OCADO GROUP PLC

Strong performance in challenging times

Interim results for the 26 weeks ended 31 May 2020

14 July 2020

Financial highlights

- **27% Retail Revenue growth, demonstrating Ocado's ability to meet unprecedented, and sustained, demand for online grocery in the UK**
- **Fees invoiced to International Solutions partners of £73.7 million, up 58%, as international roll out gains pace with the opening of the first partner Customer Fulfilment Centres in Paris and Toronto**
- **Group EBITDA of £19.8 million, down 36%, reflecting increased costs from investment in International Solutions business, offset by strong Retail performance during the current crisis. Loss before tax of £40.6 million also reflects this investment**
- **Strong balance sheet. As at the date of this announcement, cash position of £2.3 billion including the £1bn capital raise after period end**
- **Ocado investing more, and faster, to help partners accelerate the roll out of the Ocado Smart Platform; greater momentum in technology innovation to strengthen industry leadership**

	1H 2020 £m	1H 2019 (restated)[2] £m	Change vs 1H 2019 %
Revenue			
Retail	1,021.6	803.2	27.2
UK Solutions & Logistics	320.4	293.9	9.0
International Solutions	1.6	0.3	433.3
Inter-Segment & Other	(256.8)	(215.1)	
Group[3]	**1,086.8**	**882.3**	**23.2**
EBITDA			
Retail*	45.7	24.4	87.3
UK Solutions & Logistics*	29.3	40.8	(28.2)
International Solutions*	(45.1)	(23.7)	(90.3)
Other*	(10.1)	(10.8)	6.5
Group*[4,5]	**19.8**	**30.7**	**(35.5)**
Exceptionals[1]	39.1	(99.0)	
Loss before tax	**(40.6)**	**(147.4)**	
Capital Expenditure	219.4	112.2	
Cash and cash equivalents	**1,300.3**	**360.1**	
Net cash/(debt)*	196.2	(283.4)	

Notes:
1. Exceptionals in FY2019 primarily relate to the Andover fire with a write down of associated assets of £111.8 million, offset by insurance income of £23.8 million. £36.3 million of income has been recognised in H1 2020
2. 1H 2019 is restated for IFRS 16
* These measures are Alternative Performance Measures; refer to note 15 in the condensed financial statements.
See page 4 for *Notes Continued*

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

"Over the last six months, my colleagues at Ocado Group have shown, in exceptionally demanding circumstances, the resilience, dedication and innovative spirit that has always characterised this business. I would like to thank them profoundly on behalf of all the stakeholders of Ocado.

The world as we know it has changed. As a result of COVID-19 we have seen years of growth in the online grocery market condensed into a matter of months; and we won't be going back. We are confident that accelerated growth in the online channel will continue, leading to a permanent redrawing of the landscape of the grocery industry worldwide. This will mean more demand for Ocado Smart Platform from current and prospective partners and our recent fundraising will ensure that we are able to meet that demand. It will also mean that we can invest more capital in innovation for our partners and further expand our leadership as the world's preeminent solutions provider in online grocery.

Seizing the future will, of course, require the same mix of constant questioning and innovation, focus, and quiet determination that has brought us so far. I have no doubt that we will rise to the challenge, taking advantage of a scale of opportunity that we have never seen before".

Key milestones in H1 2020

Ocado Solutions, the business which helps grocers around the world develop online grocery services through the application of technology, robotics and AI, has made strong progress in the half, with the launch of the first international Customer Fulfilment Centres ("CFCs"), and in preparing all its partners for accelerated channel shift to online grocery in their local markets.

A redrawing of the landscape in online grocery, worldwide

- COVID-19 has significantly accelerated the ongoing channel shift to online grocery. Industry data evidences that this is a global trend; in the UK online penetration has nearly doubled within a few months. In the US, by late June, monthly online grocery sales had reached a level six times what they were in August last year, and in China the major online grocery platforms saw triple digit year-on-year sales growth during the COVID-19 outbreak
- We believe that this channel shift is sustainable, as survey data shows that many consumers who were shopping online during the peak of the pandemic in their respective countries have either continued to do so (56% of those in China), or intend to continue online shopping as 'lockdown' measures ease. In the UK, 30% of consumers say they will order more of their groceries this way after the pandemic, whilst 90% of online shoppers in the USA expect to continue grocery shopping this way
- The combined revenue of our nine global partners is £210 billion, whilst sales in addressable key markets are £2.8 trillion. In the context of accelerated channel shift, we believe this represents a fee opportunity of £3.5-£26.3 billion, depending on the level of online penetration ultimately achieved

Addressing our partners' needs in the context of accelerated channel shift to online

- We have worked with our partners in the UK and internationally, to serve as many customers as possible in this unprecedented time, and to ensure they are best positioned to succeed in this new landscape for online grocery
- Our first two international CFCs for Groupe Casino, in France, and Sobeys, in Canada, were launched ahead of plan, despite COVID-19 related disruption, enabling our partners to deliver for their customers against a backdrop of expected long-term increase in demand for online grocery
- We ramped up capacity in UK CFCs significantly, to enable Ocado Retail to serve as many loyal and vulnerable customers as possible, with mature facilities running at peak volumes and orders per week through Erith up c60% in the half
- We have worked with Morrisons, in the UK, and Bon Preu, in Catalonia, to materially increase their volumes of in store fulfilment through the platform, with current operating levels at over five times those seen at the beginning of March
- In the US, Kroger announced three additional CFCs, bringing the total announced so far to nine, and progressing their ambition to use the CFC model to expand Kroger products to a larger footprint
- Despite restrictions on social distancing and travel, in the various markets where we operate, whether in the UK or internationally, we currently expect no material delays from COVID-19 in the delivery of future CFCs for partners

Continuing to grow and evolve to deliver outstanding execution

- We have added 300 Technology colleagues in the period, to allow us to meet, at this critical juncture, the accelerated needs of our partners whilst continuing to innovate on the capabilities of our platform to extend Ocado's leadership as a solutions provider for the fulfilment of online grocery
- To bring increased scale and reach to our supply chain, to support future growth, we have partnered with global contract manufacturing companies, in addition to continued work with longstanding partners
- Transformation continues within the business to ensure that the organisational structures and processes in place are best able to support accelerated growth. In the half, major developments included committing to new accounting, procurement and MRP (materials resource planning) systems and building of our client services teams

Investing in innovation to future proof the platform for our partners

- Our first Ocado Zoom site, in West London, achieved planned endgame capacity a year ahead of plan. The immediacy service remains popular with customers, effectively serving missions beyond the full basket shop. We are progressing the build of the second Zoom facility, in North London, and are seeking further sites
- Evidencing the unique flexibility of Ocado Smart Platform ("OSP") to meet the specific needs of our partners in their home markets in online grocery, and to cater to a growing range of shopping missions, Kroger announced the build of their first mini CFC in Great Lakes
- In an important step as we roll out CFCs at greater scale with our partners, our third generation robot is now in production
- We now have three robotic pick arms live in Erith CFC, in South East London, and have more than doubled the pick efficiency of this technology since the beginning of the year
- Our venture investments made, to date, seek to deploy automation in food packing, preparation and production and, in the case of vertical farming, reduce food miles and make production more sustainable. The investment case in each of these areas is stronger in a post COVID-19 environment

Ocado Retail has shown great resilience in the first half, doing its part to feed the nation and adapt to the challenges posed by unprecedented demand. The business, now a 50:50 JV between Ocado Group and M&S, is the fastest growing grocer in the UK.

Adapting to unprecedented demand in the UK

- Sales grew at 27.2% in the first half, as the business adapted to serve a material and sustained increase in demand in response to the COVID-19 crisis which required changes to the model including prioritising the most loyal and the most vulnerable of our customers
- Exit rate of sales in the half remained over 40% versus the prior year
- Despite volatility in customer shopping behaviour during the period, and some associated supply chain disruption, service metrics remained strong, with substitutions of less than 4% and 97% of orders delivered on time
- Units picked per labour hour ("UPH") in mature CFCs rose to 170 (1H 2019: 159), with facilities reaching their best ever efficiencies in the second quarter and Erith now better than the average, as they processed more volumes than ever before, also benefiting from the faster processing time typically associated with larger basket orders
- Larger baskets saw the overall volume of products carried, per van, increase significantly. This enabled better efficiencies in terms of revenues per van shift, whilst driving a reduction in number of deliveries per van per week ("DPV") to 175 (1H 2019: 192)
- Ocado Retail continues to achieve market leading levels of food waste, at just 0.4% of sales

Bringing an even better offer to customers

- Preparations for the September switchover from Waitrose to M&S products are in their final stages and on track
- Although any significant change carries an element of uncertainty, we are firmly convinced that the switchover provides Ocado Retail the opportunity to provide an even more compelling offer for customers. This will include adding initially over 5,000 M&S Food lines with more to follow, which will be available exclusively online at Ocado.com (compared to c4,000 Waitrose lines currently available)
- Ocado Retail will also stock c1,600 core M&S Clothing & Home lines per year (compared to c250 Waitrose lines), enriching the general merchandise offer currently available

Outlook statement

There is no material change to our guidance from previous public statements.

- **Revenue growth:**
  - Positive outlook for online grocery but Retail revenue growth forecast suspended given uncertainties over the scale, and duration, of ongoing impact of social distancing restrictions in the UK
  - UK Solutions & Logistics below Retail, reflecting full year impact of Morrisons' "holiday" from Erith
  - International Solutions is expected to be less than £10m, as under IFRS 15 fees start to be recognised at go-live, with initial CFC sites in France and Canada only operational for part of the year
- **International Solutions fees invoiced growth of 40% or more**
- **EBITDA:**
  - Retail above revenue growth, reflecting the impact of operational leverage in the business, offset by additional costs associated with COVID-19 and the uncertainties of the duration of social distancing measures
  - UK Solutions & Logistics to decline, primarily due to full year impact of Morrisons' "holiday" from Erith, with corresponding insurance benefits recorded in exceptional income
  - International Solutions to decline due to continued investment in improving the platform and building the business, and from increased support costs with launch of initial CFC sites
- **Insurance proceeds related to Andover fire to be received over time; expect business interruption losses to be covered.** Our insurers have accepted our claim and £94 million has been received to date with £36 million recognised in the income statement in the period. Further insurance proceeds will be received over time and be recognised as exceptional income when the related capital expenditure is incurred or business interruption claim settled
- **Total capital expenditure for the Group is expected to be around £600 million** with the majority of the increase reflecting the additional capital to meet the needs of our Solutions customers' growth in the UK and internationally
- **Continue to target further Solutions deals** which would generate additional cash fees but would negatively impact short term profits

Results presentation

A results presentation will be available online for investors at 9.30am and the company will host a Q&A conference call immediately following. This can be accessed via the Ocado Group website, Ocadogroup.com.

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 continued

3. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to our UK Solutions & Logistics clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation.
4. EBITDA* is a non-GAAP measure which we define as earnings before net finance cost, taxation, depreciation, amortisation, impairment and exceptional items*
5. Group EBITDA includes the impact of IFRS 16 of £13.8 million in 1H 2020 and £12.6 million in 1H 2019. See page 6 of the Results Announcement for more details on the segmental impact.

Financial Calendar

The schedule for Ocado Retail results for the remainder of the year is for a Q3 Trading Statement on 15th September 2020 and a Q4 Trading Statement on 10th December 2020.

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 31 May 2020, we achieved significant sales growth influenced by the customer demand due to COVID-19, while continuing to transform our business to deliver our international contracts.

The Group has successfully commenced operations at its first two international CFCs, in Toronto and Paris, despite the travel restrictions and supply challenges coming from COVID-19, continued to progress our existing partnerships and supported our Retail partners in delivering groceries in unprecedented times.

The Retail business achieved record-breaking revenue growth while progressing its plans to switchover to M&S products. Group profitability in the period was impacted by increased costs from investment in the International Solutions business to support future growth, offset by strong Retail performance, share-based management incentive charges, and additional depreciation. In addition, there were £39.1 million of exceptional items, principally due to insurance income for the Andover CFC, overall resulting in loss before tax of £40.6 million.

The commentary is on a pre-exceptional basis[2] to aid understanding of underlying performance of the business.

Group Results

	Pre-Exceptional HY 2020 **£million**	**Exceptional Items** **£million**	**Total HY 2020** **£million**	Pre-Exceptional HY 2019 £million	Pre-Exceptional Variance
Revenue[1]	**1,086.8**	**-**	**1,086.8**	**882.3**	**23.2%**
Gross profit	362.3	-	362.3	305.3	18.7%
Other income	37.2	36.3	73.5	39.7	(6.3)%
Distribution and administrative costs (pre IFRS16)	(393.4)	2.8	(390.6)	(327.4)	(20.2)%
Reduction in costs relating to IFRS16	13.8	-	13.8	12.6	9.5%
Share of results from joint ventures and associate[4]	(0.1)	-	(0.1)	0.5	n/a
EBITDA*[2]	**19.8**			**30.7**	**(35.5)%**
Depreciation, amortisation and impairment[3]	(76.6)	-	(76.6)	(65.0)	(17.8)%
Net Finance costs[3]	(22.9)	-	(22.9)	(14.2)	61.3%
(Loss) before tax	**(79.7)**	**39.1**	**(40.6)**	**(48.5)**	**(64.3)%**

1. Revenue is online sales (net of returns) including charges for delivery but excluding relevant vouchers/offers and value added tax. The recharge of costs to our UK Solutions & Logistics clients and International Solutions clients are also included in revenue with the exception of recharges to Ocado Retail which are eliminated on consolidation
2. EBITDA is stated before the impact of exceptional items**
3. HY2019 is restated for IFRS 16. For more details of IFRS 16 refer to note 3 in the financial statements (also see the Accounting Seminar presentation at https://www.ocadogroup.com/investors/reports-and-presentations/year/all)
4. Share of results from joint ventures relates to joint ventures where the Group does not exercise control such as MHE JVCo and Jones Food Company. The Ocado Retail joint venture, over which the Group exercises control, is not included as the results are fully consolidated.

Group revenue for the period has grown by 23.2% in comparison to 1H 2019 revenue of £882.3 million. This was primarily driven by an increase in the number of items sold, with significantly higher basket size but reduced order volume growth, with the majority driven by the increased demand from the social distancing requirements due to COVID-19. Gross profit grew steadily, but slightly below revenue growth as we remain competitively priced to the market. Other income declined by 6.3% to £37.2 million, primarily due to lower media income.

EBITDA before the impact of exceptional items for the period was £19.8 million (1H 2019: £30.7 million). The benefit of higher revenues was more than offset by the increased investment in areas to support our platform growth such as people to help manage the international relationships, technology resources to help scale and improve the platform and the infrastructure needed to support our international business. In addition we incurred higher COVID-19 related costs such as frontline worker bonuses, received lower fee income from Morrisons due to a revised agreement which temporarily releases Erith capacity following the Andover fire and higher share incentive costs in the period.

Depreciation, amortisation and impairment increased by 17.8% to £76.6 million, driven primarily by increased amortisation of OSP software.

Net finance costs increased from £14.2 million to £22.9 million, which includes £8.5 million for interest on leases recognised under IFRS 16 (1H 2019: £7.5 million). The balance of the increase consists of finance costs relating to the £600 million unsecured convertible bond issued in December 2019.

As a result of the above and exceptional items of £39.1 million, the statutory loss before tax for the period was £40.6 million (1H 2019: loss of £147.4 million).

COVID-19 Impact

COVID-19 has impacted all aspects of our business, but the immediate effects are predominantly in the Ocado Retail and UK Solutions and Logistics business. The Group has considered the additional costs and revenues incurred as a result of the pandemic and has determined that COVID-19 impacts should not be treated as an exceptional item.

Trading review by segment

Segment revenue and Segment EBITDA* are shown below, in line with the Group's new segments. During the prior period the Group determined that there are three reportable segments, which reflect the structure of the Group post the sale of 50% of Ocado Retail to M&S. For comparability purposes, the numbers by segment for 1H 2019 have been represented on a basis consistent with the Group's new segments. Further details of segment reporting are included in note 4 of the financial statements.

Retail Performance

	HY 2020[3] **£million**	HY 2019[3] £million	Variance
Revenue	1,021.6	803.2	27.2%
Gross profit & Other income	326.6	265.3	23.1%
Distribution costs*[1]	(246.1)	(213.7)	15.2%
Marketing (non-voucher)	(11.7)	(9.5)	23.2%
Other administrative costs*[1]	(34.3)	(26.2)	30.9%
IFRS 16 Impact	11.2	8.5	31.8%
EBITDA*[2]	**45.7**	**24.4**	**87.3%**

1. *Distribution and administrative costs exclude depreciation, amortisation and impairment for the period and are shown before the impact of IFRS 16*
2. *EBITDA* does not include the impact of exceptional items**
3. *Retail segment has been re-presented for FY2019. For further details refer to note 4 of the financial statements*

Retail revenue* growth of 27.2% was primarily due to a 27.7% year-on-year increase in average basket size due to the material increase in demand, up to £137.46 (1H FY19: £107.65). The change in customer behaviour was driven by the COVID-19 impact where customers were typically ordering one large shop a week, in comparison to lower basket size orders in the prior year.

Gross profit & Other income

Gross profit & Other income was up 23.1% to £326.6 million, driven by higher order volumes and improved product mix, offset with reduced other income.

Distribution and administrative costs

	HY 2020 **£million**	HY 2019[1] £million	Variance
CFC	82.9	71.2	16.4%
Trunking and Delivery	113.1	96.0	17.8%
Other operating costs	50.1	46.5	7.7%
Total Distribution costs	**246.1**	**213.7**	**15.2%**

1. *Retail segment has been re-presented for FY2019. For further details refer to note 4 of the financial statements*

Distribution costs predominantly consist of fulfilment and delivery operation costs which are provided to Ocado Retail by the Ocado UK Solutions & Logistics operation.

CFC costs increased from £71.2 million to £82.9 million, an increase of 16.4% year-on-year. The growth was primarily due to the increased throughput due to the increase in basket sizes driven from COVID-19 impact and one-off bonuses to frontline workers.

Mature CFC (defined as Hatfield, Dordon and Erith CFCs) UPH improved by 6.9% to 170 UPH (1H 2019: 159), driven mainly by improvements at Erith CFC.

Trunking and delivery costs increased by £17.1 million to £113.1 million, an increase of 17.8% year-on-year (1H 2019: £96.0 million). This is due to significantly higher order growth and a weekly bonus to frontline workers due to COVID-19. Although delivery efficiencies improved, our deliveries per van per week decreased to 175 from 192, primarily due to higher eaches per basket.

Other operating costs of £50.1 million (1H 2019: £46.5 million) include the costs associated with provision of the OSP and Logistics services to Ocado Retail by UK Solutions & Logistics.

Marketing costs excluding voucher spend increased from £9.5 million to £11.7 million, 1.1% as a percentage of retail revenue (1H 2019: 1.2%), up on the prior period due to activity in the first part of the period offset by reduced marketing activity needed resulting from the increased demand caused by COVID-19 and the need to limit the number of customers using the Ocado.com website.

Other administrative costs increased by £8.1 million to £34.3 million to support underlying business growth and the establishment of Ocado Retail as a stand-alone business unit including a dedicated head office.

Following the 50% sale of the Retail business to M&S, UK Solutions & Logistics entered into a contract with Retail to provide third party logistics services during 2H 2019. Included within the fees payable under this contract are a number of fees relating to the use of fixed assets. Under IFRS 16, certain fees are classified as "lease" payments. Therefore, any income that UK Solutions & Logistics receives for these are removed from EBITDA and the corresponding cost in Retail is also removed from EBITDA. The total value of these fees in H1 2020 is £4.3 million (1H 2019: £4.3 million).

EBITDA*

EBITDA* excluding exceptional items for the retail business was £45.7 million (1H 2019: £24.4 million). Excluding the impact of IFRS 16 on 2019, EBITDA increased by £18.6 million or 117.0%.

UK Solutions & Logistics Performance

	HY 2020 **£million**	HY 2019 £million	Variance
Fee revenue	59.3	60.0	(1.2)%
Cost recharges[1]	261.1	233.9	11.6%
Revenue	**320.4**	**293.9**	**9.0%**
Other income	1.8	1.6	12.5%
Distribution costs	(266.2)	(236.2)	(12.7)%
Administrative costs	(28.5)	(21.7)	(31.3)%
IFRS 16 Impact	1.6	3.2	(50.0)%
EBITDA*	**29.3**	**40.8**	**(28.2)%**

* Distribution and administrative costs excludes depreciation, amortisation and impairment for the period and are shown before the impact of IFRS 16

[1] Cost recharges include cost recharges to Ocado Retail of £208 million which eliminate out on consolidation

Revenue

Revenue from the UK Solutions & Logistics business was £320.4 million (1H 2019: £293.9 million). This comprises a recharge of relevant operational variable and fixed costs to UK partners Ocado Retail and Morrisons, as well as fees to access Ocado's technology platforms, capital recharges, management fees and research and development.

Other income

Other income increased to £1.8 million (1H 2019: £1.6 million) primarily related to rent received from Morrisons in respect of Dordon CFC rent recharges.

Distribution and administrative costs

Distribution and administrative costs consist of fulfilment and delivery operations costs for Ocado Retail and Morrisons as well as head office costs. Distribution costs were £266.2 million and increased 12.7% due to higher volumes offset by cost efficiencies in both CFC and trunking and delivery operations.

Administrative costs were £28.5 million and increased year-on-year following the organisation changes with the establishment of Ocado Retail as a stand-alone business unit.

Following the 50% sale of the Retail business to M&S, UK Solutions & Logistics entered into a contract with Retail during 2H 2019 to provide third party logistics services. Included within the fees receivable under this contract are a number of fees relating to the use of fixed assets. Under IFRS 16, certain of these fees are classified as "lease" repayments. Therefore, any income that UK Solutions & Logistics receives for these is removed from EBITDA and the corresponding cost in Retail is also removed from EBITDA. The total value of this fee income in 1H 2020 is £4.3 million (1H 2019: £4.3 million).

EBITDA*

EBITDA* from our UK Solutions & Logistics activities was £29.3 million, a decrease of £11.5 million. Excluding the impact of IFRS 16 on 2019, EBITDA decreased by £9.9 million or 26.3% primarily driven by the reduction in fee income from Morrisons as a result of the agreement to take back capacity following the Andover fire, together with the allocation of platform development costs to the UK Solutions & Logistics segment.

International Solutions Performance

	HY 2020 £million	HY 2019 £million	Variance
Fees invoiced	**73.7**	**46.6**	**58.2%**
Revenue	**1.6**	**0.3**	**433.3%**
Distribution and administrative costs*	(47.1)	(24.7)	(90.7)%
EBITDA*	**(45.1)**	**(23.7)**	**(90.3)%**

* Distribution and administrative costs excludes depreciation, amortisation and impairment for the period and are shown before the impact of IFRS 16

Fees and Revenue

Fees invoiced amounted to £73.7 million (1H 2019: £46.6 million). Fees relating to OSP are not recognised as revenue until the OSP solution is defined as operationally live for each partner. In 2020 revenue recognised from the International Solutions business was increased due to the "Go live" of Sobeys in April 2020. Revenue is expected to continue to increase during the year as our international CFCs commence operations.

Administration costs primarily consist of the non-capitalised costs of employees who are developing OSP and other costs supporting our international partnership agreements. These costs grew year-on-year as a result of the increase in headcount to support building further capabilities to sign future clients, increased people and cloud costs to support existing international clients in launching the CFCs and further improvements in our platform.

EBITDA*

EBITDA* from our International Solutions activities was a loss of £(45.1) million (1H 2019: £(23.7) million).

Other Segment

EBITDA loss was £(10.4) million in the current period (1H 2019 loss: £(11.0) million). The other segment represents revenue and costs which do not relate to the other three segments. This includes Board costs, the results of the Fabled business that was divested during FY19 and the consolidated results of Jones Food Company. The increase in costs is primarily due to an increase in share-based senior management incentive charges, offset by £1.7 million of research and development tax credits.

Exceptional items

	1H 2020 £million	**1H 2019 £million**	**FY 2019 £million**
Andover CFC			
- Write-off of property, plant and equipment	-	96.9	96.9
- Write-off of intangible assets	-	3.2	2.1
- Loss of inventory	-	5.6	5.5
- Insurance reimbursement	(36.3)	(11.8)	(23.8)
- Other exceptional costs	1.8	4.6	7.3
Total Andover CFC	**(34.5)**	**98.5**	**88.0**
Loss on disposal of Marie Claire Beauty Limited ("Fabled")	-	0.1	1.1
Costs on creation of joint venture with M&S	-	0.4	3.4
Litigation costs	0.6	-	1.3
Change in Fair Value of Contingent Consideration Receivable	(5.2)	-	-
Other exceptional costs	-	-	0.3
Net exceptional (income)/cost	**(39.1)**	**99.0**	**94.1**

Andover CFC

In February 2019 a fire destroyed the Andover CFC, including the building, machinery and all inventory held on site. The

Group has comprehensive insurance and claims have been formally accepted by the insurers.

Insurance reimbursement

This includes insurance reimbursements for the retail price of destroyed inventory and other incremental costs plus a portion of business interruption losses. The reimbursement has been presented within "other income". A portion of reimbursements has been received and recorded as deferred income. This will be released to profit or loss in the future as the rebuilding costs of the CFC are incurred.

The Group expects to receive further insurance reimbursements in respect of reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group has not included any further amount in respect of these reimbursements as the likely insurance proceeds cannot be quantified accurately at this point. Income will be recognised in the future as the rebuilding costs of the CFC are incurred.

Other exceptional costs

These include, but are not limited to, temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employees' personal assets that were destroyed and redundancy costs.

Litigation costs

The Group has made a claim for damages and for injunctive relief against Jonathan Faiman, Jonathan Hillary and Project T0day Holdings Limited, a software and online fulfilment company, because of the misappropriation and unlawful misuse of Group confidential information and Intellectual Property. The Defendants' business trades under the names "Today Development Partners" (TDP) or "T0day". Using search orders we have recovered a large number of hard copy confidential documents, and are in the process of reviewing over 130,000 documents imaged from the defendants' computers.

Hillary has admitted breaching his employment contract and providing confidential Ocado information to Faiman, and over £400,000 of his previous incentive payments has been repaid to the Group under the malus and clawback provisions of our schemes.

Faiman and TDP (but not Hillary) have made a counterclaim for "hundreds of millions" alleging that the search orders were wrongly obtained causing the TDP ecommerce solutions contract with Waitrose to be terminated, but it has since become clear that there was no such binding contract with Waitrose.

We strongly believe in the merits of our case. Ocado's intellectual property is its greatest asset and represents a significant portion of the Group's value; we have spent the last 20 years developing our intellectual property, technology and know-how. The Group relishes fair competition, but will vigorously protect its intellectual property and challenge any individual or organisation that uses unlawfully obtained information, either directly or indirectly. The Group is resolute that it will protect all of its stakeholders' interests.

Legal and other costs have been incurred to recover the misappropriated items and seek compensation. We will seek recovery of our costs from the Defendants in the usual way.

Change in fair value of contingent consideration

In 2019 the Group sold Marie Claire Beauty Limited ("Fabled") to Next plc and 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date. The movement in the period reflects the finance costs relating to the unwind of the discounted cash flows.

Group Performance

	HY 2020 **£million**	HY 2019 £million	Variance
EBITDA*	**19.8**	**30.7**	**(35.5)%**
Depreciation, amortisation and impairment	(76.6)	(64.9)	(18.0)%
Net Finance costs	(22.9)	(14.2)	(61.3)%
Exceptional items	39.1	(99.0)	139.5%
(Loss) before tax	**(40.6)**	**(147.4)**	**72.5%**
(Loss) after tax	**(41.0)**	**(147.6)**	**72.2%**

Depreciation, amortisation and impairment

Total depreciation and amortisation costs were £76.6 million (1H 2019: £64.9 million), an increase of 18.0% year-on-year. The increase in year-on-year costs driven primarily by increased amortisation of OSP software.

Net finance costs
Net finance costs of £22.9 million includes interest on finance leases recognised under IFRS 16 of £8.5 million (1H 2019: £7.5 million). Excluding this, net finance costs increased to £14.4 million from £6.7 million. This primarily consists of finance costs relating to the unsecured Convertible Bond.

£0.4 million of interest costs have been capitalised in the period in relation to the senior secured notes and the RCF in accordance with the relevant accounting standards (1H 2019: £0.3 million).

Share of result from joint ventures and associate
The Group has accounted for the share of results from two joint ventures; MHE JVCo Limited ("MHE JVCo"), a joint venture with Morrisons, and Infinite Acres Holdings BV, a vertical farming company jointly owned with 80 Acres Farm Inc. and Priva Holdings BV. MHE JVCo holds Dordon CFC assets, which Ocado uses to service its and Morrisons' online business and is owned jointly by Ocado and Morrisons. The Group share of MHE JVCo profit after tax in the period amounted to £0.5 million (1H 2019: £0.5 million). Infinite Acres Holdings BV was acquired during the second half of FY2019, and has contributed a loss of £0.4 million to the Group's results in the period (1H 2019: nil).

Loss before tax
Loss before tax for the period was £40.6 million (1H 2019: loss of £147.4 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. A deferred tax credit of £0.4 million was recognised in the period. Ocado had £295.6 million (1H 2019: £267.5 million) of unutilised carried forward tax losses at the end of the period.

Dividend
During the period, the Group did not declare a dividend (1H 2019: £nil).

Loss per share
Loss and diluted loss per share was 8.18p (1H 2019: loss and diluted loss of 20.40p).

Capital expenditure
Capital expenditure for the period:

	HY 2020 **£million**	HY 2019 £million
UK operations	80.6	44.5
International CFCs	82.9	22.4
Technology, Fulfilment Development and Innovation	55.6	45.1
Total capital expenditure[1, 2] (excluding share of MHE JVCo)	**219.1**	**112.0**
Total capital expenditure[3] (including share of MHE JVCo)	**219.4**	**112.2**

1. *Capital expenditure includes tangible and intangible assets*
2. *Capital expenditure excludes assets leased from MHE JVCo under lease liability arrangements*
3. *Capital expenditure includes Ocado share of the MHE JVCo capital expenditure in 1H 2020 of £0.3 million and in 1H 2019 of £0.2 million*

We invested £80.6 million in our UK operations. £77.5 million relates to our UK CFCs. This included £14.1 million relating to the development work for Erith as it is currently scaling up operations with an expected eventual capacity of over 200,000 Orders per Week; and investment of over £47 million in new capacity across Andover, Bristol and Purfleet sites.

Total expenditure on new vehicles in the period was £3.9 million (1H 2019: £5.7 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 technology capabilities and incurred £55.6 million of expenditure (1H 2019: £45.1 million). Of this, we spent £35.2 million (1H 2019: £31.6 million) investing in our proprietary software and hardware. We expanded our Technology and Engineering headcount to over 2,700 staff at the end of the period (FY 2019: over 2,400 staff) as increased investments were made to support our strategic initiatives. The main areas of investment were replatforming 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 Erith CFC and existing partners future CFCs.

Fulfilment development expenditure of £20.1 million (1H 2019: £13.5 million) was spent in enhancing our next generation fulfilment solutions for CFC and delivery operations of all our Solutions partners.

We continued to make progress in developing our International CFCs with two now operational. International capital expenditure of £82.9 million (1H 2019: £22.4 million) was largely due to expenditure on our CFCs in North America and Europe.

At 31 May 2020, capital commitments contracted, but not provided for by the Group, amounted to £178.4 million (1H 2019: £78.8 million). We expect capital expenditure in 2020 to be approximately £600 million which mainly comprises the roll out of the OSP solution which will be installed into the new CFCs of our clients both in the UK and internationally, continuing investment in our infrastructure and technology solutions, the implementation of our solution to our international partners, and additional investment in new vehicles to support growth.

Cash flow

Net movement in cash and cash equivalents was £549.7 million, an increase of £600.4 million compared to 1H 2019 as detailed below:

	HY 2020 **£million**	HY 2019 £million
EBITDA*[1]	**19.8**	**30.7**
Contract liabilities movement	59.7	41.9
Working capital movement	88.4	(13.2)
Other non-cash items	4.9	17.9
Finance costs paid	(17.2)	(3.8)
Cash settlement of Growth Incentive Plan	-	(80.2)
Insurance proceeds received	10.0	3.5
Operating cash flow	**165.6**	**(3.2)**
Insurance proceeds relating to rebuilding Andover CFC	10.0	40.0
Capital investment	(192.1)	(131.8)
Proceeds from disposal of subsidiaries	2.8	-
Dividend from joint venture	-	6.6
Increase in net debt/finance obligations	565.6	(18.0)
Proceeds from share issues	10.5	57.7
Other investing and financing activities	(16.2)	(3.8)
Interest received	3.5	1.8
Movement in cash and cash equivalents	**549.7**	**(50.7)**

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

Operating cash flow increased by £168.8 million to £165.6 million in comparison to the prior year.

Cash received during the period in relation to our Solutions partners, excluding VAT, amounted to £59.7 million (1H 2019: £41.9 million). This reflects the new contracts that have been signed including Aeon and Coles and also reflects stage payments received from Kroger.

Other working capital shows a net cash inflow of £88.4 million (1H 2019: net outflow of £13.2 million) reflecting increased trading and investment as trade payables increased by 24.8% within the period. Total insurance proceeds of £20.0 million were received in the period in connection with the claim for the fire at Andover CFC.

In the six months to 31 May 2020 there has been cash expenditure of £192.1 million on new assets 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 debt and financing cash flows for the period were an inflow of £565.6 million. This included £600 million from the issuance of a new unsecured convertible bond, offset by financing fees and £26.4 million of repayment of other lease liabilities including the lease element of rentals under IFRS 16. Other investing and financing activities include £11.5 million adjustment to proceeds from finalising the completion accounts on the disposal of the 50% share of Ocado Retail and a £4.7 million loan to Infinite Acres.

Balance Sheet

The Group had cash and cash equivalents of £1,300.3 million at the end of the period versus £750.6 million as at 1 December 2019. Gross debt at the period-end was £1,104.1 million (1H 2019: £643.5 million), and includes an adjustment of £283.3 million in respect of IFRS 16. Net cash is £196.2 million (1H 2019: net debt £283.4 million).

Trade and other receivables include £50.4 million (1H 2019: £51.5 million) of amounts due from suppliers in respect of commercial and media income. Of this amount £8.6 million (1H 2019: £9.2 million) is within trade receivables, and £41.8 million (1H 2019: £42.3 million) within accrued income.

Trade and other payables include deferred income of £42.4 million in respect of the insurance monies which have not yet been recognised as exceptional income. Within contract liabilities, £263.4 million (1H 2019: £157.1 million) of amounts are related to Solutions contracts, performance-based payments or progress payments on ongoing service delivery. Where payments are greater than the revenue recognised at the end of the period, a contract liability is recognised for the difference. Within accrued income, £0.2 million (1H 2019: £nil) is due from our Solutions customers.

An insurance reimbursement asset and an equal provision of £38.3 million has been recognised on the Balance Sheet, representing the obligation to restore the original asset at the Andover CFC site under the leasehold agreement.

Included within property, plant and equipment is capital work-in-progress for land and buildings of £3.1 million (1H 2019: £48.8 million) and capital work-in-progress for fixtures, fittings, plant and machinery of £243.9 million (1H 2019: £56.4 million), the increases relating to the numerous new UK and international CFCs, with those for Casino and Sobeys making up the majority.

Increasing financing flexibility

In the period the Group issued senior unsecured convertible bonds of £600 million with a coupon of 0.875% due in 2025. This allows the Group to diversify its funding sources and capitalise on issuance conditions, securing financial flexibility to support growth opportunities. The £100 million Revolving Credit Facility ("RCF") which was renegotiated in 2017 was not drawn during the period.

Post period end, the Group raised £1.0 billion in additional funds consisting of a £657 million share issue and issuance of senior unsecured convertible bonds of £350 million with a coupon of 0.75% due in 2027. We expect increased demand for the Ocado platform and the fundraise will allow the Group greater opportunities to grow faster and capitalise on the worldwide shift to online retail. The additional capital will help enable Ocado Solutions to sign more clients, build more CFCs, build CFCs faster and invest in innovation to ensure the Ocado platform stays at the forefront in the sector.

Key performance indicators

The following table sets out a summary of selected unaudited operating information for HY 2020 and HY 2019:

	HY 2020	HY 2019	Variance
Active customers[1] (000's)	**639**	744	(14.1%)
Mature CFC efficiency[2] (units per hour)	**170**	159	6.9%
Average deliveries per van per week (DPV/week)	**175**	192	(8.9%)

Source: the information in the table above is derived from information extracted from internal financial and operating reporting systems and is unaudited. Fabled is excluded from both years.

1. *Customers are classified as active if they have shopped on ocado.com within the previous 12 weeks*
2. *Measured as units dispatched from the CFC per variable hour worked by Hatfield CFC, Dordon CFC and Erith CFC operational personnel. We consider the mature CFCs to be Hatfield, Dordon and Erith*

Consolidated Income Statement
for the 26 weeks ended 31 May 2020

	Notes	26 weeks ended 31 May 2020 Results before exceptional items £m (unaudited)	Exceptional items (note 5) £m (unaudited)	Total £m (unaudited)	26 weeks ended 2 June 2019 (restated)[1] £m (unaudited)	52 weeks ended 1 December 2019 £m (audited)
Revenue	4	1,086.8	-	1,086.8	882.3	1,756.6
Cost of sales		(724.5)	-	(724.5)	(582.6)	(1,164.8)
Gross profit		362.3	-	362.3	299.7	591.8
Other income		37.2	36.3	73.5	51.5	107.7
Distribution costs		(313.0)	(1.0)	(314.0)	(276.8)	(571.8)
Administrative expenses		(143.2)	3.8	(139.4)	(208.1)	(314.2)
Operating loss before results from joint ventures and associate		(56.7)	39.1	(17.6)	(133.7)	(186.5)
Share of results from joint ventures and associate		(0.1)	-	(0.1)	0.5	0.7
Operating loss		(56.8)	39.1	(17.7)	(133.2)	(185.8)
Loss on disposal of subsidiary		-	-	-	-	(1.1)
Finance income	7	3.5	-	3.5	1.6	3.3
Finance costs	7	(26.4)	-	(26.4)	(15.8)	(30.9)
Loss before tax		(79.7)	39.1	(40.6)	(147.4)	(214.5)
Taxation		(0.4)	-	(0.4)	(0.2)	2.7
Loss for the period		(80.1)	39.1	(41.0)	(147.6)	(211.8)
Attributable to:						
Owners of Ocado Group plc				(57.4)	(147.6)	(213.1)
Non-controlling interests				16.4	-	1.3
				(41.0)	(147.6)	(211.8)
Loss per share				pence	Pence	pence
Basic and diluted loss per share	6			(8.18)	(20.40)	(29.37)

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

	Note	26 weeks ended 31 May 2020 £m (unaudited)	26 weeks ended 2 June 2019 (restated)[1] £m (unaudited)	52 weeks ended 1 December 2019 £m (audited)
Operating loss		(17.7)	(133.2)	(185.8)
Adjustments for:				
Depreciation of property, plant and equipment		26.4	22.5	46.0
Depreciation of right-of-use assets		28.4	24.7	50.4
Amortisation expense		20.9	17.7	37.3
Impairment of property, plant and equipment		0.4	-	0.6
Impairment of intangibles		0.5	-	1.8
Exceptional items	5	(39.1)	99.0	93.0
EBITDA*		19.8	30.7	43.3

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.
* EBITDA is an alternative performance measure. See note 15 for further information.

Condensed Consolidated Statement of Comprehensive Income
for the 26 weeks ended 31 May 2020

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Loss for the period	(41.0)	(147.6)	(211.8)
Other comprehensive income:			
Items that may be reclassified to profit or loss in subsequent years:			
Cash flow hedges			
- Losses arising on hedging contracts	(1.1)	(1.4)	(1.7)
Foreign exchange loss on translation of foreign subsidiaries	0.5	0.1	(0.6)
Items that will not be reclassified to profit or loss in subsequent years:			
Gains on equity instruments designated as at fair value through other comprehensive income	-	4.4	2.8
Reclassification of equity of Jones Food Company Limited	-	-	0.1
Other comprehensive (expense)/income for the period, net of tax	(0.6)	3.1	0.6
Total comprehensive expense for the period	(41.6)	(144.5)	(211.2)
Attributable to:			
Owners of Ocado Group plc	(58.0)	(144.5)	(212.5)
Non-controlling interests	16.4	-	1.3
	(41.6)	(144.5)	(211.2)

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

Condensed Consolidated Balance Sheet
as at 31 May 2020

	Notes	31 May 2020 £m (unaudited)	2 June 2019 (restated)[1] £m (unaudited)	1 December 2019 £m (audited)
Non-current assets				
Goodwill		4.7	-	4.7
Other intangible assets		211.0	160.4	185.8
Property, plant and equipment		611.9	387.5	468.6
Right-of-use assets		368.4	382.8	368.8
Deferred tax assets		29.3	16.7	27.2
Contract assets		0.7	-	0.3
Costs to obtain contracts		0.8	0.8	0.8
Financial assets		187.3	10.8	177.3
Investment in joint ventures		46.2	46.1	45.8
Investment in associate		4.4	4.8	4.7
		1,464.7	1,009.9	1,284.0
Current assets				
Assets held for sale	10	4.2	12.5	4.2
Inventories		51.4	44.4	52.3
Contract assets		-	-	0.1
Costs to obtain contracts		0.1	-	-
Trade and other receivables		135.3	143.9	150.0
Insurance reimbursement asset		38.3	-	49.2
Derivative financial instruments		0.2	-	-
Financial assets		-	-	2.8
Cash and cash equivalents	9	1,300.3	360.1	750.6
		1,529.8	560.9	1,009.2
Total assets		2,994.5	1,570.8	2,293.2
Current liabilities				
Trade and other payables		(436.0)	(366.8)	(349.6)
Contract liabilities		(7.4)	(3.7)	(5.1)
Lease liabilities	8	(71.3)	(38.9)	(50.1)
Derivative financial instruments		(1.7)	(0.1)	(0.5)
Provisions		(40.2)	(0.8)	(54.0)
Liabilities associated with assets held for sale	10	-	(2.4)	-
		(556.6)	(412.7)	(459.3)
Net current assets		973.2	148.2	549.9
Non-current liabilities				
Contract liabilities		(256.0)	(153.4)	(186.7)
Borrowings	8	(713.4)	(244.8)	(219.7)
Lease liabilities	8	(319.4)	(359.8)	(338.4)
Provisions		(17.3)	(13.6)	(14.5)
Deferred tax liabilities		(18.1)	(8.9)	(16.3)
		(1,324.2)	(780.5)	(775.6)
Net assets		1,113.7	377.6	1,058.3
Equity				
Share capital		14.3	14.1	14.2
Share premium		715.4	679.0	705.3
Treasury shares reserve		(113.3)	(88.9)	(113.6)
Reverse acquisition reserve		(116.2)	(116.2)	(116.2)
Other reserves		110.6	6.5	4.0
Retained earnings		479.0	(99.6)	555.2
Equity attributable to owners of Ocado Group plc		1,089.8	394.9	1,048.9
Non-controlling interests		23.9	(17.3)	9.4
Total equity		1,113.7	377.6	1,058.3

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

Condensed Consolidated Statement of Changes in Equity
for the 26 weeks ended 31 May 2020

	Attributable to owners of Ocado Group plc								
	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 2 December 2019 (audited)	14.2	705.3	(113.6)	(116.2)	4.0	555.2	1,048.9	9.4	1,058.3
Loss for the period	-	-	-	-	-	(57.4)	(57.4)	16.4	(41.0)
Other comprehensive income:									
Cash flow hedges									
- Losses arising on hedging contracts	-	-	-	-	(1.1)	-	(1.1)	-	(1.1)
Translation of foreign subsidiaries	-	-	-	-	0.5	-	0.5	-	0.5
Total comprehensive expense for the period ended 31 May 2020	-	-	-	-	(0.6)	(57.4)	(58.0)	16.4	(41.6)
Transactions with owners:									
- Issue of ordinary shares	-	0.4	-	-	-	-	0.4	-	0.4
- Allotted in respect of share option schemes	0.1	9.7	-	-	-	-	9.8	-	9.8
- Disposal of treasury shares	-	-	0.3	-	-	-	0.3	-	0.3
- Share-based payments charge	-	-	-	-	-	10.8	10.8	-	10.8
- Adjustments arising from part-disposal of Ocado Retail Limited	-	-	-	-	-	(29.9)	(29.9)	(1.7)	(31.6)
- Issue of convertible bonds[2]	-	-	-	-	107.2	-	107.2	-	107.2
- Additional investment in Jones Food Company Limited	-	-	-	-	-	0.3	0.3	(0.2)	0.1
Total transactions with owners	0.1	10.1	0.3	-	107.2	(18.8)	98.9	(1.9)	97.0
Balance at 31 May 2020 (unaudited)	14.3	715.4	(113.3)	(116.2)	110.6	479.0	1,089.8	23.9	1,113.7

	Attributable to owners of Ocado Group plc								
	Share capital £m	Share premium £m	Treasury shares reserve £m	Reverse acquisition reserve £m	Other reserves £m	Retained earnings £m	Total £m	Non-controlling interests £m	Total equity £m
Balance at 3 December 2018 (audited)[3]	14.0	589.9	(9.2)	(116.2)	1.4	76.7	556.6	-	556.6
IFRS 9: Effect of change in accounting policy	-	-	-	-	2.0	-	2.0	-	2.0
Adjusted balance at 3 December 2018 (unaudited)	14.0	589.9	(9.2)	(116.2)	3.4	76.7	558.6	-	558.6
Restated loss for the period[1]	-	-	-	-	-	(147.6)	(147.6)	-	(147.6)
Other comprehensive income:									
Cash flow hedges									
- Losses arising on hedging contracts	-	-	-	-	(1.4)	-	(1.4)	-	(1.4)
Translation of foreign subsidiaries	-	-	-	-	0.1	-	0.1	-	0.1
Gain on equity investments designated as at fair value through other comprehensive income	-	-	-	-	4.4	-	4.4	-	4.4
Total comprehensive expense for the period ended 2 June 2019	-	-	-	-	3.1	(147.6)	(144.5)	-	(144.5)
Transactions with owners:									
- Issue of ordinary shares	0.1	87.6	(86.4)	-	-	-	1.3	-	1.3
- Allotted in respect of share option schemes	-	1.5	-	-	-	-	1.5	-	1.5
- Disposal of treasury shares on exercise by participants	-	-	0.5	-	-	0.2	0.7	-	0.7
- Disposal of unallocated treasury shares	-	-	5.7	-	-	48.5	54.2	-	54.2
- Transfer of treasury shares to participants	-	-	0.8	-	-	(0.8)	-	-	-
- Reclassification between reserves	-	-	(0.3)	-	-	0.3	-	-	-
- Growth Incentive Plan cash settlement on vesting	-	-	-	-	-	(80.2)	(80.2)	-	(80.2)
- Share-based payments charge	-	-	-	-	-	3.3	3.3	-	3.3
- Transaction costs on part-disposal of Ocado Retail Limited	-	-	-	-	-	-	-	(17.3)	(17.3)
Total transactions with owners	0.1	89.1	(79.7)	-	-	(28.7)	(19.2)	(17.3)	(36.5)
Restated balance at 2 June 2019 (unaudited)	14.1	679.0	(88.9)	(116.2)	6.5	(99.6)	394.9	(17.3)	377.6

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.
2. In December 2019, £600.0 million of convertible bonds were issued. The equity component of the bonds was valued at £107.2 million and recognised in other reserves.
3. Historic losses of £2.9 million on the utilisation of treasury shares to satisfy the vesting of Long-Term Incentive Plan awards have been reclassified from share premium to retained earnings, and reflected in Balance at 3 December 2018.

Condensed Consolidated Statement of Cash Flows
for the 26 weeks ended 31 May 2020

	Note	26 weeks ended 31 May 2020 £m (unaudited)	26 weeks ended 2 June 2019 (restated)[1] £m (unaudited)	52 weeks ended 1 December 2019 £m (audited)
Cash flows from operating activities				
Loss before tax		(40.6)	(147.4)	(214.5)
Adjustments for:				
- Depreciation, amortisation and impairment losses		76.6	64.9	233.0
- Write-off of fixed assets, intangible assets and inventories		-	105.7	9.5
- Movement in provisions		(1.2)	(2.8)	(1.0)
- Share of results from joint ventures		(0.1)	(0.5)	(0.9)
- Share of results from associate		0.2	-	0.2
- Net loss on derivative financial instruments		(1.1)	-	(1.7)
- Revenue from long-term contracts		(1.3)	-	(2.9)
- Other income from insurance proceeds		(36.3)	-	(23.8)
- Share-based payments charge		10.8	3.3	12.8
- Net finance cost	7	22.9	14.2	27.6
- Other non-cash exceptional items		(5.2)	-	-
- Settlement of cash flow hedges		-	0.1	(0.1)
Changes in working capital:				
- Movement in inventories		0.9	6.6	(7.6)
- Movement in trade and other receivables		12.7	(53.9)	(29.4)
- Movement in trade and other payables		74.8	34.1	8.0
- Movement in contract liabilities		59.7	41.9	79.5
Cash generated from operations		172.8	66.2	88.7
Interest paid		(17.2)	(3.8)	(30.6)
Cash settlement of Growth Incentive Plan		-	(80.2)	(80.2)
Movement in other taxation relating to settlement of Growth Incentive Plan		-	11.1	-
Insurance proceeds relating to destroyed inventory and business interruption		10.0	3.5	73.8
Net cash flows from/(used in) operating activities		165.6	(3.2)	51.7
Cash flows from investing activities				
Insurance proceeds relating to rebuilding Andover CFC		10.0	40.0	-
Purchase of property, plant and equipment		(145.0)	(88.4)	(175.5)
Purchase of intangible assets		(47.1)	(38.6)	(84.1)
Proceeds from disposal of Marie Claire Beauty Limited, net of cash sold		2.8	-	(0.5)
Dividends received from joint ventures		-	6.6	15.6
Purchase of investments in associate and joint venture		-	(4.8)	(13.6)
Purchase of Jones Food Company Limited, net of cash acquired		-	-	(7.6)
Purchase of unlisted equity investment		-	-	(1.6)
Loan to joint venture		(4.7)	-	-
Interest received		3.5	1.8	3.3
Net cash flows used in investing activities		(180.5)	(83.4)	(264.0)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital, net of transaction costs		0.4	1.3	0.8
Proceeds from allotment of share options		9.8	1.5	2.4
Proceeds from disposal of treasury shares on exercise by participants		0.3	0.7	0.8
Proceeds from Value Creation Plan - jointly-owned equity awards		-	-	1.3
Proceeds from disposal of unallocated treasury shares, net of transaction costs		-	54.2	54.2
Proceeds from part-disposal of Ocado Retail Limited, net of transaction costs		(11.5)	-	558.3
Proceeds from issue of convertible bond, net of transaction costs		592.0	-	-
Repayment of borrowings		-	-	(25.0)
Repayment of lease liabilities		(26.4)	(17.7)	(40.2)
Payment of financing fees		-	(0.3)	(0.5)
Transaction costs		-	(3.8)	-
Net cash flows from financing activities		564.6	35.9	552.1
Net increase/(decrease) in cash and cash equivalents		549.7	(50.7)	339.8
Cash and cash equivalents at the beginning of the period		750.6	410.8	410.8
Cash and cash equivalents at the end of the period		1,300.3	360.1	750.6

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

Notes to the condensed consolidated interim financial information

1. General information

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

The financial period represents the 26 weeks ended 31 May 2020. The prior financial periods represent the 26 weeks ended 2 June 2019 and the 52 weeks ended 1 December 2019.

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 52 weeks ended 1 December 2019 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 at www.ocadogroup.com. The Independent Auditor's Report on these accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

The Financial Information is presented in pounds sterling, rounded to the nearest hundred thousand unless otherwise stated. It has been prepared under the historical cost convention, as modified by the revaluation of financial asset investments and certain financial assets and liabilities, which are held at fair value.

The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements. In assessing going concern, the Directors take into account the Group's cash flows, solvency and liquidity positions and borrowing facilities. At the end of the period, the Group had cash and cash equivalents of £1,300.3 million (1H 2019: £360.1 million) and net current assets of £973.2 million (1H 2019: £148.2 million).

3. Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are consistent with those applied by the Group in its consolidated financial statements for the 52 weeks ended 1 December 2019.

IFRS 16 "Leases"

The Group adopted IFRS 16 "Leases" early using the modified retrospective approach for the 52-week period ended 1 December 2019. The standard was only adopted in the second half of 2019, so the 1H 2019 comparatives require restatement. This note shows the effect of the adoption of IFRS 16 on the Group's results for the 26 weeks ended 2 June 2019.

On adoption of IFRS 16 the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases. These liabilities were measured at the present values of the remaining lease payments, discounted using the incremental borrowing rates at 3 December 2018. Right-of-use assets equal to these liabilities were recognised at 3 December 2018, so there was no effect on retained earnings.

Restatement of Condensed Consolidated Income Statement for the 26 weeks ended 2 June 2019

	Notes	26 weeks ended 2 June 2019 (previously reported) £m (unaudited)	Effect of IFRS 16 £m (unaudited)	26 weeks ended 2 June 2019 (restated) £m (unaudited)
Revenue	4	882.3	-	882.3
Cost of sales		(582.6)	-	(582.6)
Gross profit		299.7	-	299.7
Other income		51.5	-	51.5
Distribution costs		(279.7)	2.9	(276.8)
Administrative expenses		(208.1)	-	(208.1)
Operating loss before results from joint venture		(136.6)	2.9	(133.7)
Share of results from joint venture		0.5	-	0.5
Operating loss		(136.1)	2.9	(133.2)
Finance income	7	1.6	-	1.6
Finance costs	7	(8.3)	(7.5)	(15.8)
Loss before tax		(142.8)	(4.6)	(147.4)
Taxation		(0.2)	-	(0.2)
Loss for the period		(143.0)	(4.6)	(147.6)
Attributable to:				
Owners of Ocado Group plc		(143.0)	(4.6)	(147.6)
Non-controlling interests		-	-	-
		(143.0)	(4.6)	(147.6)
Loss per share		pence	Pence	pence
Basic and diluted loss per share	6	(19.77)	(0.63)	(20.40)

Restatement of earnings before interest, taxation, depreciation, amortisation, impairment and exceptional items (EBITDA)*

	Note	26 weeks ended 2 June 2019 (previously reported) £m (unaudited)	Effect of IFRS 16 £m (unaudited)	26 weeks ended 2 June 2019 (restated) £m (unaudited)
Operating loss		(136.1)	2.9	(133.2)
Adjustments for:				
Depreciation of property, plant and equipment		37.5	(15.0)	22.5
Depreciation of right-of-use assets		-	24.7	24.7
Amortisation expense		17.7	-	17.7
Exceptional items	5	99.0	-	99.0
EBITDA*		18.1	12.6	30.7

* EBITDA is an alternative performance measure. See note 15 for further information.

Restatement of Condensed Consolidated Balance Sheet as at 2 June 2019

	Notes	2 June 2019 (previously reported) £m (unaudited)	Effect of IFRS 16 £m (unaudited)	2 June 2019 (restated) £m (unaudited)
Non-current assets				
Intangible assets		160.4	-	160.4
Property, plant and equipment		498.5	(111.0)	387.5
Right-of-use assets		-	382.8	382.8
Deferred tax assets		16.7	-	16.7
Costs to obtain contracts		0.8	-	0.8
Financial assets		10.8	-	10.8
Investment in joint ventures		46.1	-	46.1
Investment in associate		4.8	-	4.8
		738.1	271.8	1,009.9
Current assets				
Assets held for sale	10	12.5	-	12.5
Inventories		44.4	-	44.4
Trade and other receivables		144.8	(0.9)	143.9
Cash and cash equivalents	9	360.1	-	360.1
		561.8	(0.9)	560.9
Total assets		1,299.9	270.9	1,570.8
Current liabilities				
Trade and other payables		(377.5)	10.7	(366.8)
Contract liabilities		(3.7)	-	(3.7)
Lease liabilities	8	(26.5)	(12.4)	(38.9)
Derivative financial instruments		(0.1)	-	(0.1)
Provisions		(0.8)	-	(0.8)
Liabilities associated with assets held for sale	10	(2.4)	-	(2.4)
		(411.0)	(1.7)	(412.7)
Net current assets		150.8	(2.6)	148.2
Non-current liabilities				
Contract liabilities		(153.4)	-	(153.4)
Borrowings	8	(244.8)	-	(244.8)
Lease liabilities	8	(88.9)	(270.9)	(359.8)
Provisions		(10.7)	(2.9)	(13.6)
Deferred tax liabilities		(8.9)	-	(8.9)
		(506.7)	(273.8)	(780.5)
Net assets		382.2	(4.6)	377.6
Equity				
Share capital		14.1	-	14.1
Share premium		679.0	-	679.0
Treasury shares reserve		(88.9)	-	(88.9)
Reverse acquisition reserve		(116.2)	-	(116.2)
Other reserves		6.5	-	6.5
Retained earnings		(95.0)	(4.6)	(99.6)
Equity attributable to owners of Ocado Group plc		399.5	(4.6)	394.9
Non-controlling interests		(17.3)	-	(17.3)
Total equity		382.2	(4.6)	377.6

Restatement of Condensed Consolidated Statement of Cash Flows for the 26 weeks ended 2 June 2019

	Note	26 weeks ended 2 June 2019 (previously reported) £m (unaudited)	Effect of IFRS 16 £m (unaudited)	26 weeks ended 2 June 2019 (restated) £m (unaudited)
Cash flows from operating activities				
Loss before tax		(142.8)	(4.6)	(147.4)
Adjustments for:				
- Depreciation, amortisation and impairment losses		55.2	9.7	64.9
- Write-off of fixed assets, intangible assets and inventories		105.7	-	105.7
- Movement in provisions		(5.7)	2.9	(2.8)
- Share of results from joint ventures		(0.5)	-	(0.5)
- Share-based payments charge		3.3	-	3.3
- Net finance costs	7	6.7	7.5	14.2
- Settlement of cash flow hedges		0.1	-	0.1
Changes in working capital:				
- Movement in inventories		6.6	-	6.6
- Movement in trade and other receivables		(54.8)	0.9	(53.9)
- Movement in trade and other payables		44.8	(10.7)	34.1
- Movement in contract liabilities		41.9	-	41.9
Cash generated from operations		60.5	5.7	66.2
Interest paid		(3.5)	(0.3)	(3.8)
Cash settlement of Growth Incentive Plan		(80.2)	-	(80.2)
Movement in other taxation relating to settlement of Growth Incentive Plan		11.1	-	11.1
Insurance proceeds relating to destroyed inventory and business interruption		3.5	-	3.5
Net cash flows used in operating activities		(8.6)	5.4	(3.2)
Cash flows from investing activities				
Insurance proceeds relating to rebuilding Andover CFC		40.0	-	40.0
Purchase of property, plant and equipment		(88.4)	-	(88.4)
Purchase of intangible assets		(38.6)	-	(38.6)
Dividends received from joint ventures		6.6	-	6.6
Purchase of investment in associate		(4.8)	-	(4.8)
Interest received		1.8	-	1.8
Net cash flows used in investing activities		(83.4)	-	(83.4)
Cash flows from financing activities				
Proceeds from issue of ordinary share capital, net of transaction costs		1.3	-	1.3
Proceeds from allotment of share options		1.5	-	1.5
Proceeds from disposal of treasury shares on exercise by participants		0.7	-	0.7
Proceeds from disposal of unallocated treasury shares, net of transaction costs		54.2	-	54.2
Repayment of lease liabilities		(12.3)	(5.4)	(17.7)
Payment of financing fees		(0.3)	-	(0.3)
Transaction costs		(3.8)	-	(3.8)
Net cash flows from financing activities		41.3	(5.4)	35.9
Net decrease in cash and cash equivalents		(50.7)	-	(50.7)
Cash and cash equivalents at the beginning of the period		410.8	-	410.8
Cash and cash equivalents at the end of the period		360.1	-	360.1

The application of IFRS 16 to the 1H 2019 results has affected numerous line items in the Condensed Consolidated Income Statement and the Condensed Consolidated Balance Sheet. Although there has been no change to cash and cash equivalents at the beginning and end of the period, a number of reclassifications have been required in the Condensed Consolidated Statement of Cash Flows.

Taxes on income in the interim periods are accrued using the tax rate that is expected to 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 the Group's accounting policies and the key sources of estimation were the same as those that applied to the Annual Report and Accounts for the 52 weeks ended 1 December 2019.

4. Segmental reporting

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

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

The separation of Ocado's Retail and Logistics operations into distinct business units and the creation of the joint venture with Marks and Spencer Group plc have led to changes in how the management team reports and manages performance. The Group has determined it now has three reportable segments: Retail, UK Solutions & Logistics and International Solutions. The 1H 2019 comparatives have been re-presented on this basis.

The Retail segment provides online grocery and general merchandise offerings to customers within the United Kingdom, and comprises the Ocado Retail joint venture. The UK Solutions & Logistics segment provides the IT platform, CFCs and logistics for customers in the United Kingdom (Wm Morrison Supermarkets plc and Ocado Retail Limited). The International Solutions segment provides end-to-end online retail solutions to corporate customers outside the United Kingdom. In order to reconcile segmental revenues and EBITDA* with the Group's revenue and EBITDA* two other headings are used: "Other" represents revenue and costs which do not relate to any of the three segments; "Group eliminations" relates to revenue and costs arising from intra-Group transactions.

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. Segmental results and assets include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segmental revenue and EBITDA*	Retail £m	UK Solutions & Logistics £m	International Solutions £m	Other £m	Group eliminations £m	Total £m
26 weeks ended 31 May 2020 (unaudited)						
Segmental revenue*	1,021.6	320.4	1.6	0.1	(256.9)	1,086.8
Segmental EBITDA*	45.7	29.3	(45.1)	(10.4)	0.3	19.8
26 weeks ended 2 June 2019 (restated)[1] (unaudited)						
Segmental revenue*	803.2	293.9	0.3	8.3	(223.4)	882.3
Segmental EBITDA*	24.4	40.8	(23.7)	(11.0)	0.2	30.7
52 weeks ended 1 December 2019 (restated)[2] (audited)						
Segmental revenue*	1,618.1	584.5	0.5	9.8	(456.3)	1,756.6
Segmental EBITDA*	40.6	79.1	(60.8)	(15.2)	(0.4)	43.3

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.
2. The numbers in the table above for FY19, principally in respect of the IFRS 16 adjustment, have been amended for each segment from those published at 7am on 14 July 2020. There is no impact on Group numbers for each line item as the amendments only apply to the inter-segment split for FY19 full year.
* EBITDA, segmental revenue and segmental EBITDA are alternative performance measures. See note 15 for further information.

5. Exceptional items

	26 weeks ended 31 May 2020 £m (unaudited)	26 weeks ended 2 June 2019 £m (unaudited)	52 weeks ended 1 December 2019 £m (audited)
Andover CFC			
- Write-off of property, plant and equipment	-	96.9	96.9
- Write-off of intangible assets	-	3.2	2.1
- Loss of inventory	-	5.6	5.5
- Insurance reimbursement	(36.3)	(11.8)	(23.8)
- Other exceptional costs	1.8	4.6	7.3
Loss on disposal of Marie Claire Beauty Limited ("Fabled")	-	0.1	1.1
Costs on creation of joint venture with Marks and Spencer Group plc ("M&S")	-	0.4	3.4
Litigation costs	0.6	-	1.3
Change in fair value of contingent consideration receivable	(5.2)	-	-
Other exceptional costs	-	-	0.3
Net exceptional (income)/cost	(39.1)	99.0	94.1

Andover CFC

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

Insurance reimbursement

This includes insurance reimbursements for the retail price of destroyed inventory and other incremental costs plus a portion of business interruption losses. The reimbursement has been presented within “other income”. A portion of reimbursements has been received and recorded as deferred income. This will be released to profit or loss in the future as the rebuilding costs of the CFC are incurred.

The Group expects to receive further insurance reimbursements in respect of reconstruction costs and business interruption losses. Claim negotiations are ongoing and the Group has not included any further amount in respect of these reimbursements as the likely insurance proceeds cannot be quantified accurately at this point. Income will be recognised in the future as the rebuilding costs of the CFC are incurred.

Other exceptional costs

These include, but are not limited to, temporary costs of transporting employees to other warehouses to work, professional fees relating to the insurance claims process, reimbursement of employees’ personal assets that were destroyed and redundancy costs.

Litigation costs

The Group has made a claim for damages and for injunctive relief against Jonathan Faiman, Jonathan Hilary and Project Today Holdings Limited, a software and online fulfilment company trading under the name T0day, because of the theft and unlawful use of the Group’s Intellectual Property (“IP”). The Group believes strongly in the merit of its case. Ocado’s IP is its greatest asset and represents a significant portion of the Group’s value. It has spent the last 20 years developing its IP, technology and know-how. The Group relishes fair competition, but vigorously protects its IP and challenges any individual or organisation that uses information obtained illegally, whether directly or indirectly. Management is determined to protect its stakeholders’ interests.

Legal and other costs have been incurred to recover the stolen items and seek compensation. Recovery of costs will also be sought from the defendants.

Change in fair value of contingent consideration

In 2019 the Group sold Marie Claire Beauty Limited (“Fabled”) to Next plc and 50% of Ocado Retail Limited to Marks and Spencer Group plc ("M&S"). Part of the consideration for these transactions was contingent on future events. The Group holds contingent consideration at fair value through profit or loss, and revalues it at each reporting date.

6. Loss per share

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

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

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

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

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	million	million	million
	(unaudited)	(unaudited)	(audited)
Weighted average number of shares at the end of the period	701.3	723.4	725.7
	£m	£m	£m
Loss for the period attributable to the owners of Ocado Group plc	(57.4)	(147.6)	(213.1)
	pence	Pence	Pence
Basic and diluted loss per share	(8.18)	(20.40)	(29.37)

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

Post the period end, the Group has issued additional shares. Please refer to note 14 for further details.

7. Finance income and costs

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Interest on cash balances	3.4	1.6	3.3
Interest on loan to joint venture	0.1	-	-
Finance income	3.5	1.6	3.3
Borrowing costs:			
- Interest on lease liabilities	(10.5)	(10.4)	(20.6)
- Interest on borrowings	(15.7)	(5.4)	(10.3)
Unwinding of discounting of provisions	(0.2)	-	-
Finance costs	(26.4)	(15.8)	(30.9)
Net finance cost	(22.9)	(14.2)	(27.6)

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

8. Borrowings and lease liabilities

	31 May 2020	2 June 2019 (restated)[1]	1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Current liabilities			
Lease liabilities	71.3	38.9	50.1
Non-current liabilities			
Borrowings	713.4	244.8	219.7
Lease liabilities	319.4	359.8	338.4
	1,032.8	604.6	558.1
Total borrowings and lease liabilities	1,104.1	643.5	608.2

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

9. Analysis of net cash/debt*

Net cash/debt* is calculated as cash and cash equivalents less total debt (borrowings and lease liabilities as disclosed in note 8).

	31 May 2020	2 June 2019 (restated)[1]	1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Current assets			
Cash and cash equivalents	1,300.3	360.1	750.6
Current liabilities			
Lease liabilities	(71.3)	(38.9)	(50.1)
Non-current liabilities			
Borrowings	(713.4)	(244.8)	(219.7)
Lease liabilities	(319.4)	(359.8)	(338.4)
	(1,032.8)	(604.6)	(558.1)
Net cash/(debt)*	196.2	(283.4)	142.4

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

	31 May 2020	2 June 2019 (restated)[1]	1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Net increase/(decrease) in cash and cash equivalents	549.7	(50.7)	339.8
Net (increase)/decrease in debt and lease financing	(486.8)	18.0	57.6
Non-cash movements:			
- Assets acquired under leases	(9.1)	(300.9)	(305.2)
Movement in net cash/debt* in the period	53.8	(333.6)	92.2
Opening net cash*	142.4	50.2	50.2
Closing net cash/(debt)*	196.2	(283.4)	142.4

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.
* Net cash/debt is an alternative performance measure. See note 15 for further information.

10. Assets held for sale

	31 May 2020 £m (unaudited)	2 June 2019 £m (unaudited)	1 December 2019 £m (audited)
Assets held for sale			
- Marie Claire Beauty Limited ("Fabled")	-	8.3	-
- Property	4.2	4.2	4.2
Gross assets classified as held for sale	4.2	12.5	4.2
Liabilities associated with assets held for sale	-	(2.4)	-
Net assets classified as held for sale	4.2	10.1	4.2

Property

The property held for sale is in the United Kingdom and was previously used in the Group's distribution network. The Group is in the process of selling it, but the completion of the sale has been delayed by circumstances beyond the Group's control. Negotiations are well advanced, and the Group remains committed to the sale which is expected to be completed in the second half of 2020. Accordingly, the asset has continued to be classified as held for sale. The proceeds of disposal are expected to exceed the book value and accordingly, no gain or loss was recognised on the classification of the property as held for sale.

11. Financial instruments

Financial assets and liabilities at fair value

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

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

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

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

	31 May 2020			
	Level 1 £m (unaudited)	Level 2 £m (unaudited)	Level 3 £m (unaudited)	Total £m (unaudited)
Financial assets				
At fair value through profit or loss				
- Contingent consideration	-	-	171.4	171.4
- Derivative assets	-	0.2	-	0.2
At fair value through comprehensive income				
- Unlisted equity investments	-	-	6.8	6.8
Total financial assets	-	0.2	178.2	178.4
Financial liabilities				
At fair value through profit or loss				
- Derivative liabilities	-	(1.7)	-	(1.7)
Total financial liabilities	-	(1.7)	-	(1.7)

	Level 1	Level 2	Level 3	Total
	2 June 2019			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Financial assets				
At fair value through comprehensive income				
- Unlisted equity investments	-	-	6.8	6.8
Total financial assets	-	-	6.8	6.8
Financial liabilities				
At fair value through profit or loss				
- Derivative liabilities	-	(0.1)	-	(0.1)
Total financial liabilities	-	(0.1)	-	(0.1)

	1 December 2019			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
	(audited)	(audited)	(audited)	(audited)
Financial assets				
At fair value through profit or loss				
- Contingent consideration	-	-	166.3	166.3
At fair value through comprehensive income				
- Unlisted equity investments	-	-	6.8	6.8
Total financial assets	-	-	173.1	173.1
Financial liabilities				
At fair value through profit or loss				
- Derivative liabilities	-	(0.5)	-	(0.5)
Total financial liabilities	-	(0.5)	-	(0.5)

The derivative assets and liabilities relate to forward commodity swap contracts.

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

Description	Valuation techniques and key inputs	Significant unobservable inputs
Contingent consideration	Discounted cash flows Expected cash inflows are estimated based on the terms of the share purchase agreements and the Group's expectations of future performance and meeting financial and operational targets	Discount rate of 8.00% Expected cash inflows of £226.9 million
Unlisted equity investments	Market comparison The valuation model is based on market multiples derived from market research reports for industries comparable to the investee and the EBITDA of the investee	Market multiple

The consideration relating to the part-disposal of Ocado Retail Limited valued at £169.1 million (1H 2019: £nil) comprises three individual amounts, with three individual "triggers". Management considers it probable that these triggers will be met, and this has been reflected in the calculation of the fair value.

The consideration relating to the disposal of Marie Claire Beauty Limited ("Fabled") valued at £2.3 million (1H 2019: £nil) is based on an "earn-out" agreement whereby the Group will receive sums in proportion to Fabled's future sales.

12. Capital expenditure and commitments

During the period the Group acquired property, plant and equipment of £154.0 million (1H 2019: £68.6 million, 2019: £142.3 million) and intangible assets of £8.1 million (1H 2019: £5.9 million, 2019: £13.6 million). Internal development costs of £54.5 million (1H 2019: £40.9 million, 2019: £93.8 million) were capitalised.

At 31 May 2020, capital commitments contracted, but not provided for by the Group, amounted to £178.4 million (1H 2018: £78.8 million, 2019: £93.6 million).

13. Related party transactions

Key management personnel

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

With the exception of remuneration, there were no related party transactions with key management personnel (1H 2019: none). At the end of the period, there was £nil (1H 2019: £nil) owed by key management personnel to the Group.

Investment

The following transactions were carried out with Paneltex Limited ("Paneltex"), a company incorporated in the United Kingdom in which the Group holds a 25% interest:

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Purchase of goods			
- Plant and machinery	-	0.1	0.7
- Consumables	0.2	0.3	0.6

Indirect transactions, consisting of the purchase of plant and machinery through some of the Group's leasing counterparties, were carried out with Paneltex to the value of £nil (1H 2019: £0.5 million). At the end of the period, the Group owed Paneltex £5,000 (1H 2019: £0.7 million).

Joint venture

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

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Dividend received from MHE JVCo	-	6.6	15.6
(Settlement)/reimbursement of supplier invoices paid on behalf of MHE JVCo	(0.1)	3.7	4.2
Capital element of lease liability instalments accrued or paid to MHE JVCo	8.5	9.9	25.8
Interest element of lease liability instalments accrued or paid to MHE JVCo	1.6	1.6	3.7

Included within trade and other receivables is a balance of £1.0 million (1H 2019: £0.7 million) owed by MHE JVCo. Included within trade and other payables is a balance of £10.7 million (1H 2019: £15.8 million) owed to MHE JVCo. Included within lease liabilities is a balance of £57.0 million (1H 2019: £69.1 million) owed to MHE JVCo.

In January 2020 the Group loaned $6.0 million (£4.7 million at the period-end) to Infinite Acres Holding B.V., a company incorporated in the Netherlands in which the Group holds a 33.3% interest. Interest is chargeable on the loan at 5% per annum for two years from the date of the loan, and 7% thereafter. The loan is repayable in full on or before 23 September 2024. In the period £0.1 million of interest was recognised.

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

14. Post-Balance-Sheet events

In June 2020, the Group raised £1 billion in funds, comprising issues of £657 million of ordinary shares and £350 million of senior unsecured convertible bonds with a coupon of 0.75% due in 2027.

15. Alternative performance measures

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

- Exceptional items;
- Segmental revenue;
- Segmental gross profit;
- Segmental other income;
- Segment distribution and administrative costs;
- EBITDA;
- Segmental EBITDA;
- External gross debt; and
- Net cash/debt.

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

Exceptional items

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

The Group applies judgement in identifying significant 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 or transaction is exceptional in nature, management considers quantitative as well as qualitative factors such as the frequency or predictability of occurrence.

Examples of items that the Group considers exceptional include, but are not limited to, 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.

The Group has adopted a three-columned approach to the Condensed Consolidated Income Statement to aid clarity and allow users of the financial statements to understand more easily the performance of the underlying business and the effects of one-off events.

Segmental revenue

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

Segmental gross profit

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

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail gross profit	298.1	233.3	466.4
UK Solutions & Logistics gross profit	320.6	293.9	583.2
International Solutions gross profit	1.3	0.3	0.4
Other gross profit	(0.2)	1.2	0.9
Group eliminations	(257.5)	(223.4)	(453.6)
Reported gross profit	362.3	305.3	597.3

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the year. See note 3 for further details.

Segmental other income

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

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail other income	28.5	32.0	65.6
UK Solutions & Logistics other income	1.8	1.6	3.0
International Solutions other income	-	-	-
Other segment other income	7.1	6.4	15.4
Group eliminations	(0.2)	(0.3)	(0.1)
Reported other income	37.2	39.7	83.9

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

Segmental distribution and administrative costs

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

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Retail distribution and administrative costs	280.9	240.9	498.1
UK Solutions & Logistics distribution and administrative costs	293.1	254.7	501.3
International Solutions distribution and administrative costs	46.4	24.0	61.2
Other distribution and administrative costs	17.2	19.1	31.4
Group eliminations	(258.0)	(223.9)	(453.4)
Depreciation, amortisation, impairment and other central costs	76.6	64.9	136.1
	456.2	379.7	774.7

	26 weeks ended 31 May 2020	26 weeks ended 2 June 2019 (restated)[1]	52 weeks ended 1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Reported distribution costs	313.0	272.2	564.8
Reported administrative expenses	143.2	107.5	209.9
	456.2	379.7	774.7

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the prior year. See note 3 for further details.

EBITDA

In addition to measuring its financial performance based on operating profit, the Group measures performance based on EBITDA. EBITDA is defined as the Group's earnings before depreciation, amortisation, impairment, net finance cost, taxation and exceptional items. EBITDA is a common measure used by investors and analysts to evaluate the operating financial performance of companies. A reconciliation of operating profit with EBITDA can be found on the face of the Condensed Consolidated Income Statement on page 14.

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

Segmental EBITDA

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

External gross debt

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

	31 May 2020	2 June 2019 (restated)[1]	1 December 2019
	£m	£m	£m
	(unaudited)	(unaudited)	(audited)
Gross debt	1,104.1	643.5	608.2
Lease liabilities payable to joint ventures	(57.0)	(69.1)	(64.0)
External gross debt	1,047.1	574.4	544.2

1. The 2019 restatement is due to the adoption of IFRS 16 in the second half of the year. See note 3 for further details.

Net cash/debt

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

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

Net cash/debt is considered to be an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate of borrowings and lease liabilities and cash and cash equivalents. A reconciliation of these measures with net cash/debt is disclosed in note 9.

Principal risks and uncertainties

The Group faces a number of risks and uncertainties that may have an adverse effect on its operations, performance and future prospects.

The Board assesses and monitors the principal risks of the business regularly. Set out in the Group's Annual Report and Accounts for the 52 weeks ended 1 December 2019 were details of the principal risks and uncertainties for the Group and the key mitigating activities used to address them at that time.

The Board's latest risk assessment has considered both the specific consequences of COVID-19 and its effect on the underlying principal risks managed by the business.

The Group has implemented extensive measures to mitigate the effects of the pandemic on its business. These measures are intended to ensure the health and safety of its employees, customers and suppliers and to ensure the continuity of the business, both the Retail and Solutions sectors. These measures are wide-ranging and include: implementing rapid-response Coronavirus tests for frontline employees; following government guidance in closing offices and introducing home-working; introducing distancing and hygiene measures in CFCs, vehicles, spokes, construction sites and at customers' doorsteps to keep employees and customers safe; engaging with government and specialist advisors; and instigating business continuity plans and regular monitoring.

The Group will continue to monitor government guidance carefully and where needed adapt its operational protocols and processes to safeguard Retail customers and employees, so as to cater for the continued operation of the Retail business and to allow the OSP programmes to progress as planned.

Although the principal risks prior to the pandemic remain largely unchanged in substance, the pandemic has increased the likelihood and effect of those risks. For example, international travel restrictions impede the Group's ability to bring technical expertise to bear on some Solutions client projects, increasing the possibility of delays or quality issues. Similar risks apply to the on-boarding of new overseas manufacturing and supply chain partners, further affected by the challenges posed by a lack of available shipping.

The immediate effect of lockdown was a multiple-fold increase in demand for online groceries, massively exceeding our capacity. In ensuring the continuity of the Retail operations, measures were taken both to restrict access to the webshop and to prioritise availability of delivery slots to the most loyal and most vulnerable customers. The platform has been adapted and steps taken to increase capacity rapidly to allow more groceries to be delivered to customers, but this has affected some customers and meant that order fulfilment KPIs have been lower.

Other than where indicated below, the Board does not consider that the principal risks and uncertainties have changed, but will remain relevant for the remaining six months of the 2020 financial year.

- Risk of a decline in the high service levels in the Retail business, especially during the transitional period associated with the creation of the Retail joint venture. COVID-19-related disruption adds an additional element of risk.
- Risk of failing to maintain a retail proposition which appeals to a broad customer base and sustains growth rates while managing changes resulting from the new arrangements with M&S
- Risk that current Solutions pricing levels may not provide both acceptable returns for shareholders and attractive long-term cost of ownership for clients, whilst delivering a viable, fully-operational end-to-end customer experience
- Risk of the transformation programme failing to deliver a sustainable operational infrastructure able to execute effectively the requirements for multiple Solutions contracts simultaneously in many international locations, whilst providing for sufficient management, technological and engineering capabilities
- Risk of delays in the generation of additional capacity in the United Kingdom
    - This risk is now broadened to include the risk of delays in the international OSP programme as a result of COVID-19, as highlighted above.
- Risk that technological innovation supersedes our own and offers improved methods of food distribution to consumers
- Risk of infringing a third party's Intellectual Property ("IP") or failing to protect Ocado's own IP
- Risk of supply chain disruption, in particular for single source equipment, adversely affecting product availability, delivery, reliability and cost, resulting in delays to contractual commitments and loss of revenue
- Risk of a food safety, product safety or health and safety incident
- Risk of changes in regulations affecting our business model or the viability of Solutions' deals
- Risk of negative effects due to changes in the global economic and geopolitical environment, including Brexit and the associated tariffs or difficulty in hiring employees, that may affect our business model

- Risk of failing to prevent or respond to a major cyber-attack or data breach that could result in business disruption, reputational damage, significant fines or the loss of customers', employees' or confidential business information

- Risk of business interruption

This principal risks section should be read in conjunction with the rest of this statement as the effect of COVID-19 on the business is explained there and helps provide an understanding of the risks and opportunities facing the Group.

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 52 weeks ended 1 December 2019, a copy of which is available on the Group's corporate website, www.ocadogroup.com.

Independent Review Report to Ocado Group plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 31 May 2020 which comprises the income statement, the balance sheet, the statement of changes in equity, the cash flow statement and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

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

Directors' responsibilities

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

As disclosed in note 2, the annual financial statements of the group 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 Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 31 May 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor
London, United Kingdom
14 July 2020

Statement of Directors' Responsibilities

The Directors confirm that, to the best of their knowledge, this set of condensed consolidated financial statements has 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 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
Luke Jenson, Chief Executive Officer, Ocado Solutions
Duncan Tatton-Brown, Chief Financial Officer
Neill Abrams, Group General Counsel and Company Secretary
Mark Richardson, Chief Operations Officer

Non-Executive Directors

Lord Rose, Chairman
Andrew Harrison, Senior Independent Director
Jörn Rausing
Emma Lloyd
Julie Southern
John Martin
Claudia Arney

Approved by the Board and signed on its behalf by:

Duncan Tatton-Brown
Chief Financial Officer

Neill Abrams
Group General Counsel and Company Secretary

14 July 2020