view of the assets, liabilities, financial position, and profit or loss of the issuer, or undertakings included in the consolidation, as required by DTR 4.2.4R and prepared in accordance with UK adopted IAS 34 "Interim Financial Reporting";
- the interim management report includes a fair review of the information required by DTR 4.2.7R, namely:
  - an indication of important events that have occurred during the first six months and their impact on the condensed set of financial statements; and

- a description of the principal risks and uncertainties for the remaining six months of the financial year;
- the interim management report includes a fair review of the information required by DTR 4.2.8 R, namely:
  - material related party transactions that have taken place in the first six months of the financial year and that have materially affected the financial position or performance of the enterprise during that period; and
  - any material changes in the related party transactions described in the last annual report and that could have a material effect on the financial position or performance of the enterprise in the first six months of the current financial year.

The Directors of Ocado Group plc as at the date of this announcement are as follows:

Executive Directors
Tim Steiner, Chief Executive Officer
Luke Jensen, Chief Executive Officer, Ocado Solutions
Stephen Daintith, Chief Financial Officer
Neill Abrams, Group General Counsel and Company Secretary
Mark Richardson, Chief Operations Officer

Non-Executive Directors
Richard Haythornthwaite, Chairman
Andrew Harrison, Senior Independent Director
Jörn Rausing
Emma Lloyd
Julie Southern
John Martin
Michael Sherman
Nadia Shouraboura

Approved by the Board and signed on its behalf by:

Stephen Daintith
Chief Financial Officer

Neill Abrams
Group General Counsel and
Company Secretary

20 July 2022

Person responsible for arranging the release of this announcement:

Neill Abrams
Group General Counsel and Company Secretary
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