

## Half-year Report

RNS Number : 0838U  
Ocado Group PLC  
10 July 2018

This announcement contains inside information

### OCADO GROUP PLC

**Ocado, working at pace to capitalise on unprecedented opportunities**

**Interim results for the 26 weeks ended 3rd June 2018**

10 July 2018

#### Financial and statutory highlights

	1H 2018 £m	1H 2017 £m	Change v 1H 2017 %
Retail Revenue*	736.6	659.6	11.7
Solutions Revenue*	63.3	54.2	16.8
Other Revenue*	-	-	-
Group Revenue <sup>1</sup>	799.9	713.8	12.1
Retail EBITDA*	45.5	45.2	0.7
Solutions EBITDA*	(2.0)	0.4	
Other EBITDA*	(4.6)	(0.4)	
Group EBITDA* <sup>2</sup>	38.9	45.2	(13.9)
(Loss) / Profit before tax	(9.0)	7.7	
Cash and cash equivalents	447.6	37.8	
Statutory net cash / (debt)*	72.4	(210.5)	
External net cash / (debt)* <sup>3</sup>	164.6	(102.4)	

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

"This is a transformational period for Ocado. We have developed unique and proprietary technology to offer retailers an end-to-end operating solution for grocery retail that enables them to meet the changing needs of consumers. In the past six months we have partnered with some of the world's, biggest, best and most innovative retailers to help them redefine the shopping experience for their own customers. As a result, we are beginning to fulfil our ambition to change the way the world shops.

The success of our technology platform continues to be demonstrated by our UK Retail business, where Ocado continues to outpace our competition in terms of our service offering and our growth. We have just opened our latest state-of-the-art Customer Fulfilment Centre, which, once at full capacity, will be the largest automated warehouse for online grocery retail in the world and will showcase the scalability, adaptability and efficiency of our platform.

In order to fully capitalise on the opportunities ahead of us, we are working at pace, investing more and focussing sharply on execution to bring on new capacity in the UK and to achieve successful outcomes

for our partners. We are confident that we have the ability to scale-up the business, deliver on our commitments, drive sustainable growth and deliver value to all our stakeholders."

## **Key milestones**

We have made significant investments in 1H 2018 and have seen strong growth and significant progress for both our Solutions and Retail businesses.

### **Growing as a technology company**

- Continued to enable the growth of our first commercial partner, Morrisons.com, through the provision and continued roll out of store picking capabilities for them across Great Britain
- Signed our third, fourth and fifth international partnerships with Sobeys, ICA and Kroger to develop the Ocado Smart Platform ("OSP") in Canada, Sweden and the United States respectively, utilising both our proprietary software and algorithms as well as our robotic infrastructure solutions
- The site for the first Groupe Casino Customer Fulfilment Centre ("CFC") has been identified, design completed, and construction is now underway
- Our platform will power the online grocery business of seven of the world's most innovative and forward-looking retailers: Ocado, Morrisons, Bon Preu, Groupe Casino, Sobeys, ICA and Kroger, with more expected over the medium term.

### **Putting in place the necessary resources to execute our growth plans**

- Raised £324 million from two separate cash placings of 5% of our issued share capital. These provide us with the financial flexibility to take full advantage of our current opportunities to grow Ocado Solutions and accelerate the development of our platform
- Hired over 150 new software and hardware engineers, taking the total number of technical experts working on our platform from nearly 1,400 to over 1,550, with this expected to grow further in the second half
- Created over 650 new jobs over the period, and we expect to add a further 1,500 jobs before the end of the financial year
- Working with leading external consultants to refine and validate our plans given the rapid increase in scale of commitments

### **Demonstrating the performance of the platform through progress in our retail business**

- Commenced operations at our fourth CFC in Erith, South London - the world's largest automated grocery fulfilment facility - and in three weeks achieved the same level of throughput that it took 32 weeks to achieve in our first robotic warehouse in Andover
- Throughput in Andover has doubled to date from the beginning of the period, with further progress expected in the second half
- Opened our second general merchandise warehouse ("GMDC2") also in Erith, South London enabling an additional £200 million of sales capacity
- Mature CFC<sup>4</sup> operational productivity was broadly stable at 163 Units Per Hour ("UPH") compared to 164 UPH in 1H 2017. Further improvements in UPH are now largely going to come from the MHE solution in our newer CFCs as now evidenced by an increasing number of shifts where Andover has a higher UPH than Hatfield
- Engineering costs per order fell by nearly two thirds in our Andover CFC during the period, although still above our mature CFCs
- Delivery efficiency, as measured by Drops Per Van ("DPV"), improved further to an average of 189 DPV (1H 2017: 180 DPV), just short of our revised target of 190 DPV set 2 years ago

### **Improving the experience for Ocado's retail customers**

- Continued to achieve very high levels of consistency in customer service as we have grown and increased scale. We remain market leaders in delivery punctuality and order accuracy, maintaining our high standards
- Introduced new ways to help our customers shop, such as with our Regulars feature which was used extensively and saved those customers shopping time without impacting basket size
- As an online grocer, we offer more choice than the competition (49,000 SKUs in 1H 2018) and have led the market in terms of product innovation, for example increasing our vegetarian and vegan ranges by 25% and adding 500 new products to our organic ranges. We are now 10% of the total UK organics market (Soil Association/Ocado)

### **Growing the customer base and winning market share**

- Active customers<sup>5</sup> were up 12.8% to 679,000 (1H 2017: 602,000)
- Retail revenue\* has grown by 11.7% having been impacted by the severe weather in the first quarter
- Total order volumes now an average of 291,000 orders per week (1H 2017: 260,000 OPW), with the highest number of orders delivered in a week exceeding 315,000

- Average hypermarket basket value was broadly stable at £108.18 (1H 2017: £108.45), with the ongoing trend of ordering on mobile phones, resulting in customers ordering slightly smaller baskets more frequently, offset by price inflation
- Customer loyalty remained strong, with double digit order growth being exhibited even in our most densely penetrated catchment areas
- Growth in sales significantly ahead of UK market (11.7% versus 2.3%<sup>6</sup>)

### Outlook statement

- Assuming economic conditions remain broadly stable, we remain confident in achieving revenue growth in our Retail business of between 10-15% in the 2018 financial year as we increase our fulfilment capacity and grow market share in the UK
- As anticipated, Retail EBITDA\* in 1H 2018 reflects the increased throughput at Andover and associated fixed costs plus extra investments in engineering to improve the long-term reliability of the solution. In the second half, Retail EBITDA\* will include the fixed costs of our largest ever CFC in Erith, but we expect the trends in Retail EBITDA\* to improve significantly over the course of 2H 2018 partly due to lower engineering costs per order and as the new capacity is utilised at both sites at increasing efficiencies
- We expect a decline in Solutions EBITDA\* as we make a further £4 million investment in our capabilities and in our platform and as we defer recognition of upfront fees over multiple years
- At today's share price, we expect additional management incentive charges of circa £9 million during the 2018 financial year largely due to recent share price performance
- Total capital expenditure guidance for 2018 financial year is unchanged at approximately £210 million, with the increase on the 2017 financial year due to our increase in capacity and for further investments in the platform
- We will provide further details of our service agreement with Kroger on signing

### Results presentation

A results presentation will be held for investors and analysts at 9.30am today at the offices of Goldman Sachs, River Court, 120 Fleet Street, London EC4A 2BE. Presentation material will be available online at <http://www.ocadogroup.com/investors/reports-and-presentations/2018.aspx>.

### Contacts

Tim Steiner, Chief Executive Officer on 020 7353 4200 today or 01707 228 000  
 Duncan Tatton-Brown, 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

### Notes

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. It also includes revenue earned from Solutions clients and the recharge of costs to Morrisons
2. EBITDA\* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items\*
3. External net cash/(debt)\* is the statutory net cash/(debt)\* less amounts owing to MHE JVCo of £92.2 million (1H 2017: £108.1 million)
4. A CFC is considered mature if it has been open for 12 months by the start of the half year reporting period
5. Customers are classified as active if they have shopped on Ocado.com within the previous 12 weeks
6. Source: IRI Data for the 28 weeks 25 November 2017 to 09 June 2018

\*These measures are considered Alternative Performance Measures which we define in note 5 to the condensed financial statements

### Financial Calendar

Our expected financial reporting calendar for the remainder of the year will be a Q3 Trading Statement on 18 September 2018 and a Q4 Trading Statement on 13 December 2018.

### 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*

### Chief Financial Officer's review

For the period to 3 June 2018, we maintained significant sales growth in a competitive environment while progressing our business further across many fronts.

The Group secured three international partnership deals and continued to deliver double digit revenue growth. Profitability in the period was impacted by the significant investments in more UK capacity and in our platform to aid future growth, share-based senior management incentive charges, and additional depreciation.

	1H 2018 £m	1H 2017 £m	Variance
<b>Revenue<sup>1</sup></b>	<b>799.9</b>	<b>713.8</b>	<b>12.1%</b>
Gross profit	273.8	247.8	10.5%
Other income	34.0	26.3	29.3%
Distribution and administrative costs	269.5	229.7	17.3%
Share of results from joint venture	0.6	0.8	(25.0%)
<b>EBITDA*<sup>2</sup></b>	<b>38.9</b>	<b>45.2</b>	<b>(13.9)%</b>
Depreciation, amortisation and impairment	41.7	33.2	25.6%
Net Finance costs	6.2	4.2	47.6%
<b>(Loss) / Profit before tax</b>	<b>(9.0)</b>	<b>7.7</b>	

<sup>1</sup> Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. It also includes revenue earned from Solutions clients and the recharge of costs to Morrisons

<sup>2</sup> EBITDA is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items

Revenue grew by over 12.1% to £799.9 million in comparison to 2017 revenue of £713.8 million. This was driven by an increase in the average number of orders per week and fees earned from our clients. Gross profit increased below the rate of revenue growth due to the competitive nature of the market and some additional customer compensation during adverse weather conditions earlier in the period. This was largely offset by media income from suppliers which led to an increase in Other income of 29.3% (1H 2017: 15.9%)

EBITDA\* of £38.9 million was 13.9% lower than the prior year. This was primarily driven by increased investments in capacity and our platform, notably with higher fixed costs year-on-year from opening our new proprietary CFC in Andover, increased head office headcount to support growth of our platform, and higher estimates for share-based senior management incentive charges largely due to the increase in share price in the period. This was offset by income recognised from new partnership agreements and higher volumes.

Depreciation, amortisation and impairment increased by 25.6% to £41.7 million, driven primarily by the commencement of depreciation of our new front end software platform following it going live for the first time with the launch of Store Pick for Morrisons in the second half of 2017.

Net finance costs increased from £4.2 million to £6.2 million year-on-year. This increase primarily relates to the finance costs incurred on the £250 million Senior Secured Notes issued in the prior year, offset by cost savings from debt expiring or being repaid with the proceeds of the Bond and higher positive cash balances.

## Trading review by segment

### Retail Segment

	1H 2018 £m	1H 2017 £m	Variance
<b>Revenue*</b>	<b>736.6</b>	<b>659.6</b>	<b>11.7%</b>
Gross profit	210.6	193.6	8.8%

Other income	27.9	21.8	28.0%
Distribution and administrative costs * <sup>1</sup>	193.0	170.2	13.4%
<b>EBITDA*<sup>2</sup></b>	<b>45.5</b>	<b>45.2</b>	<b>0.7%</b>

<sup>1</sup> Distribution and administrative costs\* excludes depreciation, amortisation and impairment for the period. This is considered an alternative performance measure which we define in note 5 to the condensed financial statements.

<sup>2</sup> EBITDA\* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items\*

Retail revenue\* growth was primarily due to a 11.9% year-on-year increase in orders per week to 291,000 (1H 2017: 260,000) driven by an increase in the number of new customer acquisitions. The average basket at Ocado.com of £108.18 decreased slightly by (0.2)% compared to 1H 2017.

### Gross profit

Gross profit was up 8.8% to £210.6 million, driven by higher order volumes, offset by lower product margins due to the competitive nature of the market, and customer compensation due to severe weather conditions in the first quarter.

### Other Income

Other income increased by 28.0% to £27.9 million (1H 2017: £21.8 million) with supplier income increasing year-on-year by 29.6% to £26.7 million (1H 2017: £20.6 million) equivalent to 3.6% of retail revenue\* (1H 2017: 3.1%).

### Distribution and administrative costs\*

	1H 2018 £m	1H 2017 <sup>1</sup> £m	Variance
CFC	65.8	55.1	19.4%
Trunking and Delivery	90.2	82.2	9.7%
Other operating costs	5.7	4.8	18.8%
Marketing <sup>2</sup>	6.7	6.1	9.8%
Head office costs	24.6	22.0	11.8%
<b>Total retail distribution and administrative costs*<sup>3</sup></b>	<b>193.0</b>	<b>170.2</b>	<b>13.4%</b>

<sup>1</sup> 2017 includes a re-categorisation of £2.6 million of cost from administrative expenses to distribution costs

<sup>2</sup> Marketing expenditure excludes voucher costs

<sup>3</sup> Retail distribution and administrative costs\* is an alternative performance measure, which we define in note 5 to the condensed financial statements and excludes depreciation, amortisation and impairment

Retail Distribution and administrative costs\* consist of costs for the fulfilment and delivery operations of the business as well as head office costs. Total distribution and administrative costs\* increased by 13.4% year-on-year.

CFC costs increased from £55.1 million to £65.8 million, an increase of 19.4% year-on-year. The rate of growth ahead of sales was primarily due to higher fixed costs and a higher mix of orders from Andover CFC, which is now operating at higher volumes in comparison to the prior year but was less productive than the mature CFCs, and from higher engineering costs at this site as we work to improve functionality and reliability of the MHE solution. The remaining underlying increase was driven by greater order volumes and inflationary pressures in key cost lines.

Mature CFC UPH efficiency was slightly down on the prior year at 163 (1H 2017: 164), primarily driven by operational issues caused by the severe weather conditions in the period impacting both inbound and outbound productivity. We continue to see productivity improvements in the Dordon CFC which regularly exceeds 180 UPH.

Trunking and delivery costs increased by £8.0 million to £90.2 million, an increase of 9.7% year-on-year (1H 2017: £82.2 million). This is due to increases in wage-related and vehicle costs as a result of greater order volumes and inflationary cost pressures but was below the rate of sales growth because of

improved delivery efficiency. Deliveries per van per week have risen by 5.3% to 189 (1H 2017: 180) as customer density improved and with continued enhancements to our routing system, just short of our revised target of 190 DPV set 2 years ago.

Head office costs increased by 11.8% year-on-year from £22.0 million to £24.6 million. This is driven by increased head office headcount, and from the growth in the general merchandise business, coupled with the annualised impact of additional space costs for our new head office location.

Marketing costs excluding voucher spend increased from £6.1 million to £6.7 million and were 0.9% as a percentage of retail revenue\* (1H 2017: 0.9%).

### EBITDA\*

EBITDA\* excluding exceptional items\* for the retail business grew from £45.2 million in 1H 2017 to £45.5 million.

### Solutions Segment

	1H 2018 £m	1H 2017 £m	Variance
<b>Revenue*</b>	<b>63.3</b>	<b>54.2</b>	<b>16.8%</b>
Distribution and administrative costs* <sup>1</sup>	65.2	53.8	21.2%
<b>EBITDA*<sup>2</sup></b>	<b>(2.0)</b>	<b>0.4</b>	<b>-</b>

<sup>1</sup> Solutions distribution and administrative costs\* is an alternative performance measure, which we define in note 5 to the condensed financial statements and excludes depreciation, amortisation and impairment

<sup>2</sup> EBITDA\* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items\*

### Revenue\*

The revenue\* from Ocado's Solutions businesses was £63.3 million, up from £54.2 million in 2017. This comprises fees from our arrangement with Morrisons, for services rendered, technology support, research and development, management fees and a recharge of relevant operational variable and fixed costs. We also recognised an element of upfront and design fees relating to existing and new international partnerships.

### Distribution and administrative costs\*

	1H 2018 £m	1H 2017 £m	Variance
Distribution Costs	47.1	42.8	10.0%
Administrative costs	18.1	11.0	64.5%
<b>Total solutions distribution and administrative costs*<sup>1</sup></b>	<b>65.2</b>	<b>53.8</b>	<b>21.2%</b>

<sup>1</sup> Solutions distribution and administrative\* costs excludes depreciation, amortisation and impairment and is an alternative performance measure which we define in note 5 to the condensed financial statements

Distribution and administrative costs\* predominantly consist of fulfillment and delivery operation costs for the Morrisons business and the costs of employees developing solutions for and supporting our partnership agreements. These costs grew 21.2% year-on-year as a result of increases in headcount to support further improvements in our platform, to support existing international clients, and to build further capabilities to sign future clients.

### EBITDA\*

EBITDA\* from our Solutions activities was £(2.0) million, a decrease of £(2.4) million due to continued investment for our existing and new partnership agreements.

## Other Segment

EBITDA\* was £(4.6) million in 1H 2018, a decrease of £(4.2) million primarily due to the increase in the accounting estimates for share-based senior management incentive charges. These charges increased in the period primarily as a result of the share price performance in the period.

### (Loss) / Profit before tax

	1H 2018	1H 2017	Variance
	£m	£m	
Depreciation, amortisation and impairment	41.7	33.2	25.6%
Net Finance costs	6.2	4.2	47.6%
Share of results from joint venture	0.6	0.8	(25.0)%
<b>(Loss) / Profit before tax</b>	<b>(9.0)</b>	<b>7.7</b>	<b>-</b>

### Depreciation, amortisation and impairment

Total depreciation and amortisation costs were £41.7 million (1H 2017: £33.2 million), an increase of 25.6% year-on-year. The increase year-on-year in costs was principally driven by the commencement of depreciation of our new front end software platform as it went live with the launch of the Store Pick solution for Morrisons in the second half of 2017.

### Net finance costs

Net finance costs increased from £4.2 million to £6.2 million year-on-year. This increase primarily relates to the finance costs incurred on the £250 million Senior Secured Notes issued in the prior year, offset by cost savings from debt expiring or being repaid with the proceeds of the Bond.

£2.0 million of interest costs have been capitalised in the period in relation to the Bond and the RCF in accordance with the relevant accounting standards (1H 2017: £0.7 million).

### Share of result from joint venture

MHE JVCo Limited ("MHE JVCo") holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned 50% by Ocado and 50% by Morrisons. The Group share of MHE JVCo profit after tax in the period amounted to £0.6 million (1H 2017: £0.8 million).

### Loss before tax and exceptional items\*

Loss before tax and exceptional items\* for the period was £(9.0) million (1H 2017: Profit of £7.7 million).

### Taxation

Due to the availability of capital allowances and Group loss relief, the Group does not expect to pay corporation tax during the period. No deferred tax credit was recognised in the period. Ocado had approximately £207.6 million (1H 2017: £268.6 million) of unutilised carried forward tax losses at the end of the period.

### Dividend

During the period, the Group did not declare a dividend.

### Earnings per share

Basic loss per share was (1.49)p (1H 2017: earnings per share of 1.26p) and diluted loss per share was (1.49)p (1H 2017: earnings per share of 1.23p).

### Capital expenditure

Capital expenditure for the period:

	1H 2018	1H 2017
	£m	£m
Mature CFCs	1.5	0.8

New CFCs	53.7	29.5
Delivery	3.8	7.2
Technology	26.4	19.8
Fulfilment Development	8.5	10.2
Other	7.3	6.2
<b>Total capital expenditure<sup>1, 2</sup> (excluding share of MHE JVCo)</b>	<b>101.2</b>	<b>73.7</b>
<b>Total capital expenditure<sup>3</sup> (including share of MHE JVCo)</b>	<b>101.6</b>	<b>74.2</b>

1. Capital expenditure includes tangible and intangible assets

2. Capital expenditure excludes assets leased from MHE JVCo under finance lease arrangements

3. Capital expenditure includes Ocado share of the MHE JVCo capex in 2018 of £0.4 million and in 2017 of £0.5 million

Capital expenditure in the Hatfield and Dordon CFCs was £1.5 million which mainly related to a number of small projects to improve the capacity and resiliency of these sites.

We incurred £53.7 million of costs in the period for our new CFCs. The investment at Andover CFC was mainly in additional robots to enable increased volumes during 2018. The fit out of the next CFC located in Erith, South East London continued according to plan and this site is currently ramping up to formally open in the second half of 2018.

Total expenditure on new vehicles in the period was £3.8 million (1H 2017: £7.2 million). This expenditure enabled business growth and replacement of vehicles that have reached or exceeded their five year useful life.

Ocado continued to develop its own proprietary software and incurred £20.3 million (1H 2017: £16.2 million) of internal development costs in the period on technology, with a further £4.4 million (1H 2017: £3.6 million) spent on computer hardware and software. We expanded our headcount at the end of the period as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming of our technology and the greater use of public and private cloud services, improvements in the efficiency of our routing systems, enhancements to our customer proposition, and support for the growth of Andover and opening of the Erith CFC.

Fulfilment development expenditure of £8.5 million (1H 2017: £10.2 million) represents the development of our next generation fulfilment solutions which will be used in our latest CFCs and within CFCs for our Solutions partners.

In the period, we incurred our share of the capital expenditure relating to MHE JVCo of £0.4 million (1H 2017: £0.5 million) to improve operational capacity and efficiency of the Dordon CFC and various minor improvement projects.

Other capital expenditure was £7.3 million in the period, of which £5.6 million related to our general merchandise business. This was to support growth in capacity of our existing general merchandise distribution centre and development costs for our second general merchandise distribution centre which opened in the period.

At 3 June 2018, capital commitments contracted, but not provided for by the Group, amounted to £49.9 million (1H 2017: £41.8 million). We expect capital expenditure in 2018 to be approximately £210 million which mainly comprises the continuing investment in our infrastructure and technology solutions, the implementation of our solution to our international partners, roll out of our new CFCs and additional investment in new vehicles to support business growth. This includes capex requirements related directly to our new Solutions' customers.

### Cash flow

Net operating cash flow after finance costs decreased to £35.4 million, down 26.4% from £48.1 million in 2017 as detailed below:



	1H 2018 £m	1H 2017 £m
<b>EBITDA*<sup>1</sup></b>	<b>38.9</b>	<b>45.2</b>
Working capital movement	(5.1)	5.3
Exceptional items*	-	(0.1)
Other non-cash items	8.3	2.1
Finance costs paid	(6.7)	(4.4)
<b>Operating cash flow</b>	<b>35.4</b>	<b>48.1</b>
Capital investment	(70.4)	(88.7)
(Decrease)/increase in net debt*/finance obligations	(8.6)	27.0
Proceeds from share issues net of transaction costs	340.3	0.5
Other investing and financing activities	0.9	-
<b>Movement in cash and cash equivalents</b>	<b>297.6</b>	<b>(13.1)</b>

1. EBITDA\* is an alternative performance measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items\*

Operating cash flow decreased by £12.7 million during the year driven by a decrease in working capital, a reduction in EBITDA\* and an increase in finance costs. The decrease in working capital inflow of £5.1 million is driven by an increase in trade and other payables of £24.8 million, offset by a decrease in trade and other receivables of £29.5 million and a decrease in inventories of £0.4 million.

During the period there was £70.4 million of capital expenditure, which was paid in cash, as the Group continues to invest for future growth comprising investments in new CFCs, development of our next generation fulfilment solutions, and spend on new vehicles and spoke sites.

Net financing cash flows in the period were £332.1 million, comprising £340.3 million of proceeds from the issue of share capital, offset by £8.0 million repayment of financing obligations and other financing cash flows of £0.2 million.

### Balance sheet

The Group had cash and cash equivalents of £447.6 million at the end of the period versus £150.0 million as at 3 December 2017.

Gross debt at the period end was £375.2 million (1H 2017: £248.3 million) and external gross debt\*, excluding obligations under finance leases owing to MHE JVCo, was £282.9 million (1H 2017: £140.2 million). The reduction in net external debt\* is due to cash generation from the sale and placement of shares being ahead of spend on investment in improving our platform and adding UK capacity. Net external cash at the period end was £164.6 million (1H 2017: £102.4 million net debt\*). The increase of £267.0 million was mainly driven by proceeds from the issue of share capital net of repayments of pre-existing borrowing facilities and capital investment activities.

Trade and Other Receivables includes £33.0 million (1H 2017: £38.7 million) of amounts due from suppliers in respect of commercial income. £4.9 million (1H 2017: £18.3 million) is within trade receivables, and £28.1 million (1H 2017: £20.4 million) within accrued income.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £38.1 million (1H 2017: £35.2 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £93.8 million (1H 2017: £22.0 million), the increase relating to Erith CFC.

### Increasing financing flexibility

In the period, we issued approximately 5% of our issued share capital, raising gross proceeds of £143 million to provide us with the flexibility to take full advantage of our current opportunities to grow Ocado Solutions and accelerate development in our platform and our Retail business. We, at present, have not drawn down on our £100 million Revolving Credit Facility ("RCF") which was renegotiated in 2017. In May 2018, Kroger Inc. subscribed for another 5% of share capital which raised a further £183 million.

## Key performance indicators

The following table sets out a summary of selected unaudited operating information for 1H 2018 and 1H 2017:

	1H 2018	1H 2017	Variance
Average orders per week <sup>1</sup>	291,000	260,000	11.9%
Average order size (£) <sup>2</sup>	108.18	108.45	(0.2)%
Overall CFC efficiency (units per hour) <sup>3</sup>	163	164	(0.8)%
Average deliveries per van per week (DPV/week)	189	180	5.3%
Average product wastage (% of retail revenue*) <sup>4</sup>	0.7%	0.7%	-

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

1. Average orders per week refers to results of Ocado.com, Fetch, Sizzle and Fabled.
2. Average retail value of goods a customer receives (including VAT and delivery charge) per order from Ocado.com
3. Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC and Dordon CFC operational personnel. We consider a CFC to be mature if it had been open 12 months by the start of the half year reporting period
4. Value of products purged for having passed Ocado's "use by" life guarantee divided by retail revenue\*

\*These measures are considered Alternative Performance Measures which we define in note 5 to the condensed financial statements

## Condensed consolidated income statement for the 26 weeks ended 3 June 2018

	Notes	26 weeks ended 3 June 2018 £m	26 weeks ended 28 May 2017 £m	53 weeks ended 3 December 2017 £m
		(unaudited)	(unaudited)	(audited)
<b>Revenue</b>	5	799.9	713.8	1,463.8
Cost of sales		(526.1)	(466.0)	(959.5)
<b>Gross profit</b>		273.8	247.8	504.3
Other income		34.0	26.3	61.0
Distribution costs		(234.2)	(208.1)	(434.2)
Administrative expenses		(77.0)	(54.8)	(117.7)
<b>Operating (loss)/profit before share of result from joint venture and exceptional items*</b>		(3.4)	11.2	13.4
Share of result from joint venture		0.6	0.8	1.6
Exceptional items*		-	(0.1)	(0.3)
<b>Operating (loss)/profit</b>		(2.8)	11.9	14.7
Finance income	6	0.5	0.2	0.2
Finance costs	6	(6.7)	(4.4)	(13.9)
<b>(Loss)/profit before tax</b>		(9.0)	7.7	1.0
Taxation		(0.3)	-	-
<b>(Loss)/profit for the period</b>		(9.3)	7.7	1.0
<b>(Loss)/earnings per share</b>		Pence	Pence	Pence
Basic	10	(1.49)	1.26	0.16
Diluted	10	(1.49)	1.23	0.16

## Alternate performance measure: Earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items\* (EBITDA\*)

26 weeks ended      26 weeks ended      53 weeks ended

	3 June 2018	28 May 2017	3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Operating (loss)/profit	(2.8)	11.9	14.7
Adjustments for:			
Depreciation of property, plant and equipment	28.9	26.1	55.0
Amortisation expense	12.8	6.9	15.4
Impairment of property, plant and equipment	-	-	0.4
Impairment of intangibles	-	0.2	0.2
Exceptional items* - other	-	0.1	0.3
<b>EBITDA*</b>	<b>38.9</b>	<b>45.2</b>	<b>86.0</b>

\*EBITDA is an alternate performance measure, refer to note 5 for further information.

### Condensed consolidated statement of comprehensive income for the 26 weeks ended 3 June 2018

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
<b>(Loss)/profit for the period</b>	<b>(9.3)</b>	<b>7.7</b>	<b>1.0</b>
<b>Other comprehensive (expense)/income:</b>			
Items that may be reclassified to profit or loss in subsequent years:			
Cash flow hedges:			
- Gains arising on commodity swaps	0.4	0.4	0.5
- Losses arising on commodity swaps	-	(0.4)	(0.2)
Less: amounts reclassified to profit or loss	-	(0.4)	-
Foreign exchange gains on translation of foreign subsidiary	(0.5)	0.2	0.2
<b>Other comprehensive (expense)/income for the period, net of tax</b>	<b>(0.1)</b>	<b>(0.2)</b>	<b>0.5</b>
<b>Total comprehensive (expense)/income for the period</b>	<b>(9.4)</b>	<b>7.5</b>	<b>1.5</b>

### Condensed consolidated balance sheet as at 3 June 2018

	3 June 2018	28 May 2017	3 December 2017
Notes	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
<b>Non-current assets</b>			
Intangible assets	123.1	96.0	112.4
Property, plant and equipment	497.4	421.9	453.7
Deferred tax asset	14.5	14.3	14.3
Financial assets	3.7	0.4	3.0
Investment in joint venture	51.7	57.8	51.0
Asset held for sale	4.7	-	-
	<b>695.1</b>	<b>590.4</b>	<b>634.4</b>
<b>Current assets</b>			
Inventories	43.4	35.7	42.9
Trade and other receivables	97.6	80.2	66.8
Derivative financial instruments	0.6	-	0.4
Cash and cash equivalents	447.6	37.8	150.0

		589.2	153.7	260.1
<b>Total assets</b>		<b>1,284.3</b>	<b>744.1</b>	<b>894.5</b>
<b>Current liabilities</b>				
Trade and other payables		(281.6)	(206.0)	(228.6)
Borrowings	9	-	(86.6)	-
Obligations under finance leases	9	(32.6)	(37.0)	(27.2)
Derivative financial instruments		(0.2)	(0.4)	(0.1)
Provisions		(1.1)	(0.4)	(1.3)
		(315.5)	(330.4)	(257.2)
<b>Net current assets/(liabilities)</b>		<b>273.7</b>	<b>(176.7)</b>	<b>2.9</b>
<b>Non-current liabilities</b>				
Borrowings	9	(243.8)	(5.6)	(243.3)
Obligations under finance leases	9	(98.8)	(119.1)	(107.5)
Provisions		(15.1)	(9.1)	(8.8)
Deferred tax liability		(6.8)	(6.8)	(7.0)
		(364.5)	(140.6)	(366.6)
<b>Net assets</b>		<b>604.3</b>	<b>273.1</b>	<b>270.7</b>
<b>Equity</b>				
Share capital		13.9	12.6	12.6
Share premium		587.6	257.4	258.4
Treasury shares reserve		(38.3)	(48.0)	(48.0)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		1.0	-	0.7
Retained earnings		156.3	167.3	163.2
<b>Total equity</b>		<b>604.3</b>	<b>273.1</b>	<b>270.7</b>

### Condensed consolidated statement of cash flows for the 26 weeks ended 3 June 2018

		26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	Notes	£m	£m	£m
		(unaudited)	(unaudited)	(audited)
<b>Cash flow from operating activities</b>				
(Loss)/profit before tax		(9.0)	7.7	1.0
Adjustments for:				
- Depreciation, amortisation and impairment losses		41.7	33.2	71.0
- Movement in provisions		6.1	(0.3)	0.4
- Share of profit in joint venture		(0.6)	(0.8)	(1.6)
- Share-based payments charge		2.8	3.2	5.3
- Net finance costs	6	6.2	4.2	13.7
Changes in working capital:				
- Movement in inventories		(0.4)	3.4	(3.8)
- Movement in trade and other receivables		(29.5)	(19.7)	(10.2)
- Movement in trade and other payables		24.8	21.6	45.1
<b>Cash generated from operations</b>		<b>42.1</b>	<b>52.5</b>	<b>120.9</b>
Interest paid		(6.7)	(4.4)	(14.1)
<b>Net cash flows from operating activities</b>		<b>35.4</b>	<b>48.1</b>	<b>106.8</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment		(47.9)	(63.5)	(119.5)

Purchase of intangible assets	(22.5)	(25.2)	(49.9)
Dividend received from joint venture	-	-	7.6
Interest received	0.5	-	0.2
<b>Net cash flows from investing activities</b>	<b>(69.9)</b>	<b>(88.7)</b>	<b>(161.6)</b>
<b>Cash flows from financing activities</b>			
Proceeds from the issue of ordinary share capital net of transactions costs	340.3	0.5	1.5
Proceeds from borrowings	-	57.5	307.5
Repayments of borrowings	-	(22.5)	(110.0)
Repayments of obligations under finance leases	(8.0)	(7.6)	(36.5)
Payment of financing fees	(0.6)	(0.4)	(8.6)
Settlement of cash flow hedges	0.4	-	-
<b>Net cash flows from financing activities</b>	<b>332.1</b>	<b>27.5</b>	<b>153.9</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>297.6</b>	<b>(13.1)</b>	<b>99.1</b>
Cash and cash equivalents at the beginning of the period	150.0	50.9	50.9
<b>Cash and cash equivalents at the end of the period</b>	<b>447.6</b>	<b>37.8</b>	<b>150.0</b>

### Condensed consolidated statement of changes in equity for the 26 weeks ended 3 June 2018

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 4 December 2017</b>	12.6	258.4	(48.0)	(116.2)	0.7	163.2	270.7
Loss for the period	-	-	-	-	-	(9.3)	(9.3)
Other comprehensive (expense)/income:							
Currency translation differences	-	-	-	-	-	(0.4)	(0.4)
Cash flow hedges							
- Gains arising on hedging contracts	-	-	-	-	0.4	-	0.4
Translation of foreign subsidiary	-	-	-	-	(0.1)	-	(0.1)
<b>Total comprehensive expense for the period</b>	-	-	-	-	0.3	(9.7)	(9.4)
Transactions with owners:							
- Issue of ordinary shares	1.3	329.2	-	-	-	-	330.5
- Movement in treasury shares	-	-	9.7	-	-	-	9.7
- Share-based payments charge	-	-	-	-	-	2.8	2.8
<b>Total transactions with owners</b>	<b>1.3</b>	<b>329.2</b>	<b>9.7</b>	<b>-</b>	<b>-</b>	<b>2.8</b>	<b>343.0</b>
<b>Balance at 3 June 2018</b>	<b>13.9</b>	<b>587.6</b>	<b>(38.3)</b>	<b>(116.2)</b>	<b>1.0</b>	<b>156.3</b>	<b>604.3</b>

	Share capital	Share premium	Treasury shares reserve	Reverse acquisition reserve	Other reserves	Retained earnings	Total equity
	£m	£m	£m	£m	£m	£m	£m
<b>Balance at 27 November 2016</b>	12.6	256.9	(48.0)	(116.2)	0.2	156.9	262.4
Profit for the period	-	-	-	-	-	7.7	7.7
Other comprehensive income:							
Currency translation differences	-	-	-	-	-	(0.5)	(0.5)
Cash flow hedges							
- (Losses) arising on hedging contracts	-	-	-	-	(0.4)	-	(0.4)

Translation of foreign subsidiary	-	-	-	-	0.2	-	0.2
<b>Total comprehensive income for the period</b>	-	-	-	-	(0.2)	7.2	7.0
Transactions with owners:							
- Issue of ordinary shares	-	0.5	-	-	-	-	0.5
- Movement in treasury shares	-	-	-	-	-	-	-
- Share-based payments charge	-	-	-	-	-	3.2	3.2
<b>Total transactions with owners</b>	-	0.5	-	-	-	3.2	3.7
<b>Balance at 28 May 2017</b>	12.6	257.4	(48.0)	(116.2)	-	167.3	273.1

## Notes to the condensed consolidated interim financial information

### 1 General information

Ocado Group plc (hereafter "the Company") is incorporated and domiciled in England and Wales (registration number 07098618). The address of its registered office is Buildings One & Two, Trident Place, Mosquito Way, Hatfield, AL10 9UL. 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 3 June 2018 (prior period 26 weeks ended 28 May 2017; prior financial year 53 weeks ended 3 December 2017).

### 2 Basis of preparation

The financial information has been prepared in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union and the Disclosure Rules and Transparency Rules of the UK Financial Conduct Authority.

The financial information does not amount to full statutory accounts within the meaning of section 434 of the Companies Act 2006 and does not include all of the information and disclosures required for full annual financial statements. It should be read in conjunction with the Annual Report and Accounts of Ocado Group plc for the 53 weeks ended 3 December 2017 which was prepared in accordance with IFRS as adopted by the European Union and were filed with the Registrar of Companies. This report is available either on request from the Company's registered office or to download from [www.ocadogroup.com](http://www.ocadogroup.com). The auditor's report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The financial information is presented in sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, except for derivative financial instruments, which have been measured at fair value.

The directors are satisfied that the Company 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, solven positions and borrowing facilities. At the period end, the Group had cash and cash equivalents of £447.6 million (1H 2017: £3 net current assets of £273.7 million (1H 2017: £(176.7) million net current liabilities).

### 3 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 53 weeks ended 3 December 2017. During the current financial period, the Group has not been required to adopt any new accounting standards.

The following new standards are not yet effective and the impact on the Group is currently under review:

IFRS 9 "Financial Instruments" (endorsed by the EU) published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39 and is effective for annual periods beginning on or after 1 January 2018 unless

adopted early. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 9. Our initial review of IFRS 9 has indicated that the impact of this new standard on the Groups' results is unlikely to be material.

IFRS 15 "Revenue from Contracts with Customers" (endorsed by the EU) provides guidance on the recognition and measurement of revenue. The standard establishes a principles-based approach for revenue recognition and is based on the concept of recognising revenue for obligations only when they are satisfied and the control of goods or services is transferred. This applies to all contracts with customers except those in the scope of other standards. This new standard will replace IAS 18 "Revenue" and is effective for annual periods beginning on or after 1 January 2018 unless adopted early. The Group does not expect there to be a material impact from IFRS 15 for the Retail segment. The Group is performing a detailed review of the potential IFRS 15 impact on its new and existing Solutions contracts.

IFRS 16 "Leases" (endorsed by the EU) provides guidance on the classification, recognition and measurement of leases to help provide useful information to the users of financial statements. The main aim of this standard is to ensure all leases will be reflected on the Consolidated Balance Sheet, irrespective of substance over form. The new standard will replace IAS 17 "Leases" and is effective for annual periods beginning on or after 1 January 2019 unless adopted early. IFRS 16 is expected to have a significant impact on the amounts recognised in the Group's consolidated financial statements. On adoption of IFRS 16 the Group will recognise within the balance sheet a right of use asset and lease liability for all applicable leases. Within the income statement, rent expense will be replaced by depreciation and interest expense. This will result in a decrease in operating expenses and an increase in finance costs with no net impact. The standard will also impact a number of statutory measures such as operating profit, cash generated from operations, and alternative performance measures, such as EBITDA\*, that are used by the Group. The Group's initial review of IFRS 16 remains in line with that outlined in the 2017 Annual Report.

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

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these interim financial statements, the significant judgements made by management in applying accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and Accounts for the 53 weeks ended 3 December 2017.

#### 4 Segmental reporting

The Group's principal activity is grocery retailing and the development of Intellectual Property ("IP") and technology used for the online retailing, logistics and distribution of grocery and consumer goods for our UK business and other partners. The Group is not 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 and for which discrete information is available. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, as required by IFRS 8. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors.

The Group has determined it has two reportable segments: Retail and Solutions. The Retail segment provides online grocery and general merchandise offerings to customers within the UK. The Solutions segment provides end-to-end online retail solutions to corporate customers within and outside of the UK. In order to reconcile segment revenues\* to the Group revenue and profit, a third category entitled "Other" shows unallocated costs such as central business activities.

The Board assesses the performance of all segments on the basis of EBITDA\*. EBITDA\* as reported internally by segment is the key measure 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. Segment results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	Retail	Solutions	Other	Total
	£m	£m	£m	£m
<b>Segment revenue* and EBITDA*</b>				

<b>26 weeks ended 3 June 2018</b>	(unaudited)	(unaudited)	(unaudited)	(audited)
Segment revenue*	736.6	63.3	-	799.9
Segment EBITDA*	45.5	(2.0)	(4.6)	38.9
<b>26 weeks ended 28 May 2017</b>				
Segment revenue*	659.6	54.2	-	713.8
Segment EBITDA*	45.2	0.4	(0.4)	45.2
<b>53 weeks ended 3 December 2017</b>				
Segment revenue*	1,346.1	117.7	-	1463.8
Segment EBITDA*	81.0	2.5	2.5	86.0

## 5 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:

- Gross Sales;
- Segment Revenue;
- Exceptional Items;
- Segment Administrative Costs and Distribution Costs;
- EBITDA;
- Segment EBITDA;
- External Gross Debt; and
- Net Debt.

A reconciliation from these non-GAAP measures to the nearest measure prepared in accordance with IFRS is presented below. The alternative performance measures used may not be directly comparable with similarly titled measures used by other companies.

### Gross Sales

Gross Sales has been considered an alternative performance measure for Ocado's Retail business. As the Group has now identified two operating segments, Retail and Solutions, underlying transparent financial information is available to the users of financial statements on the performance of these business areas. As such, Gross Sales will not be disclosed as an alternative performance measure in the future.

### Segment Revenue/Revenue (Retail)/Revenue (Solutions)

Segment revenue is a measure of reported revenue for the Group's Retail and Solutions segments. A reconciliation of revenue for the segments to revenue for the Group can be found in note 4 to the condensed consolidated financial statements.

### Exceptional Items

The Group's condensed consolidated income statement separately identifies 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. The Group applies judgement in identifying significant non-recurring 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 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, material costs relating to the opening of a new warehouse, corporate reorganisations, material litigation, and any material costs, outside of the normal course of business as determined by management.



## Segment/Retail/Solutions Administrative costs and Distribution Costs

Segment/Retail/Solutions distribution and administrative costs are measures which seek to reflect the performance of the Group's segments in relation to the long-term sustainable growth of the Group. These measures exclude the impact of certain costs that are not allocated to a segment; depreciation, amortisation, impairment and other central costs. A reconciliation from reported distribution and administrative costs, the most directly comparable IFRS measures, to the segment distribution and administrative costs, is set out below.

Examples of items that the Group considers exceptional include, but are not limited to, material costs relating to the opening of a new warehouse, corporate reorganisations, material litigation, and any material costs, outside of the normal course of business as determined by management.

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail distribution and administrative costs	193.0	170.2	356.1
Solutions distribution and administrative costs	65.2	53.8	115.1
Unsegmented distribution and administrative costs	53.0	38.9	80.7
	311.2	262.9	551.9

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Reported distribution costs	234.2	208.1	434.2
Reported administrative expenses	77.0	54.8	117.7
	311.2	262.9	551.9

## EBITDA

In addition to measuring financial performance of the Group based on operating profit, the Group also measures performance based on EBITDA. EBITDA is defined as the Group earnings before depreciation, amortisation, impairment, net finance expense, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. The Group considers EBITDA to be a useful measure of its operating performance because it approximates the underlying operating cash flow by eliminating depreciation and amortisation. EBITDA is not a direct measure of liquidity, which is shown by the cash flow statement, and needs to be considered in the context of the Group's financial commitments. A reconciliation from operating profit to EBITDA can be found on the face of the condensed consolidated income statement on page 10.

## Segment EBITDA/EBITDA (Retail)/EBITDA (Solutions)

The financial performance of the Group's segments is measured based on EBITDA, as reported internally. A reconciliation of EBITDA for the segments to EBITDA for the Group can be found in note 4 to the condensed consolidated financial statements.

## External Gross Debt

External gross debt consists of loans and other borrowings (both current and noncurrent), less finance leases payable to joint venture interests of the Group. External gross debt is a measure of the Group's indebtedness to third parties which are not considered a related party to the Group. A reconciliation from external gross debt to gross debt can be found below:

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
--	----------------------------------	----------------------------------	---

	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
External gross debt	283.0	140.2	283.9
Finance leases relating to joint ventures	92.2	108.1	94.1
<b>Gross debt</b>	<b>375.2</b>	<b>248.3</b>	<b>378.0</b>

### Net cash/(debt)

Net cash/(debt) consists of loans and other borrowings (both current and non-current), less cash and cash equivalents. Loans and other borrowings are 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 that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess the combined impact of the Group's cash position and its indebtedness. The use of the term 'net cash/(debt)' does not necessarily mean that the cash included in the net cash/(debt) 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 loans and (current and non-current) and cash and cash equivalents.

## 6 Finance income and costs

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	0.5	0.2	0.2
<b>Finance income</b>	<b>0.5</b>	<b>0.2</b>	<b>0.2</b>
<b>Borrowing costs</b>			
- Obligations under finance leases	(3.3)	(4.1)	(8.2)
- Borrowings	(3.4)	(0.3)	(5.7)
<b>Finance costs</b>	<b>(6.7)</b>	<b>(4.4)</b>	<b>(13.9)</b>
<b>Net finance costs</b>	<b>(6.2)</b>	<b>(4.2)</b>	<b>(13.7)</b>

## 7 Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £77.6 million (2017: £111.8 million, 1H 2017: £50.9 million). During the period, the Group acquired intangible assets of £1.9 million (2017: £5.6 million, 1H 2017: £2.9 million) and internal development costs capitalised were £21.5 million (1H 2017: £20.4 million).

At 3 June 2018, capital commitments contracted, but not provided for by the Group, amounted to £49.9 million (2017: £45.0 million).

## 8 Asset held for sale

The asset held for sale of £4.7 million represents the carrying value of a property previously used in its distribution network that the company is in the process of disposing. The sale is due to be completed during the year ending 2 December 2018.

## 9 Borrowings and obligations under finance leases

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
<b>Current liabilities</b>			
Borrowings	-	86.6	-
Obligations under finance leases	32.6	37.0	27.2
	32.6	123.6	27.2

<b>Non-current liabilities</b>			
Borrowings	243.8	5.6	243.3
Obligations under finance leases	98.8	119.1	107.5
	342.6	124.7	350.8
<b>Total Group borrowings and finance leases</b>	<b>375.2</b>	<b>248.3</b>	<b>378.0</b>

## 10 (Loss)/earnings per share

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

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive shares. The Company has three categories of potentially dilutive shares, namely share options, shares held pursuant to the Group's Joint Share Ownership Scheme and shares under the Group's staff incentive plans.

Basic and diluted (loss)/earnings per share have been calculated as follows:

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	Million (unaudited)	Million (unaudited)	million (audited)
<b>Number of shares</b>			
Issued shares at the beginning of the period	601.4	598.8	598.8
Weighted average effect of shares issued in the period	20.9	-	-
Weighted average effect of share options exercised in the period	6.0	0.2	0.7
Weighted average effect of treasury shares disposed of in the period	(2.5)	-	-
Weighted average number of shares at the end of the period for the purposes of basic earnings per share	625.8	599.0	599.5
Potentially dilutive share options and shares	-	15.7	19.8
Weighted average numbers of diluted ordinary shares	625.8	614.7	619.3
<b>(Loss)/earnings</b>			
	£m	£m	£m
(Loss)/profit for the period	(9.3)	7.7	1.0
	Pence	Pence	pence
Basic (loss)/earnings per share	(1.49)	1.26	0.16
Diluted (loss)/earnings per share	(1.49)	1.23	0.16

## 11

### Related party transactions

#### Key

#### management personnel

Only the Executive and Non-Executive Directors are deemed to be key management personnel. It is the Board which has responsibility for planning, directing and controlling the activities of the Group. Save for key management personnel remuneration, there were no related party transactions with key management personnel (1H 2017: £1,800). All transactions with Directors are on an arm's length basis and no period end balances have arisen as a result of these transactions.

At the end of the period, key management personnel did not owe the Group any amounts (1H 2017: £nil). 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 1JL. The Group's interest in Paneltex Limited has not been treated as an associated undertaking as Ocado does not have significant influence over Paneltex Limited. The following direct transactions were carried out with Paneltex Limited:

	26 weeks ended 3 June 2018 £m	26 weeks ended 28 May 2017 £m	53 weeks ended 3 December 2017 £m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	-	-	0.7
- Consumables	0.3	0.2	0.5
Sales of goods	0.1	-	0.2

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's finance lease counterparties, were carried out with Paneltex Limited to the value of £0.4 million (1H 2017: £3.3 million).

At period end, the Group owed £84,000 to Paneltex and is owed £10,000 from Paneltex (1H 2017: the Group owed £6,000 to Paneltex and was owed £7,000 from Paneltex).

### Joint Venture

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

	26 weeks ended 3 June 2018 £m	26 weeks ended 28 May 2017 £m	53 weeks ended 3 December 2017 £m
<b>Sale and Leaseback Transaction</b>			
Capital contributions made to MHE JVCo	-	-	-
Dividend received from MHE JVCo	-	-	7.6
Reimbursement of supplier invoices paid on behalf of MHE JVCo	0.5	0.1	7.5
Lease of assets from MHE JVCo	1.4	-	1.3
Capital element of finance lease instalments paid to MHE JVCo	1.4	0.6	16.0
Interest element of finance lease instalments accrued or paid to MHE JVCo	2.3	2.6	5.2

Included within trade and other receivables is a balance of £2.8 million owed by MHE JVCo (1H 2017: £6.5 million). Included within trade and other payables is a balance of £12.1 million owed to MHE JVCo (1H 2017: £15.7 million). Included within obligations under finance leases is a balance of £92.2 million owed to MHE JVCo (1H 2017: £108.1 million).

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

## 12 Analysis of net cash/(debt)\*

### Net cash/(debt)\*

	3 June 2018 £m	28 May 2017 £m	3 December 2017 £m
	(unaudited)	(unaudited)	(audited)
<b>Current assets</b>			
Cash and cash equivalents	447.6	37.8	150.0

	447.6	37.8	150.0
<b>Current liabilities</b>			
Borrowings	-	(86.6)	-
Obligations under finance leases	(32.6)	(37.0)	(27.2)
	(32.6)	(123.6)	(27.2)
<b>Non-current liabilities</b>			
Borrowings	(243.8)	(5.6)	(243.3)
Obligations under finance leases	(98.8)	(119.1)	(107.5)
	(342.6)	(124.7)	(350.8)
<b>Net cash/(debt)*</b>	72.4	(210.5)	(228.0)

\*Net cash / (debt) is an alternative performance measure; refer to note 5 for further information

Net cash/(debt)\* is calculated as total debt (obligations under finance leases and borrowings as shown in the condensed consolidated balance sheet), less cash and cash equivalents.

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

	26 weeks ended 3 June 2018	26 weeks ended 28 May 2017	53 weeks ended 3 December 2017
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Net increase/(decrease) in cash and cash equivalents	297.6	(13.1)	99.1
Net decrease/(increase) in debt and lease financing	7.4	(25.5)	(147.7)
Non-cash movements:			
- Assets acquired under finance lease	(4.6)	(7.0)	(14.5)
<b>Movement in net cash/(debt)* in the period</b>	300.4	(45.6)	(63.1)
Opening net debt*	(228.0)	(164.9)	(164.9)
<b>Closing net cash/(debt)*</b>	72.4	(210.5)	(228.0)

### 13 Financial instruments

The Group has commodity swap contracts to manage its exposure to fuel prices. The commodity swap is classed in level two of the instruments hierarchy. Level two fair value measurements are those derived from inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly.

The directors consider that the carrying value amounts of financial asset and financial liabilities recorded at amortised cost in the financial statements are approximately equal to their fair values.

### 14 Post balance sheet events

Since the balance sheet date, the Group received an \$180 million Letter of Credit with a 1 year term from The Kroger Inc. as part of the partnership agreement announced on 17 May 2018.

### 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 regularly assesses and monitors the principal risks of the business. Set out in the Group's Annual Report and Accounts for the 53 weeks ended 3 December 2017 were details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them, applicable at that time. Other than where indicated below, the Board does not consider that the principal risks and uncertainties have changed and remain relevant for the remaining six months of the 2018 financial year.

- A risk of decline in high service levels
- Failure to develop retail proposition to appeal to broader customer base and sustain growth rates
- Failure to develop sufficient management and technology capability or bandwidth to deliver on all our strategic priorities
  - o This principal risk has increased and is now broader in that the risk also applies to developing sufficient capability and bandwidth in the specialist area of engineering, in order to help deliver the large number of customer fulfilment centres required for our Ocado Solutions customers. A failure to scale our resources in a timely way could significantly impact our ability to effectively deliver Ocado Solutions projects. The Group continues to review, adapt and build its structures and resources with a view to positioning its management, technology and engineering capabilities in particular, for delivering an increasing number of large-scale and complex projects
- Risk of not signing multiple Ocado Solutions deals in the medium term and not being able to execute effectively
  - o The Directors no longer consider the risk of not signing multiple Ocado Solutions deals in the medium term, a principal risk. Since November 2017, Ocado has signed partnership agreements with four major international grocers, namely Groupe Casino in France, Sobeys Inc. in Canada, ICA Group in Sweden and The Kroger Co. in the United States. The Group remains in discussions with multiple retailers in a number of geographies regarding our Ocado Solutions capabilities
  - o The risk of not being able to execute Ocado Solutions projects effectively has increased during the period, largely due to the scale and number of Ocado Solutions partnerships agreed since November 2017 and the increased reliance the Group will now place on key suppliers and manufacturers of its automated warehouse equipment. A significant failure of a supplier or a discontinuation of supply could adversely affect the Group's ability to deliver automated equipment required for Ocado Solutions customers. A failure to deliver key projects effectively and efficiently could result in significantly increased project costs and impede our ability to execute our strategic plans for the Ocado Solutions business and could impact the Group's ability to continue to attract and retain Ocado Solutions customers
- Risk of negative implications caused by final Brexit terms such as increase in import costs or difficulty in hiring employees
- A risk of delays in the implementation of new capacity for both Ocado and Morrisons
- Technological innovation supersedes our own and offers improved methods of food distribution to consumers
- Protecting our IP
- Infringing a third party's IP
- A risk of a food safety or product safety incident

More information on most of 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 53 weeks ended 3 December 2017, a copy of which is available on the Group's corporate website, [www.ocadogroup.com](http://www.ocadogroup.com).

## **INDEPENDENT REVIEW REPORT TO OCADO GROUP PLC**

We have been engaged by the Ocado Group plc (the "Company") to review the set of condensed consolidated financial statements comprising the half-yearly financial report for the 26 weeks ended 3 June 2018 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated statement of cash flows, the condensed consolidated statements of changes in equity, and the related notes 1 to 14. 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.

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 Auditing Practices Board. 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 any other person, other than the Company, for our review work, for this report, or for the conclusions we have formed.

#### **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 Conduct 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 set of 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 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 Auditing Practices Board 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 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 set of financial statements in the half-yearly financial report for the 26 weeks ended 3 June 2018 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 Conduct Authority.

**Deloitte**  
**LLP**  
Statutory  
Auditor  
London  
10 July 2018

#### **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 provides a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R of the Disclosure Rules and Transparency Rules.

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

#### **Executive Directors**

Tim Steiner, Chief Executive Officer;  
Neill Abrams, Group  
General Counsel &  
Company Secretary;  
Duncan Tatton-Brown,  
Chief Financial Officer;  
Mark Richardson, Chief Operations Officer;

Luke Jenson, Chief Executive Officer - Ocado Solutions;

**Non-Executive Directors**

Lord Rose, Chairman;

Ruth

Anderson;

Jörn

Rausing;

Douglas

McCallum;

Andrew

Harrison;

and

Emma

Lloyd

Approved by the Board and signed on its behalf by

**Duncan Tatton-Brown**

Chief Financial Officer

**Neill Abrams**

Group

General

Counsel &

Company

Secretary 10

July 2018

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