

Annual Financial Report

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Ocado Group PLC
08 February 2017

ANNUAL FINANCIAL REPORT
OCADO GROUP PLC
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Ocado Group plc Annual Financial Report 2016

Ocado Group plc ("Ocado") has today submitted to the Financial Conduct Authority's national storage mechanism its annual report and accounts for the 52 weeks ended 27 November 2016 (as required by Listing Rules 9.6.1 and 9.6.3).

The annual report and accounts for the 52 weeks ended 27 November 2016 is available to view on Ocado's website: www.ocadogroup.com (in compliance with Disclosure Guidance and Transparency Rule 6.3.5(3)).

Ocado's annual report and accounts for the 52 weeks ended 27 November 2016 will also be available for viewing at the Financial Conduct Authority's national storage mechanism at www.morningstar.co.uk/uk/NSM.

This announcement follows Ocado's announcement on 31 January 2017 of its preliminary results for the same period. A condensed set of Ocado's financial statements and information on important events that have occurred during the year and their impact on the financial statements and related party information were included in Ocado's preliminary results announcement. That information together with the information set out below is the information provided in satisfaction of the requirements of Disclosure Guidance and Transparency Rule 6.3.5. The description of principal risks and uncertainties below is extracted in unedited full text from the annual report and accounts for the 52 weeks ended 27 November 2016. Reading this announcement and/or the preliminary results announcement should not be a substitute for reading the full annual report and accounts for the 52 weeks ended 27 November 2016. This announcement and the preliminary results announcement are available to view on Ocado's website: www.ocadogroup.com.

Principal risks and uncertainties

We have identified 14 principal risks and uncertainties facing Ocado. These are considered by the Board to be material to the development, performance, position or future prospects of Ocado. These risks, mitigations and changes during the year are summarised in the table below. They are not set out in priority order. Further information on risk is set out on pages

34 to 37 of the annual report and accounts for the 52 weeks ended 29 November 2015.

Strategic Objective	Risks	Mitigation Action/ Control	Change During The Year
DRIVING GROWTH	Failure to maintain competitive pricing position	<ul style="list-style-type: none"> · Continuation of our LPP basket matching price comparison · Maintaining a competitive number of promotional offers and increased availability of free delivery slots for price sensitive customers · Creation of a choice of tiered price points within each category 	çè
	Risk of decline in high service levels	<ul style="list-style-type: none"> · Weekly monitoring of the key indicators and the underlying drivers against published targets 	é Due to operating close to maximum capacity
	Failure to develop retail proposition to appeal to broader customer base and sustain growth rates	<ul style="list-style-type: none"> · Growth of the Ocado own-label range alongside continued provision of the Waitrose range · Growth of branded ranges and expansion of supplier base · Alternative sourcing scenarios considered in the event that the Waitrose sourcing relationship terminates · Continuation of investment and optimisation of the marketing 	é Due to increased competition in food distribution

		channels to acquire new customers	
		<ul style="list-style-type: none"> Continued improvement of webshop and apps 	
	Failure to develop sufficient management and technology capability or bandwidth to deliver on all our strategic priorities	<ul style="list-style-type: none"> Second and third overseas technology centres opened Improved IT prioritisation process 	çè
	Risk of not signing multiple OSP deals in the medium term	<ul style="list-style-type: none"> Investment in our platform which enables OSP is also required for Ocado's expanding Retail business. Initial deployment will be in Andover CFC and Erith CFC Impact of not signing multiple OSP deals in the medium term is restricted to the lost opportunity to increase our earnings from our Platform business The amount of capital invested in our platform is carefully controlled and we have the ability to reduce costs by scaling back the speed of the development 	çè Andover CFC has gone live. OSP product can be demonstrated.
	Risk of negative implications caused by final Brexit terms such as increase in import costs or difficulty in	<ul style="list-style-type: none"> Collaborating with trade organisations to follow developments and express our concerns to government 	n New risk

	hiring employees	<ul style="list-style-type: none"> · Taking part in BRC analysis to determine impact of WTO tariff rates on imports and exports 	
MAXIMISING EFFICIENCY	A risk of delays in the implementation of new capacity for both Ocado and Morrisons	<ul style="list-style-type: none"> · Dedicating resources to the modularisation of technology and logistics systems to enable faster replication · New capacity in development at Andover CFC and Erith CFC · Regular Executive Board steering and full Board reporting of new technology projects 	çè
UTILISING PROPRIETARY KNOWLEDGE	Technological innovation supersedes our own and offers improved methods of food distribution to consumers	<ul style="list-style-type: none"> · Engagement with a wide number of international grocers to understand market needs · Experienced teams in place who understand the current solutions and are aware of global alternatives used in other industries 	çè
	Failure to protect our IP	<ul style="list-style-type: none"> · Processes introduced to identify patentable inventions and to apply for patents · Established Ocado Innovation Committee to review our patent portfolio and discuss other IP issues 	ê Increased levels of IP protection via patents
	Failure to ensure that our	<ul style="list-style-type: none"> · Conducting "freedom to 	é

	technology can be freely operated without infringing a third party's IP	<ul style="list-style-type: none"> operate" searches on selected technologies Where appropriate, obtaining specialist or legal advice 	Increased scope of Ocado innovations, into increasingly complex areas
OPERATIONAL	A risk of a food or product safety incident	<ul style="list-style-type: none"> Experienced legal, food and product technology professionals monitor compliance against policies and procedures Supplier approval and certification process Food and product safety policies and quality management with appropriate operational procedures 	çè
	A risk of changes in regulations impacting our retail business model or the viability of OSP deals	<ul style="list-style-type: none"> Regular monitoring of regulatory developments to ensure that changes are identified Monitoring operational performance to minimise environmental impact Regulatory due diligence carried out at appropriate stages in the OSP process 	çè
	Risk of major cyber-attack or data loss	<ul style="list-style-type: none"> IT systems are structured to operate reliably and securely Denial of service protection service is in place The security of our IT systems is regularly 	çè

- tested by third parties
- No customer payment card data is held in Ocado's databases
- Access to customer personal data is restricted to those who need this information as part of their job

Business interruption	<ul style="list-style-type: none"> · IT systems are structured to operate reliably and securely · Dedicated engineering teams on site with daily maintenance programmes to support the continued operation of equipment · Insurers advise on engineering and risk management in the design and operation of the CFCs · High level of protection for CFCs and equipment 	çè
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Key: é Risk has increased ê Risk has decreased çè No change n Not applicable

For further information on the financial risks see pages 158 to 160 of the notes to the financial statements in the annual report and accounts for the 52 weeks ended 27 November 2016.

Directors' Responsibility Statement

Ocado's annual report and accounts for the 52 weeks ended 27 November 2016 contains the following statements regarding responsibility for the financial statements and the annual report in compliance with Disclosure Guidance and Transparency Rule 4.1.12. This responsibility statement is repeated here (below) solely for the purposes of complying with Disclosure Guidance and Transparency Rule 6.3.5. It is not connected to the extracted information presented in the preliminary results announcement or this announcement.

Each of the Directors who held office at the date of the approval of this Annual Report (whose names and functions are listed on pages 48 and 49 of this Annual Report) confirms, to the best of his or her knowledge, that:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the "Management Report" (as defined in the Directors' Report on page 67) includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

The Directors of Ocado Group plc are listed in the annual report and accounts for the 52 weeks ended 27 November 2016 and are listed on the Ocado Group's corporate website: www.ocadogroup.com. The Directors of Ocado Group plc as at the date of this announcement are as follows:

Stuart Rose;
Tim Steiner;
Neill Abrams;
Duncan Tatton-Brown;
Mark Richardson;
Ruth Anderson;
Robert Gorrie;
Jörn Rausing;
Alex Mahon;
Douglas McCallum;
Andrew Harrison; and
Emma Lloyd.

Enquiries

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