

Half Yearly Report

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Ocado Group PLC
27 June 2011

OCADO GROUP PLC

Half year results for the 24 weeks ended 15 May 2011

'Continued growth in demand, increasing profitability'

27 June 2011 - Ocado Group plc ("Ocado") today announces its unaudited results for the 24 weeks ended 15 May 2011.

Financial highlights

- Gross sales increased 20.8% to £296.7 million (2010: £245.6 million)
- Net revenue increased 20.1% to £276.6 million (2010: £230.3 million)
- EBITDA increased by 78.7% to £14.3 million (2010: £8.0 million)
- EBITDA margin increased by 48.0% to 4.8% (2010: 3.3%)
- Operating profit of £2.4 million (2010: loss of £2.7 million)
- Profit before tax of £0.2 million (2010: loss of £6.7 million)
- Cash and cash equivalents, including treasury deposits at 15 May 2011 of £123.6 million (28 November 2010: £154.6 million)
- Net cash at 15 May 2011 of £49.4 million (28 November 2010: £80.5 million)

Strategic highlights

- Customer Fulfilment Centre ("CFC1") capacity significantly increased to deliver at peak 124,000 orders per week
- Customer demand for Ocado's offer continues to exceed operational capacity; investment is continuing to increase capacity
- Increased capacity at CFC1 expected to improve delivery timeliness and order accuracy
- Construction at the Dordon Customer Fulfilment Centre ("CFC2") is on time and on budget
- Mobile device penetration continues to increase; mobile devices used in 15% of checkouts, up 150% from 6% in H1 2010
- Ocado entered into supply partnership with Carrefour Group to trial the 'Reflets de France' range of authentic French produce in the UK
- Ocado's own-label range has now reached 350 products (an increase of 100 in the period); now found in over 68% of customer orders

Operating highlights

- Average orders per week increased by 22.6% to 108,350 (2010: 88,407)
- Average order size decreased by 1.5% to £114.09 (2010: £115.77)
- Items delivered exactly as ordered 98.0% in the period (2010 99.1%)
- Deliveries on time or early 92.7% in the period (2010: 94.9%)

Tim Steiner, Chief Executive Officer of Ocado, said:

"Strong customer demand for the Ocado service has delivered profitable growth, limited only by our operational capacity. We are focused on increasing capacity to meet demand and improve delivery timeliness and order accuracy. We are delighted to announce our new supply partnership with Carrefour, an important development in our strategy to offer the broadest and most diverse grocery range to all our customers in the UK."

Andrew Bracey, Chief Financial Officer of Ocado, said:

"Continued sales growth, coupled with operational leverage has led to an increased EBITDA margin and Ocado achieving a pre-tax profit for the first time; achieving profitability clearly demonstrates the operational leverage and efficiency of the Ocado model."

A results presentation will be held for investors and analysts at 9:30am on 27 June 2011 at Goldman Sachs, 120 Fleet Street, River Court 7, London, EC4A 2BB. A copy of these results and the presentation can be found at the Ocado corporate website, www.ocadogroup.com.

Contacts

- Andrew Bracey, Chief Financial Officer on 020 7404 5959 today and 01707 228 000
- James Matthews, Head of Investor Relations on 020 7404 5959 today and 01707 228 000
- Ben Lovett, Senior Communications Manager on 020 7404 5959 today and 01707 227 943
- Brunswick Group on 020 7404 5959 or ocado@brunswickgroup.com

Operating review

During this period Ocado made significant progress in sales, EBITDA margin and profitability, recording a profit before tax of £0.2 million for the half year for the first time. Our unique model founded on high service standards has continued to drive sales growth, although the rate of increase, at 20.8%, is slower than in 2010 due to capacity constraints at CFC1. The Company continues to invest in CFC1 to expand capacity to our target of 180,000 orders per week during the next 18 months, and with the construction of a second fulfilment centre underway, the business is on track to expand its service to meet increasing levels of demand in the online grocery market.

Business expansion

Following the IPO in 2010 we have begun to invest in expanding the capacity of the operation. At CFC1 we are planning to spend £80 million in 2011 and 2012 to increase the site capacity to 180,000 orders per week. We have spent £10.4 million in the half year including several major upgrades which are currently being installed, and are expected to go live from September onwards. These will increase the volume of orders that can be picked and the range that can be stored at CFC1.

During the first half we opened a new spoke in Bristol which expanded coverage of the Ocado service by over one million households in the South West of England and South Wales. Initial order growth has been strong and we are delighted with the results at this site. A second new spoke opened in Wimbledon, just after the half year, which has increased our capacity in the London area by 15,000 orders per week, or 23.1%. In its first four weeks of operation this site was already achieving the highest delivery efficiency in the Ocado network.

CFC1

During the first half of 2011 we hired additional temporary staff for CFC1 to provide a short-term increase in capacity in some areas such as trolley picking. As a consequence, CFC1 efficiency measured in units per hour ("UPH"), decreased by 7% to 114 UPH. As our capital expenditure becomes operational in CFC1 over the next 18 months, we expect that productivity will rise substantially; our long-term target of 180 UPH remains in place. Operating close to current capacity at CFC1 has contributed to a slight decline in the accuracy of our service to 98%, but this remains the best in the industry. We expect that the capacity increases we are installing at CFC1 will revert us back to our long-term average of over 99%.

CFC2

In March 2011 we purchased a long leasehold (999 years) site for CFC2 at Dordon, Warwickshire at a cost of £22.3 million. Construction at this site is advancing well and we remain on schedule for this site to become operational at the end of 2012.

Deliveries

We have again seen improvements this period in our delivery efficiency. The increasing scale of the business, combined with previous upgrades to the routing software and vans has led to drops per van per week ("DPV/week") increasing by 8% to 142. In the most productive week of H1 2011 we achieved 165 DPV/week; our long-term target of 175 DPV/week remains in place. Our on-time delivery performance has decreased slightly to 92.7% from 94.9%, again due to our fulfilment centre running at slightly reduced efficiency as we encountered capacity constraints. We expect the increased capacity that we are installing to drive this back to our higher target levels.

Expanding our grocery range

Ocado is delighted to announce that it has entered into a supply partnership with Carrefour and will from 14 July 2011 begin trialling the 'Reflets de France' range of authentic French produce to all Ocado customers across the UK. This new partnership is an important step in Ocado's strategy to offer the broadest and most diverse grocery range to all our customers in the UK - a strategy that Ocado is uniquely positioned to deliver. We believe the addition of this authentic and historic French range will complement our existing lines from our partner Waitrose and will be a welcome broadening of our range for our customers.

In the period the size of the Ocado range remained stable at 21,300 products, all of which are available to customers across the whole of our delivery geography. In the period, we initiated several development projects that, once complete, will allow us to significantly increase our range.

Ocado own-label

The Ocado own-label range continued to grow with the addition of a further 100 items, bringing the range at the end of the period to 350. The penetration of this range has increased with 68% of all baskets containing at least one Ocado own-label product at the end of H1 2011.

Pricing

We continue to focus on offering greater value to customers. We have done this by increasing the Ocado own-label range, by increasing promotions and by expanding our Tesco price match to approximately 7,400 products.

Customer ordering

Ocado's new Webshop, which was launched in November 2010, has proved to be very successful, with excellent customer feedback and has enabled customers to shop 25% faster than before. Checkouts via mobile devices grew to 15% of all checkouts by the end of the period, up 150% from 6% in H1 2010.

The customer offer improvements have led to a significant increase in new customers using the service. Average orders per week increased from 88,407 in H1 2010 to 108,350 in H1 2011. As expected, average order size showed a slight decrease to £114.09 for the period. This is due to more customers switching to the Ocado Delivery Pass, where they place more frequent, smaller orders. Nevertheless, the average basket size for Ocado Delivery Pass customers grew by 1.4% and was unchanged for other customers.

Ocado Non-Food

During the period we hired a team to develop a non-food offering for Ocado, and signed a lease on a 100,000sq ft warehouse from which this business can be fulfilled. The team is working to evaluate the significant opportunity to offer an extensive non-food range to Ocado's customer base.

Current trading and outlook

We continue to see strong demand from our customers in all the areas in which Ocado operates. Our ability to serve this demand has been limited by capacity constraints at CFC1, as we indicated at the start of the year. We are making progress in reducing these constraints, which will continue during the comparatively quiet summer months, the optimum time to implement further improvements. We expect that our planned CFC1 developments will deliver profitable revenue growth for the remainder of the year.

Financial review

This is the first half-year period in which Ocado has achieved EBT profitability and this demonstrates the operational leverage of the Ocado model. EBITDA conversion increased to 12.3%, compared to 9.1% in H1 2010. This operational leverage has contributed to an increase in EBITDA margin to 4.8% of gross sales compared to 3.3% in H1 2010.

Ocado continues to perform well in what remains a challenging economic environment. We will maintain the development of our customer offer and invest in the business for future growth while maintaining the strength of Ocado's balance sheet.

Revenue

Gross sales were up 20.8% to £296.7 million for the period. The growth was driven by a substantial increase in orders per week, offset by a slight decrease in average order size. The number of active customers increased by 7.8% since the year end to 282,700 at the end of the period, with average weekly new customers up by 24.3% on the same period last year to 3,600. Revenue grew by 20.1% to £276.6 million. Spend on marketing vouchers, at £3.5 million, was 1.2% of sales, down from 1.4% in H1 2010.

Gross profit

Gross profit increased 20.2% to £85.0 million. This equates to a 13 basis point decrease in gross margin over the period to 28.6%. This was driven by changes in input prices, retail price inflation, supplier support and changes in product mix as well as the effects of the increasing scale of the business. Over the period the average price of items sold increased by 2.3%, below the rate of underlying inflation.

Other income

Other income, mainly from suppliers, increased by 191.3% to £5.5 million. This was primarily driven by a 236.3% rise in marketing revenue. The increased space on our new Webshop, launched at the end of the previous financial year, has provided us with further opportunities to generate additional marketing revenue.

Operating costs

Distribution costs increased by 16.4% to £68.3 million. This increase was slower than sales growth demonstrating again the operating leverage of the business. Distribution costs decreased as a percentage of sales from 23.9% to 23.0%. The two major components of distribution costs are CFC costs and trunking and delivery costs. CFC costs increased by 18.1%. Variable CFC costs increased faster than revenue due to the need for additional staff to provide a short-term increase in capacity. However, the operating leverage of the fixed cost base on increased volume meant that total CFC costs continued to fall as a percentage of revenue. Trunking and delivery costs increased by 14.2%, with productivity gains more than offsetting inflationary pressures. Administrative expenses increased by 19.4% to £19.8 million. The main drivers of these cost

increases were additional employment costs and associated infrastructure, including the additional costs of being a public listed company.

Operating profit / loss

Ocado made an operating profit of £2.4 million, improved from a loss of £2.7 million in H1 2010. This improvement was primarily due to the growth in revenue that enabled greater operating efficiencies, as highlighted above.

Net finance costs

Net finance costs decreased by 44.8% to £2.2 million from £4.0 million in the prior period. This reduction in finance costs was primarily due to the proceeds of the IPO enabling repayment of debt shortly after the IPO in July 2010.

Taxation

The statutory rate of tax applicable was 27%. A deferred tax credit of £1.9 million was recognised. Ocado had approximately £255 million of unutilised carried forward tax losses as at the end of the period.

Earnings per share

Ocado achieved positive basic and diluted earnings per share of 0.40p for the period, compared to a basic and diluted loss per share of 1.68p for the prior period. This is due primarily to the improved financial performance, as discussed above.

Cashflow

Net operating cashflow increased by £6.0 million to £12.1 million this period, which was primarily due to the improvement in underlying profitability and an increase in the net working capital in the business.

Balance sheet

The Company had cash and cash equivalents (including treasury deposits) of £123.6 million at the half year end, down by £31.0 million from 28 November 2010 due to the on-going investment in fixed assets. Ocado has a £100 million committed undrawn credit facility to assist in funding the capital investment required to expand the business.

Capital investment

In the period Ocado invested £47.5 million in capital items, an increase of 313% on the comparative period. £26.9 million has been spent on the second fulfilment centre, including the acquisition of land at Dordon, Warwickshire. A further £10.4 million was spent in the half year on projects at CFC1 which will expand the capacity at this site.

The following table sets out a summary of selected unaudited operating information for H1 2011 and H1 2010:

	H1 2011 (unaudited)	H1 2010 (unaudited)	% Change
Average order size (£) ⁽¹⁾	£114.09	£115.77	(1.5%)
Average orders per week	108,350	88,407	22.6%
CFC efficiency (units per hour) ⁽²⁾	114	123	(7.0%)
Average deliveries per van per week (DPV/week)	142	131	8.3%
Average product wastage (% of gross sales) ⁽³⁾	0.63%	0.60%	4.0%
Items delivered exactly as ordered (%) ⁽⁴⁾	98.0%	99.1%	(1.1%)
Deliveries on time or early (%)	92.7%	94.9%	(2.3%)

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

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

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

(3) Value of products purged for having passed Ocado's "use by" life guarantee (net of sales to Company Shop), divided by gross sales.

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

Cautionary statement

Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and 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 express or implied in these forward-looking statements. They appear in a number of places throughout this

announcement and include statements regarding the intentions, beliefs or current expectations of the Directors concerning, amongst other things, the Group's results of operations, financial condition, liquidity, prospects, growth, strategies and the business. 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.

Consolidated income statement

for the 24 weeks ended 15 May 2011

		24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	Notes	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revenue	5	276,618	230,331	515,688
Cost of sales		(191,642)	(159,662)	(354,043)
Gross profit		84,976	70,669	161,645
Other income		5,496	1,887	6,245
Distribution costs		(68,299)	(58,692)	(132,809)
Operating profit before administrative expenses and exceptional item		22,173	13,864	35,081
Administrative expenses		(19,801)	(16,590)	(36,895)
Exceptional item - IPO costs		-	-	(3,542)
Operating profit/(loss)[†]		2,372	(2,726)	(5,356)
Finance income	6	614	3	1,502
Finance costs	6	(2,812)	(3,987)	(8,357)
Profit/(loss) before tax		174	(6,710)	(12,211)
Taxation	7	1,920	-	5,000
Profit/(loss) for the period attributable to the owners of the Company		2,094	(6,710)	(7,211)
Earnings/(loss) per share		pence	pence	pence
Basic and diluted	10	0.40	(1.68)	(1.63)

[†] Non-GAAP measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional item (EBITDA)

		24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Operating profit/(loss)		2,372	(2,726)	(5,356)
Adjustments for:				
Depreciation of property, plant and equipment		9,602	8,713	19,333
Amortisation expense		2,310	2,005	4,474
Impairment of property, plant and equipment		-	-	14
Exceptional item - IPO costs		-	-	3,542

Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional item (EBITDA)	14,284	7,992	22,007
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Consolidated statement of comprehensive income
for the 24 weeks ended 15 May 2011

	24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Profit/(loss) for the period attributable to the owners of the Company	2,094	(6,710)	(7,211)
Other comprehensive income:			
Foreign exchange translation differences arising on translation of foreign subsidiaries	(3)	-	-
Cash flow hedges - forward foreign exchange contracts			
- Gains arising in the period	673	-	818
- Gains transferred to property, plant and equipment for the period	(229)	-	(92)
Other comprehensive income for the period	441	-	726
Total comprehensive income/(expense) for the period attributable to the owners of the Company	2,535	(6,710)	(6,485)

Consolidated balance sheet
as at 15 May 2011

	Notes	15 May 2011	16 May 2010	28 November 2010
		£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Non-current assets				
Intangible assets		9,352	7,247	8,069
Property, plant and equipment		134,373	90,466	100,031
Deferred tax asset		9,220	2,300	7,300
Available-for-sale financial asset		395	395	395
		153,340	100,408	115,795
Current assets				
Inventories		11,324	9,149	12,480
Trade and other receivables		31,951	15,256	18,569
Derivative financial instruments		446	-	472
Short-term investment	12	-	-	30,000
Cash and cash equivalents	12	123,615	9,965	124,639
		167,336	34,370	186,160
Total assets		320,676	134,778	301,955
Current liabilities				
Trade and other payables		(69,861)	(49,936)	(55,491)
Borrowings	9	(3,901)	(27,564)	(2,282)

Obligations under finance leases	9	(18,873)	(19,735)	(16,485)
Provisions		(373)	-	(115)
		(93,008)	(97,235)	(74,373)
Net current assets/(liabilities)		74,328	(62,865)	111,787
Non-current liabilities				
Borrowings	9	(6,982)	(27,013)	(9,774)
Obligations under finance leases	9	(44,507)	(45,872)	(45,573)
Derivative financial instruments		-	(1,126)	-
Provisions		(554)	(430)	(446)
		(52,043)	(74,441)	(55,793)
Net assets/(liabilities)		175,625	(36,898)	171,789
Equity				
Share capital		11,083	8,666	11,068
Share premium		206,881	167	206,094
Treasury shares reserve		(47,497)	(47,741)	(47,741)
Reverse acquisition reserve		(116,230)	(116,230)	(116,230)
Other reserves		1,167	-	726
Retained earnings		120,221	118,240	117,872
Surplus/(deficit) attributable to equity holders		175,625	(36,898)	171,789

Consolidated statement of cash flows
for the 24 weeks ended 15 May 2011

		24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	Notes	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Cash flow from operating activities				
Profit/(loss) before income tax		174	(6,710)	(12,211)
Adjustments for:				
- Depreciation of property, plant and equipment		9,602	8,713	19,333
- Amortisation expense		2,310	2,005	4,474
- Impairment of property, plant and equipment		-	-	14
- Profit on disposal of property, plant and equipment		-	-	(63)
- Provision for dilapidations expense		108	64	80
- Provision for insurance claims incurred but not reported		258	-	115
- Share-based payments charge		255	87	320
- Foreign exchange movements		(370)	-	-
- Finance income	6	(614)	(3)	(1,502)
- Finance costs	6	2,812	3,987	8,357
Changes in working capital:				
- Movement in inventories		1,156	64	(3,267)
- Movement in trade and other receivables		(13,244)	(516)	(1,897)

- Movement in trade and other payables		12,572	2,722	4,791
Cash generated from operations		15,019	10,413	18,544
Interest paid on borrowings and facility fees		(2,873)	(4,300)	(10,319)
Net cash flows from operating activities		12,146	6,113	8,225
Cash flows from investing activities				
Purchase of property, plant and equipment		(36,625)	(3,440)	(14,681)
Proceeds from sale of property, plant and equipment		-	-	87
Purchase of intangible assets		(3,593)	(2,568)	(5,850)
Decrease/(increase) in short-term investment		30,000	-	(30,000)
Interest received		473	3	167
Net cash flows from investing activities		(9,745)	(6,005)	(50,277)
Cash flows from financing activities				
Proceeds from the issue of ordinary share capital net of transactions costs		1,046	1,875	210,104
Proceeds from borrowings	9	-	3,429	11,374
Repayment of borrowings	9	(1,173)	(3,597)	(54,063)
Proceeds from asset based financing arrangements	9	3,864	2,046	1,676
Repayments of obligations under finance leases	9	(8,228)	(6,913)	(15,417)
Settlement of forward foreign exchange contracts		696	-	-
Net cash flows from financing activities		(3,795)	(3,160)	153,674
Net (decrease)/increase in cash and cash equivalents		(1,394)	(3,052)	111,622
Cash and cash equivalents at the beginning of the period		124,639	13,017	13,017
Exchange adjustments		370	-	-
Cash and cash equivalents at the end of the period		123,615	9,965	124,639

Consolidated statement of changes in equity
for the 24 weeks ended 15 May 2011

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Surplus attributable to equity holders
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 28 November 2010	11,068	206,094	(47,741)	(116,230)	726	117,872	171,789
Profit for the period	-	-	-	-	-	2,094	2,094
Other comprehensive income	-	-	-	-	441	-	441
Total comprehensive income for the period	-	-	-	-	441	2,094	2,535

Transactions with owners:

-	Issue of ordinary shares	15	750	-	-	-	-	765
-	Share-based payments charge	-	-	-	-	-	255	255
-	Disposal of treasury shares	-	37	244	-	-	-	281
Total transactions with owners		15	787	244	-	-	255	1,301
Balance at 15 May 2011 (unaudited)		11,083	206,881	(47,497)	(116,230)	1,167	120,221	175,625

Consolidated statement of changes in equity (continued)

for the 24 weeks ended 15 May 2011

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	(Accumulated deficit)/ Retained earnings	(Deficit)/ surplus attributable to equity holders
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 30 November 2009	40	310,836	-	-	-	(343,026)	(32,150)
Loss for the period	-	-	-	-	-	(6,710)	(6,710)
Total comprehensive expense for the period	-	-	-	-	-	(6,710)	(6,710)
Transactions with owners:							
-	Issue of ordinary shares in Ocado Limited	3	49,443	(47,741)	-	-	1,705
-	Cancellation of shares in Ocado Limited	(43)	-	-	-	43	-
-	Issue of ordinary and convertible preference shares by Ocado Group plc	476,509	-	-	(476,509)	-	-
-	Ocado Group plc capital reduction	(467,846)	-	-	-	467,846	-
-	Reverse acquisition of Ocado Limited by Ocado Group plc	-	(360,279)	-	360,279	-	-
-	Issue of ordinary shares in Ocado Group plc	3	167	-	-	-	170
-	Share-based payments charge	-	-	-	-	87	87
Total transactions with owners	8,626	(310,669)	(47,741)	(116,230)	-	467,976	1,962
Balance at 16 May 2010 (unaudited)	8,666	167	(47,741)	(116,230)	-	118,240	(36,898)
Loss for the period	-	-	-	-	-	(501)	(501)
Other comprehensive income for the period	-	-	-	-	726	-	726
Total comprehensive income for the period	-	-	-	-	726	(501)	225
Transactions with owners:							

- Issue of ordinary shares by Ocado Group plc on IPO	2,380	211,862	-	-	-	-	214,242
- Ordinary shares issue costs	-	(6,881)	-	-	-	-	(6,881)
- Issue of ordinary shares in Ocado Group plc	22	946	-	-	-	-	968
- Share-based payments charge	-	-	-	-	-	133	133
Total transactions with owners	2,402	205,927	-	-	-	133	208,462
Balance at 28 November 2010	11,068	206,094	(47,741)	(116,230)	726	117,872	171,789

Notes to the consolidated interim financial information

1 General information

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

The financial period represents the 24 weeks ended 15 May 2011 (prior period 24 weeks ended 16 May 2010; prior financial year 52 weeks ended 28 November 2010).

2 Basis of preparation

The financial information is the unaudited condensed consolidated financial statements of the Group for the 24 weeks ended 15 May 2011. It has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure and Transparency Rules of the UK Financial Services Authority.

The financial information does not amount to full statutory accounts within the meaning of section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and accounts of Ocado Group plc for the 52 weeks ended 28 November 2010 which was prepared in accordance with IFRS as adopted by 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 to download from www.ocadogroup.com. The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial information is presented in sterling, rounded to the nearest thousand (£000s) unless otherwise stated. It has been prepared under the historical cost convention, except for financial instruments and share based payments that have been measured at fair value.

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

3 Accounting policies

Except as described below, the accounting policies applied are consistent with those of the Annual Report and accounts of Ocado Group plc for the 52 weeks ended 28 November 2010.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The Group has considered the following new standards, interpretations and amendments to published standards that are effective for the Group for the financial year beginning 29 November 2010 and concluded that they are either not relevant to the Group or that they would not have a significant impact on the Group's financial statements.

- IFRS 1, "First-time Adoption of International Financial Reporting Standards"
- IFRS 2, "Share Based Payments"
- IFRS 8, "Operating Segments"
- IAS 7, "Statement of Cash Flows"
- IAS 17, "Leases"

- IAS 32, "Financial Instruments: Presentation"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Amendments to various IFRSs and IASs arising from the IASB's annual improvements project

The following new standards, interpretations and amendments to published standards and interpretations have been issued but are not effective for the financial year beginning 29 November 2010 and have not been adopted early:

- IFRS 1, "First-time Adoption of International Financial Reporting Standards"
- IFRS 3(R), "Business Combinations"
- IFRS 7, "Financial Instruments: Disclosures"
- IFRS 9, "Financial Instruments"
- IFRS 10, "Consolidated Financial Statements"
- IFRS 11, "Joint Arrangements"
- IFRS 12, "Disclosure of Interests in Other Entities"
- IFRS 13, "Fair Value Measurement"
- IAS 12, "Income Taxes"
- IAS 24, "Related Party Disclosures"
- IAS 27, "Consolidated and Separate Financial Statements"
- IAS 28, "Investments in Associates"
- Amendments to various IFRSs and IASs arising from the IASB's annual improvements project

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and accounts for the 52 weeks ended 28 November 2010.

4 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required under IFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The principal activity of the Group is managed as one segment and it does not currently split its activities into any further regional or product subdivisions in its internal management reporting, as any such split would not provide the Group's management with any meaningful information. Consequently all activities relate to this one segment.

5 Gross sales

	24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Revenue	276,618	230,331	515,688
VAT	16,597	11,869	27,285
Marketing vouchers	3,451	3,432	8,126
Gross sales	296,666	245,632	551,099

6 Finance income and costs

	24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Interest on cash balances	613	3	557

Other interest	1	-	12
Fair value movement in derivative liability	-	-	933
Finance income	614	3	1,502
Interest on bank loans and overdrafts	(28)	(3)	(31)
Interest on finance leases	(1,938)	(2,084)	(4,356)
Interest on borrowings and facility fees	(845)	(1,510)	(3,623)
Interest on convertible loan	-	(347)	(347)
Fair value movement on derivative financial instruments	(1)	(43)	-
Finance costs	(2,812)	(3,987)	(8,357)
Net finance costs	(2,198)	(3,984)	(6,855)

7 Taxation

	24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Recognised in the income statement			
Current tax:			
UK corporation tax on profits for the period	-	-	-
Adjustments in respect of prior periods	-	-	-
Total current tax	-	-	-
Deferred tax:			
Origination and reversal of temporary differences	-	-	-
Recognition of tax losses	(1,920)	-	(5,000)
Total deferred tax	(1,920)	-	(5,000)
Income tax credit	(1,920)	-	(5,000)

The income tax credit has been calculated by applying the effective rate of tax of 27% which is expected to apply to the Group for the period ended 27 November 2011, as permitted by IAS 34 'Interim Financial Reporting'. Subsequent changes in the rate of corporation tax have not yet been substantively enacted.

8 Capital expenditure and commitments

During the period there were additions to property, plant and equipment of £43.9 million (16 May 2010: £8.9 million). Additions to intangible assets amounted to £0.7 million (16 May 2010: £0.5 million) and internal development costs capitalised to £2.9 million (16 May 2010: £2.1 million).

In the period there were no disposals of property, plant and equipment (16 May 2010: net book value of disposals £2.4 million). There were no disposals of intangible assets during the period (16 May 2010: £nil). At 15 May 2011, capital commitments contracted, but not provided for by the Group, amounted to £73.7 million (16 May 2010: £11.4 million). Of the current period amount, £60.8 million relates to property, plant and equipment and building costs for CFC2.

9 Borrowings and obligations under finance leases

	15 May 2011	16 May 2010	28 November 2010
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)

Balance at the beginning of the period	74,114	120,065	120,065
Proceeds from borrowings	-	3,429	11,374
Repayment of borrowings	(1,173)	(3,597)	(54,063)
Proceeds from asset based financing arrangements	3,864	2,046	1,676
Assets acquired under finance lease	5,686	5,154	10,479
Repayments of obligations under finance leases	(8,228)	(6,913)	(15,417)
Balance at the end of the period	74,263	120,184	74,114

10 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders by the weighted average number of ordinary shares in issue during the period, excluding ordinary shares held pursuant to the Group's Joint Share Ownership Scheme and accounted for as treasury shares. For the prior periods disclosed in this report the weighted average number of ordinary and convertible preference shares has been adjusted to reflect the conversion of the ordinary shares and convertible preference shares from Ocado Limited to Ocado Group plc on a 1:100 basis on 9 February 2010.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares, adjusted to reflect the conversion of the ordinary shares and the convertible preference shares from Ocado Limited to Ocado Group plc as mentioned above. The Company has two categories of potentially dilutive shares, namely share options and shares held pursuant to the Group's Joint Share Ownership Scheme. The effect of adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential shares did not have a material effect on the reported earnings per share for the current period. Potential ordinary shares were not taken into account for prior periods as their effect would have been anti-dilutive.

	24 weeks ended 15 May 2011 000s (unaudited)	24 weeks ended 16 May 2010 000s (unaudited)	52 weeks ended 28 November 2010 000s (audited)
Issued shares at the beginning of the period	520,959	400,051	400,051
Weighted average number of shares under the Company's share option and share incentive schemes	386	510	927
Weighted average number of shares issued in the period	-	-	41,237
Weighted average number of treasury shares disposed of in the period	38	-	-
Weighted average number of shares at the end of the period	521,383	400,561	442,215
	£'000	£'000	£'000
Profit/(loss) attributable to the owners of the Company	2,094	(6,710)	(7,211)
	pence	pence	pence
Basic and diluted earnings/(loss) per share	0.40	(1.68)	(1.63)

11 Related party transactions

	24 weeks ended 15 May 2011 £'000 (unaudited)	24 weeks ended 16 May 2010 £'000 (unaudited)	52 weeks ended 28 November 2010 £'000 (audited)
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Purchase of goods			
- Company of a close family member of an Executive Director	-	-	42
Purchase of professional services			
- Non-Executive Directors	7	13	30
	7	13	72

Key management personnel

Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Directors who have responsibility for planning, directing and controlling the activities of the Group. All transactions are on an arm's length basis and no financial period end balances have arisen as a result of these transactions.

At the end of the period key management did not owe the Group any amounts (16 May 2010: £5,000) (28 November 2010: £nil) in respect of personal expenses incurred on the Group credit card that were reimbursed in the normal course of business. The H1 2010 balances were repaid after the relevant period end.

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

Investment

The Group holds a 25% interest in Paneltex Limited whose registered office is at Paneltex House, Somerden Road, Hull, HU9 5PE. The Group's 25% interest in Paneltex Limited has not been treated as an associated undertaking as Ocado does not have significant influence over Paneltex Limited.

The following transactions were carried out with Paneltex Limited:

	24 weeks ended 15 May 2011 £'000 (unaudited)	24 weeks ended 16 May 2010 £'000 (unaudited)	52 weeks ended 28 November 2010 £'000 (audited)
Sale of goods			
- Plant and machinery	41	-	94
Total sale of goods	41	-	94
Purchase of goods			
- Plant and machinery	3	11	220
- Consumables	74	55	143
Total purchase of goods	77	66	363
Amounts payable/(receivable) at the end of the period	23	15	(93)

12 Analysis of net cash/(debt)

(a) Net debt

	15 May 2011 £'000 (unaudited)	16 May 2010 £'000 (unaudited)	28 November 2010 £'000 (audited)
Current assets			
Cash and cash equivalents	123,615	9,965	124,639
Short-term investment	-	-	30,000
	123,615	9,965	154,639

Current liabilities			
Borrowings	(3,901)	(27,564)	(2,282)
Obligations under finance leases	(18,873)	(19,735)	(16,485)
	(22,774)	(47,299)	(18,767)
Non-current liabilities			
Borrowings	(6,982)	(27,013)	(9,774)
Obligations under finance leases	(44,507)	(45,872)	(45,573)
	(51,489)	(72,885)	(55,347)
Total net cash/(debt)	49,352	(110,219)	80,525

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

	24 weeks ended 15 May 2011	24 weeks ended 16 May 2010	52 weeks ended 28 November 2010
	£'000 (unaudited)	£'000 (unaudited)	£'000 (audited)
Net (decrease)/increase in cash and cash equivalents	(1,394)	(3,052)	111,622
Exchange adjustments	370	-	-
Net cash outflow from debt and lease financing	4,841	5,035	56,430
(Decrease)/increase in short-term investment	(30,000)	-	30,000
Non-cash movements:			
- Assets acquired under finance lease	(5,686)	(5,154)	(10,479)
Settlement of forward foreign exchange contracts	696	-	-
(Increase)/decrease in net debt in the period	(31,173)	(3,171)	187,573
Opening net cash/(debt)	80,525	(107,048)	(107,048)
Closing net cash/(debt)	49,352	(110,219)	80,525

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an adverse impact on the Group's operation, performance or future prospects. The principal risks and uncertainties set out in Ocado Group plc's Annual Report and accounts for the 52 weeks ended 28 November 2010 remain as those that may have an adverse impact on the Group's operation or performance for the balance of 52 weeks ending 27 November 2011. These principal risks and uncertainties can be summarised as follows:

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

For more information on the above principal risks and uncertainties and how the Group mitigates these risks refer to page 29 of Annual Report and accounts for the 52 weeks ended 28 November 2010, a copy of which is available on the Group's corporate website, www.ocadogroup.com.

Statement of Directors' responsibilities

The Directors confirm that, to the best of their knowledge, this condensed set of consolidated financial statements have been prepared in accordance with IAS 34 ('Interim Financial Reporting') as adopted by the

European Union, and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure and Transparency Rules.

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

Michael Grade, Chairman;
David Grigson, Senior Independent Director;
Tim Steiner, Chief Executive Officer;
Andrew Bracey, Chief Financial Officer;
Jason Gissing, Director of People, Culture and Communications;
Neill Abrams, Director of Legal and Business Affairs;
Ruth Anderson, Non-Executive Director;
Robert Gorrie, Non-Executive Director;
Jörn Rausing, Non-Executive Director; and
David Young, Non-Executive Director.

Patrick Lewis resigned from the Ocado Group plc Board on 15 February 2011.

By order of the Board

Tim Steiner
Chief Executive Officer

Andrew Bracey
Chief Financial Officer

27 June 2011

Independent review report to Ocado Group plc

Introduction

We have been engaged by the Company to review the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 15 May 2011, which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated statement of cash flows and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities

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

As disclosed in Note 2, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed consolidated financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

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

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements in the half-yearly financial report for the 24 weeks ended 15 May 2011 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
St Albans

27 June 2011

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

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