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If you are in any doubt about the contents of this Circular or the action you should take, you are recommended to seek your own financial advice immediately from your stockbroker, bank, solicitor, accountant, fund manager or other appropriate independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

If you sell or have sold or otherwise transferred all of your Ordinary Shares before 6:00 p.m. on 16 July 2013, please forward this Circular and the accompanying documentation as soon as possible to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee. If you sell or have sold or otherwise transferred only part of your holding of Ordinary Shares, you should retain this Circular and the accompanying documentation, and you should consult with the bank, stockbroker or other agent through whom the sale or transfer was effected. If you receive this Circular from another Shareholder, as a purchaser or transferee, please contact the Company's Registrar for a Form of Proxy.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular to any jurisdiction outside the UK should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying documents into jurisdictions other than the UK may be restricted by law. Any person not in the UK into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.



OCADO GROUP PLC

(Incorporated and registered in England and Wales with registered number 07098618)

Proposed Arrangements with Wm Morrison Supermarkets PLC

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of Ocado Group plc, which is set out in Part I (Letter from the Chairman of Ocado Group plc) of this Circular. This letter contains the recommendation of the Board that you vote in favour of the Resolution to be proposed at the General Meeting. Please read the whole of this Circular. In particular, your attention is drawn to the risk factors set out in Part II (Risk Factors) of this Circular.

A notice convening a General Meeting of the Company to be held at One Bunhill Row, London EC1Y 8YY on 18 July 2013 at 3:00 p.m. is set out at the end of this document. If you cannot attend the General Meeting, shareholders should use a Form of Proxy and members of the Ocado Share Account should use a Form of Instruction in order to vote at the General Meeting. If you received this document in the post, the Form of Proxy or Form of Instruction will have accompanied it; if you downloaded this document from www.ocadogroup.com, the Form of Proxy and Form of Instruction can be found on that website also.

To be valid, your Form of Proxy or Form of Instruction should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars by no later than 3:00 p.m. on 15 July 2013 in the case of members of the Ocado Share Account returning a Form of Instruction, and by no later than 3:00 p.m. on 16 July 2013 in the case of all other shareholders returning a Form of Proxy.

The Form of Proxy and Form of Instruction may be submitted electronically at www.ocadoshares.com or can be delivered by post or by hand to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA 10) by no later than 3:00 p.m. on 16 July 2013. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Completion and posting of the Form of Proxy, the Form of Instruction or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

This document is a circular relating to the Arrangements which has been prepared in accordance with the Listing Rules and approved by the Financial Conduct Authority.

No person has been authorised to give any information or make any representations other than those contained in this Circular and, if given or made, such information or representations must not be relied on as having been so authorised. The delivery of this Circular shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Circular or that the information in it is correct as of any subsequent time.

Goldman Sachs International and Numis Securities Limited, which are authorised and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulatory Authority, are acting for Ocado Group plc and for no one else in connection with the Arrangements and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the Arrangements and will not be responsible to anyone other than Ocado Group plc for providing the protections afforded to their respective clients or for providing advice in relation to the Arrangements, the contents of this Circular or any transaction, arrangement or other matter described in this Circular.

Apart from the responsibilities and liabilities, if any, which may be imposed on Goldman Sachs International and Numis Securities Limited by FSMA or any other laws, neither Goldman Sachs International nor Numis Securities Limited accepts any responsibility whatsoever for the contents of this Circular, and no representation or warranty, express or implied, is made by Goldman Sachs International or Numis Securities Limited in relation to the contents of this Circular, including as to its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Arrangements. To the fullest extent permissible Goldman Sachs International and Numis Securities Limited accordingly disclaim all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which either might otherwise have in respect of this Circular or any such statement.

This document contains forward-looking statements relating to the Group, Morrisons and the Arrangements. Statements containing the words “intends”, “expects”, “anticipate”, “shall”, “will”, “should” and “would” and words of similar meaning are forward looking. By their nature, all forward looking statements are subject to assumptions, risks and uncertainties. Although the Company believes that the expectations reflected in these forward-looking statements are reasonable, there can be no assurance that these expectations will prove to have been correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. Each forward-looking statement speaks only as of the date of the particular statement. The Company does not undertake any obligation publicly to update or revise any forward-looking statement as a result of new information, future events or other information, although such forward-looking statements will be publicly updated if required by the Listing Rules, the rules of the London Stock Exchange or by law.

Capitalised terms have the meaning ascribed to them in Part VIII (Definitions) of this Circular.

Dated 2 July 2013

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

2013

Posting of this Circular	2 July
Latest time and date for receipt of a Form of Instruction from members of the Ocado Share Account	3:00 p.m. on 15 July
Latest time and date for receipt of Forms of Proxy from Shareholders	3:00 p.m. on 16 July
Date of General Meeting	3:00 p.m. on 18 July
Expected date of Completion	25 July

NOTES

- References to times in this Circular are to London time.
- Future dates are indicative only and are subject to change by the Company, in which event details of the new times and dates will be notified to the Financial Conduct Authority and, where appropriate, Shareholders.

PART I
LETTER FROM THE CHAIRMAN OF OCADO GROUP PLC

Registered office:
Titan Court
3 Bishops Square
Hatfield Business Park
Hatfield
Herts. AL10 9NE

Directors

Sir Stuart Rose *Non-Executive Chairman*
David Grigson *Non-Executive Director and Senior Independent Director*
Tim Steiner *Chief Executive Officer*
Duncan Tatton-Brown *Chief Financial Officer*
Jason Gissing *Commercial Director*
Neill Abrams *Legal and Business Affairs Director*
Mark Richardson *Operations Director*
Ruth Anderson *Non-Executive Director*
Robert Gorrie *Non-Executive Director*
Jörn Rausing *Non-Executive Director*
Douglas McCallum *Non-Executive Director*
Alexandra Mahon *Non-Executive Director*

2 July 2013

Dear Shareholders and members of the Ocado Share Account,

Arrangements with Wm Morrison Supermarkets plc (“Morrisons”)

1. Introduction

On 17 May 2013 the Company announced that it had entered into certain agreements with Morrisons the effect of which is to:

- sell to and lease-back from Morrisons the Dordon CFC and a 50% interest in the related MHE (these arrangements together being referred to in this Circular as the Property Transaction). The term of the lease-back will be 25 years (with Ocado having a right to extend the term for a further 25 years); and
- provide certain technology, logistics and distribution services to enable Morrisons to launch and develop its own online grocery business pursuant to an Operating Agreement. The term of the Operating Agreement will be 25 years (with Morrisons having a right to extend the term for a further 25 years). These services will initially be provided, inter alia, by allocating to Morrisons half of the capacity of the Dordon CFC. The Operating Agreement, together with the Property Transaction, are referred to in this Circular as the Arrangements.

The Arrangements constitute a class 1 transaction under the Listing Rules. Accordingly, Completion of the Arrangements is conditional upon receiving the approval of Shareholders. Such approval will be sought at a General Meeting of the Company to be held at One Bunhill Row, London EC1Y 8YY on 18 July 2013 at 3:00 p.m. Details of the General Meeting are set out in the Notice of General Meeting at the end of this Circular.

2. Background to and Reasons for the Arrangements

2.1 Background

Ocado is one of Britain's leading online grocers, and is at the forefront of the development of online shopping and technology, delivering its services from customer fulfilment centres in Hatfield, Hertfordshire and Dordon, Warwickshire. The Dordon CFC, together with its associated MHE, which became operational this year, are state-of-the-art assets, developed with the benefit of Ocado's know-how and experience gained from developing and operating its first CFC in Hatfield, along with its leading research and development.

The Dordon CFC is held by the Group on a 997 year lease, and the MHE is owned by the Group outright. Without further investment, the Dordon CFC is expected to be capable of processing up to 120,000 orders per week and with further investment of approximately £40 million, is expected to be capable of processing between 180,000 to 190,000 orders per week. At Ocado's current rate of growth, it would not expect to require full use of this capacity for another five to six years.

The Board believes that the Arrangements present an attractive opportunity for the Company to both release capital on favourable terms and, without constraining the Group's ability to grow the Ocado business, realise cashflows outside Ocado's core business of selling groceries online, with a single counterparty. Morrisons is expected to benefit from sharing the Group's knowhow, technology and the capacity of the Dordon CFC in order for it to develop its own online grocery offering. Morrisons has agreed to lease-back terms on the Dordon CFC and the MHE, and has agreed to pay fees to Ocado for the provision to it of the various Services.

Customers are changing the way they shop and online is the fastest growing shopping channel in the UK. Morrisons is the UK's fourth largest food retailer by sales and is committed to entering the online grocery market quickly. The Arrangements will provide Morrisons with the opportunity to accelerate its growth online. It will provide Ocado with the opportunity to develop further its technological and logistical excellence and to accelerate the growth of Ocado.com, improve operating efficiency, create a template for providing equivalent services to other third parties and allow the Group to repay in full the approximately £85 million of debt currently outstanding under the Facility.

Morrisons.com will be entirely separate from Ocado.com, with its own customers, delivery service and product range. Morrisons' customers will order groceries from Morrisons using a dedicated Morrisons.com website, selecting products sourced and ranged by Morrisons, fulfilled and delivered in Morrisons owned and liveried vans. Ocado and Morrisons will also maintain an appropriate confidentiality regime between their respective businesses.

The Board believes that Morrisons electing to enter into the Arrangements rather than pursuing its own organic development of its online grocery offering validates Ocado's operating model.

2.2 Key reasons for the Arrangements

The Board believes that the Arrangements present an attractive opportunity, strengthening the Group's balance sheet and improving its cashflows.

As a result of the Property Transaction, on Completion the approximately £85 million of debt outstanding under the Facility will be repaid in full and the Group will receive up to a further £55 million. Under the Operating Agreement, the Company will receive approximately £27 million at Completion, (the Company having already received £5 million from Morrisons prior to the execution of the Operating Agreement, £2.5 million of which it will be required to repay should Completion not take place, with the remaining £2.5 million being repayable in certain specified circumstances). An explanation of how these amounts break down is set out in paragraph 4.1 below.

Accordingly, the Board believes that the Arrangements as a whole present an attractive opportunity to the Group since it will:

- improve the Group's economic model with the sharing of costs and more efficient use of fulfilment capacity at the Dordon CFC and any future CFCs developed jointly with Morrisons pursuant to the terms of the Operating Agreement;
- allow Ocado to continue to improve its IP, with the fees earned enabling greater investment in research and development; and
- provide a template to monetise the Group's unique IP and operational expertise in the provision of online retail, logistics and distribution services both in the UK (subject to the exclusivity provisions described in paragraph 2.6 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular) and internationally.

3. Principal Terms of the Arrangements

A detailed description of the terms of the Transaction Agreements is set out in Part VI (Summary of the Principal Terms of the Arrangements) of this Circular.

There are two principal elements to the Arrangements: the Property Transaction and the provision of various online grocery fulfilment services pursuant to the Operating Agreement.

If Completion does not take place, it should be noted that certain break fees may be payable (either by Ocado or Morrison, depending on the circumstances). These are described in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular.

3.1 Property Transaction

The Group currently holds a 997 year leasehold interest in the land and buildings of the Dordon CFC through its wholly-owned subsidiary LMD. Ocado currently owns the MHE outright. The Property Transaction will be effected on the following terms:

- Morrisons will acquire LMD from the Group for nominal consideration. LMD currently has approximately £80 million of debt owing to other members of the Group and the lenders under the Facility. On Completion, Morrisons will procure the repayment of up to £82.5 million of such debt with the balance of the debt under the Facility being repaid by the Group out of the proceeds of the Arrangements;
- on 15 May 2013, LMD granted to Ocado a 25-year lease of the Dordon CFC. The Lease includes an option for Ocado to renew the term for a further 25 years. The rent payable under the Lease (which becomes payable from Completion) will initially be approximately £4.9 million per annum (50% of which will be charged back by Ocado to Morrisons for its share of the capacity of the Dordon CFC pursuant to the terms of the Operating Agreement); and
- the MHE will be sold by Ocado to a newly incorporated joint venture company owned in equal shares by Ocado and Morrisons. Pursuant to this sale, Ocado will receive up to approximately £58 million in cash and its shareholding in JVco. Ocado will enter into a finance lease with JVco in respect of the MHE (the MHE Lease) pursuant to which it will pay a rent to JVco for the use of the MHE. Ocado expects to receive substantially all of such amounts back through Ocado charging back 50% of the amounts to Morrisons pursuant to the terms of the Operating Agreement (as described below) and the receipt of dividends from JVco.

3.2 Provision of services pursuant to the Operating Agreement

Ocado will provide Morrisons with a range of services enabling Morrisons to launch its own online grocery offering, using 50% of the capacity of the Dordon CFC. There will be no sharing of the capacity of Ocado's Hatfield CFC. The parties intend, in the future, to develop further CFCs (either jointly or for the sole use of one or the other) to meet the respective capacity requirements of Morrisons.com and Ocado.com. The term of the Operating Agreement is 25 years, and Morrisons has a right to renew the agreement for a further 25 years at the end of the term.

In return, Ocado will receive a number of different payments:

- an upfront payment of approximately £30 million for Morrisons to be provided with the Services which take advantage of all of the Group's current technology and IP (£2.5 million of which has already been received but may need to be repaid should Completion not take place). This £30 million payment is expected to be recognised as income over five years;
- with effect from 1 February 2014, an annual IT fee of 1% of Morrisons.com's revenue (reducing on a sliding scale as such revenues increase), with a minimum annual fee of £3.5 million. This IT fee is expected to cover the maintenance, operations and infrastructure costs of the IT services provided to Morrisons;
- Morrisons will make payments to cover certain costs incurred by Ocado in the supply of the Services, based on:
 - its share of the variable costs of the Dordon CFC;
 - 50% of the fixed costs and the maintenance, replacement and expansion capital expenditure in respect of the Dordon CFC. A payment of £2.5 million in respect of capital expenditure was paid by Morrison to Ocado prior to the execution of the Operating Agreement (and will need to be repaid by Ocado if Completion does not take place); and
 - a proportion of the fixed costs and a share of variable costs, based on the agreed capacity usage of existing and future Spoke sites;
- the operating costs in respect of the Dordon CFC charged to Morrisons (other than the rent payable under the Lease) will be subject to a further management fee of 4%. Within the Spoke network, the same management fee will be payable on employment costs;
- with effect from 1 February 2014, Morrisons will pay an annual fee in respect of future research and development, calculated as one-third of Ocado's relevant annual R&D spend with the fee being fixed at £8 million per year for the first two years of the Operating Agreement and capped at £8 million per year thereafter; and
- a services bonus fee. For the first 15 years of the Arrangements, the services bonus fee is set at a minimum of 25% of the positive annual EBIT of Morrisons.com. Dependant on a number of factors including its rate of growth of its online customers, Morrisons.com may not make a profit for a number of years.

With the addition of planned expansion capital expenditure (the cost of which Morrisons will share equally with Ocado), the Dordon CFC is projected to have a total capacity of 180,000 to 190,000 orders per week at peak by the end of 2014. Under the terms of the Arrangements, Ocado will have available for its use 50% of this capacity. During FY2012, Ocado fulfilled its customers' orders solely using its CFC in Hatfield. The current peak capacity of the Hatfield CFC is approximately 150,000 orders per week. Accordingly, although the Arrangements will cap the aggregate capacity available to Ocado, they allow Ocado.com sufficient headroom for significant growth.

Moreover, before the Dordon CFC becomes insufficient for the parties' projected needs, the parties expect to agree to develop new CFCs, to be built and operated by Ocado for either joint use or sole use by either party. The capital and operating costs of any joint use CFCs will be shared between the parties based on their agreed capacity share of it.

4. Financial effects of the Arrangements

4.1 Explanation of Completion cashflows

On Completion, the Group will have received approximately £87 million in aggregate pursuant to the Arrangements, with approximately £85 million of the Group's debt under the Facility being repaid as well. The breakdown of this aggregate amount is set out below.

Property Transaction

Under the Transaction Agreements relevant to the Property Transaction, at Completion the following payments will be made:

- Pursuant to the Share Purchase Agreement, Morrisons will discharge the total debt owed by LMD at Completion, which will be an amount between £80 million and £82.5 million. The exact amount will depend on the extent to which £2.5 million of other expected liabilities of LMD have been discharged prior to Completion. To the extent that they have not been discharged, the total debt owed by LMD will be lower (since the liabilities will not yet have been incurred and so LMD will not have drawn down funds in order to meet them). Part of the debt will be owed directly by LMD to the lenders under the Facility and part to other members of the Group. For the purposes of this Circular, it is assumed that the full £82.5 million of debt will be outstanding and therefore repaid by Morrisons on behalf of LMD (although this may not necessarily be the case).

Under the terms of the Share Purchase Agreement, there may also be a small adjustment to reflect the working capital position of LMD at Completion. Such possible adjustment has been ignored for the purposes of this Circular.

- Pursuant to the MHE Purchase Agreement, Morrisons will pay up to £58 million in subscription for shares in JVco, which cash JVco will pay to Ocado in part consideration for the MHE (the other part of the consideration being set off against Ocado's undertaking to subscribe in cash for an equal number of shares in JVco). The purchase price for the MHE will depend on the actual amount spent by Ocado on MHE at Completion. However, to the extent that the full £116 million has not been spent by Ocado by Completion, JVco may purchase further MHE from Ocado up to that value following Completion, such purchase again to be financed half in cash received by JVco from Morrisons and half by way of set-off against Ocado's undertaking to subscribe for shares in cash. Accordingly, for the purposes of this Circular, it is assumed that the cash Ocado will receive under the MHE Purchase Agreement at Completion will be the full £58 million.
- As part of the Completion of the Property Transaction, Ocado will discharge the balance of the debt outstanding under the Facility. The total amount outstanding under the Facility at Completion is expected to be approximately £85 million, of which, as described above, £82.5 million will be discharged (directly or indirectly) through the completion of the Share Purchase Agreement.

Accordingly, as a result of the Property Transaction and following the repayment of the debt owed under the Facility at Completion, the Group will receive approximately £55 million.

Operating Agreement

- Morrisons will pay Ocado an initial IT fee of approximately £27 million under the Operating Agreement at Completion.
- In addition, prior to the execution of the Operating Agreement Ocado received an advance payment from Morrisons of £5 million, comprising:
 - £2.5 million to fund initial capital expenditure, which Ocado will be required to repay should Completion not take place; and
 - £2.5 million by way of an advanced initial IT fee, which Ocado may be required to repay should Completion not take place.

4.2 Summary financial effects of the Arrangements

The anticipated impact on the key line items of the Company's consolidated financial statements is set out below. These impacts are approximate as they are based on the Completion cashflows described above and, in the case of the anticipated effect on revenue, profitability and EBITDA, the Board's expectation as to the cashflows and costs under the Arrangements in their first year.

- *Cashflow* – The Arrangements will significantly strengthen the Group's balance sheet and cashflow profile. As described above, on Completion the Group will receive £87 million (including the £5 million already received), with a further £85 million of the Group's debt being repaid, resulting in the total repayment of the Facility. Net of transaction costs, the total amount will be £169 million. It should be noted that in future years the cashflow impact of the net profitability described below will be less than the reportable profits, primarily due to the effect of recognising the £30 million up-front fee as income over five years as described above.
- *Net assets* – With the exception of the net write off of the arrangement fees in respect of the Facility of £2.9 million, the net asset impact of the Arrangements prior to transaction costs will be nil. Accordingly, the net asset impact of the Arrangements after transaction costs of £3 million will be approximately £5.9 million.

With the exception of the net write off of arrangement fees referred to above of £2.9 million, the Property Transaction will have a net asset impact on the Group balance sheet at Completion of nil. The disposal of LMD comprises a disposal of fixed assets with a value of £82 million offset by the repayment of an equal amount of debt. The disposal of the MHE to JVco for £116 million will be set off against an investment in JVco of £58 million and cash received from Morrisons of £58 million. The Group will be responsible for funding any outstanding capital expenditure on MHE to the extent that it has not been paid prior to Completion. The proceeds of these two transactions will be partially used for the full repayment of the Facility of £85 million. The subsequent finance lease for the MHE (the MHE Lease) will result in the recognition of these assets on the balance sheet at £113 million, offset against an equivalent finance lease liability of £113 million.

The Operating Agreement will have a net asset impact on the Group balance sheet at Completion of nil as well, with total upfront cash payments of approximately £32 million offset by an equivalent creditor of £30 million and a contribution to capital expenditure of £2.5 million.

- *Net Debt* – The overall impact of the Arrangements on the Group's net debt will be a reduction of £54 million (taking transaction fees into account). However, externally held net debt (as described below) will (taking transaction fees into account) be reduced by £110.5 million.

The Property Transaction will result in payments from Morrisons of £140 million comprising £82 million in respect of LMD and £58 million in respect of the MHE. Of the £140 million,

approximately £85 million will be used to repay the Facility in full. The increase in cash would therefore be £55 million. The MHE Lease will create a debt of £113 million in favour of JVco which is jointly held in equal shares by Ocado and Morrisons.

Externally held net debt is reduced by £83.5 million (defined as borrowings (excluding the 50% of the MHE Lease which is represented by Ocado's share of JVco) less cash and cash equivalents). However for statutory reporting purposes net debt is reduced by £27 million because the share of JVco which holds Ocado's share of the finance lease liability of £56.5 million is treated as a non current asset and the full finance lease liability of £113 million is recognised as Borrowings on the Group balance sheet.

Separately, the Operating Agreement will reduce Net Debt by approximately £30 million being the upfront cash payments received from Morrisons pursuant to the terms of the Operating Agreement.

- *Revenue* - The Arrangements are expected to contribute a mid-single digit percentage of the Group's revenue in their first full year of operation. Amounts invoiced pursuant to the Property Transaction (including amounts recharged to Morrisons pursuant to the terms of the Operating Agreement) are expected to represent approximately 35% of this increase, the balance being represented by other amounts invoiced under the Operating Agreement. Such increase is measured against the Board's expectation as to the Group's revenue in the equivalent period should the Arrangements not come into effect. As an expectation as to revenue, such estimates necessarily exclude transaction costs.
- *Profitability* - The Arrangements are expected to be significantly accretive to the Group's net profitability in their first full year of operation. The Board anticipates that the Arrangements will contribute a mid-teen million pound improvement to the Group's net profit. Profits arising from the Operating Agreement, comprising primarily the benefit of the fees (including the cost sharing arrangements) received thereunder are expected to represent approximately 35% of this profit improvement, profits arising from the Property Transaction representing the balance. Such increase is measured against the Board's expectation as to the Group's profitability in the equivalent period should the Arrangements not come into effect and take costs into account.
- *EBITDA* – The impact of the Arrangements on EBITDA in future years is expected to be greater than that to net profit by approximately £4 million to £5 million, primarily as a result of the increased interest charge. This is because the interest savings from the repayment of the outstanding borrowings will be less than the increase in interest expense under the MHE Lease of approximately £8 million. Such impact on EBITDA has been estimated using the same bases as described above in respect of the impact of the Arrangements on the Group's profitability.

The financial effects described above could not be achieved by the Group independently without entering into the Arrangements.

4.3 Reconciliation to the unaudited pro forma statement of the net assets of the Group

The financial effects of the Arrangements set out in this section 4 have been described on the assumption that Completion takes place on 25 July 2013 (which, if the Resolution is passed on 18 July 2013, is the date on which the Company and Morrisons have agreed Completion shall take place). The unaudited pro forma statement of the net assets of the Group set out in Part IV (Unaudited Pro Forma Statement of the Net Assets of the Group) of this Circular has been prepared to show the effect of the Arrangements as if Completion had taken place on 19 May 2013. This results in a different financial effect for certain balance sheet items from that described in this section 4, primarily as a result of additional capital expenditure being incurred between that date and the expected date of Completion. These differences have been described in the relevant notes to the unaudited pro forma statement.

5. Re-phasing capacity planning

As a result of the Arrangements, the Board expects to re-phase Ocado's capacity planning, bringing forward the building of future CFCs in order to provide for Ocado.com's order growth, or where future CFCs are to be shared with Morrisons, the combined order growth of Ocado.com and Morrisons.com. Such re-phasing would have a timing impact on the Group's future cash flows relating to fixed costs, as well as capital expenditure for future CFCs. These future CFCs may be leased to reduce future capital expenditure requirements.

Work to complete the second phase of works at the Dordon CFC will commence on Completion, with Ocado's share estimated at £20 million. Morrisons will contribute an equal share to such works (and contributed £2.5 million of this amount prior to the execution of the Operating Agreement).

The Board anticipates commencing a search for a suitable location for a third CFC (which may be shared with Morrisons) with the first financial commitment for such third CFC expected to be made during 2014.

6. Use of Proceeds

As described above, on the Completion of the Property Transaction, the approximately £85 million outstanding under the Facility will be repaid in full, and the Group will receive a further approximately £55 million. Separately, the Group will receive approximately £27 million under the Operating Agreement, having already received an additional £5 million.

The cash received will be held, initially, on the Group's balance sheet giving the Group the option to expand within the UK (subject to the exclusivity provisions described in paragraph 2.6 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular) and internationally.

7. Relationship with Waitrose

Ocado has a long-standing relationship with Waitrose. Waitrose has acted as Ocado's sourcing agent, arranging terms of supply of products for Ocado and supplying Ocado with products including the Waitrose own-label range of products, since 2001. The John Lewis Pension Fund, the pension fund for the group to which Waitrose belongs, was the Company's largest Shareholder prior to Ocado's 2010 initial public offering, but ceased to be a Shareholder altogether in February 2011.

The historical arrangements between Ocado and Waitrose placed various operational restrictions on both companies. These were gradually reduced over time, so that the current material restrictions on Ocado are limited to the areas of product sourcing and product range. These material restrictions are as follows:

- Ocado has the right to stock and sell (and must not source elsewhere) all grocery products in the assortment of grocery products stocked by Waitrose supermarkets (subject to certain exclusions) (the "Waitrose assortment").
- Ocado is not permitted to sell any products that carry the brand of certain Waitrose competitors.
- In each quarter, at least 80% of Ocado's sales of third party-branded groceries must be sourced through Waitrose (subject to certain exceptions designed to protect Ocado from Waitrose's suppliers ceasing to be willing to supply Ocado).
- In each quarter, no more than 30% of Ocado's net grocery sales of Waitrose own-label and Ocado own-label groceries may comprise net sales of Ocado own-label groceries.

For at least as long as it is bound by the terms of the Waitrose Agreements, Ocado will not source any products in the Waitrose assortment from Morrisons, nor sell any products carrying the Morrisons brand. Details of the terms of the Waitrose Agreements are summarised on pages 256 to 259 of the Prospectus¹.

The operational restrictions on Waitrose.com described in the Prospectus ceased to apply from July 2011. Since that time Ocado and Waitrose have been arm's-length competitors, with Waitrose contracted to be Ocado's sourcing agent until 2020. The Waitrose Agreements may be terminated earlier by either party giving written notice. The earliest such notice may expire is 1 March 2017.

The Company has received robust legal advice confirming that the way in which it intends to operate the Arrangements will not breach the Waitrose Agreements. Although the Company can give no assurances as to any action Waitrose may take outside the terms of the Waitrose Agreements, Ocado's rights and obligations to source products (including Waitrose own-label products) from Waitrose remain unaffected by the Arrangements.

Ocado's sales of Waitrose own-label products are steadily decreasing in percentage terms, accounting for 37.4% of Ocado's gross sales in FY2012 and 35.2% in H1 2013.

8. Information on Morrisons

Morrisons is one of the UK's largest food retailers with 500 stores and is the only British supermarket to have its own food processing sites, abattoirs and a farm. It is unique in making almost a quarter of the fresh food it sells in store itself giving it unrivalled control over its supply chain. Morrisons is committed to supporting British farming and all of its branded fresh meat is 100% British. It has more skilled specialists preparing fresh food in store than any other retailer with over 6,000 fully trained crafts people including butchers, bakers, fishmongers and cheesemongers. Every week Morrisons serves over 11 million customers.

9. Current trading and prospects

Details of the Group's current trading and prospects are set out in the Half Yearly Report dated 2 July 2013.

10. Risk Factors

For a discussion of the risks and uncertainties which Shareholders should take into account when considering whether to vote in favour of the Property Transaction, please refer to Part II (Risk Factors) of this Circular.

11. General Meeting

A General Meeting is being convened at One Bunhill Row, London EC1Y 8YY on 18 July 2013 at 3:00 p.m. for the purpose of seeking Shareholder approval for the Resolution. The Resolution will be proposed as an ordinary resolution requiring a majority of votes in favour. It proposes that the Arrangements be approved and that the Directors be authorised to implement them. The Arrangements will not become effective unless the Resolution is passed.

The Board recognises that many Shareholders will be unable to attend the General Meeting in person, so the Resolution will be decided on a poll. The Board believes a poll is more representative of

¹ On page 257 of the Prospectus there is a description of an arrangement by which, if Ocado wished to introduce a product not comprised in the Waitrose assortment then Waitrose had a right of first refusal on whether to supply that product if it was a product from a range that is already stocked by Waitrose supermarkets. This restriction no longer applies and accordingly Ocado may source such products directly from third parties (as it can all other products not stocked in Waitrose stores).

Shareholders' voting intentions because Shareholders' votes are counted according to the number of shares held and all votes tendered are taken into account. The results of the General Meeting will be published on the Company's website (www.ocadogroup.com) and will be released to the London Stock Exchange as soon as practicable following the closing of the General Meeting.

12. Action to be taken

If you cannot attend the General Meeting, Shareholders should use a Form of Proxy and members of the Ocado Share Account should use a Form of Instruction in order to vote at the General Meeting. If you received this document in the post, the Form of Proxy or Form of Instruction will have accompanied it; if you downloaded this document from www.ocadogroup.com, the Form of Proxy and Form of Instruction can be found on that website also.

To be valid, your Form of Proxy or Form of Instruction should be completed, signed and returned in accordance with the instructions printed thereon, as soon as possible and, in any event, so as to reach the Company's registrars, Capita Registrars by no later than 3:00 p.m. on 15 July 2013 in the case of members of the Ocado Share Account returning a Form of Instruction and by no later than 3:00 p.m. on 16 July 2013 in the case of Shareholders returning a Form of Proxy.

The Form of Proxy and Form of Instruction may be submitted electronically at www.ocadoshares.com or can be delivered by post or by hand to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

If you hold your Ordinary Shares in uncertificated form (i.e. in CREST) you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual so that it is received by the Registrar (under CREST participant ID RA 10) by no later than 3:00 p.m. on 16 July 2013. The time of receipt will be taken to be the time from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Completion and posting of the Form of Proxy, the Form of Instruction or completing and transmitting a CREST Proxy Instruction will not prevent you from attending and voting in person at the General Meeting if you wish to do so.

13. Further information

Shareholders are advised to read the whole of this Circular and not merely rely on the summarised information set out in this letter.

14. Recommendation to Shareholders and irrevocable undertakings

The Directors, who have received financial advice from Goldman Sachs International and Numis Securities Limited, consider the Arrangements to be in the best interests of the Company and Shareholders as a whole. In providing financial advice to the Directors, Goldman Sachs International and Numis Securities Limited have relied upon the commercial assessments of the Directors.

The Directors recommend that Shareholders vote in favour of the Resolution, as they intend to do in respect of their own beneficial holdings. Those Directors with legal and/or beneficial interests in the Company's share capital have provided irrevocable undertakings that they will vote (or, as far as they are able, procure that votes are cast) in favour of the Arrangements. These irrevocable undertakings relate to 43,472,839 Ordinary Shares in aggregate, representing approximately 7% of the existing issued share capital of the Company.

Yours faithfully,



Sir Stuart Rose
Chairman

PART II RISK FACTORS

Prior to making any decision to vote in favour of the Resolution at the General Meeting, Shareholders should carefully consider, together with all other information contained in this Circular, the specific factors and risks described below. The Company considers these to be the known material risk factors relating to the Arrangements for Shareholders to consider.

The risks described below relate only to the Arrangements and are not set out in any particular order of priority.

There may be other risks of which the Board is not aware or which it believes to be immaterial which may, in the future, be connected to the Arrangements and have a material and adverse effect on the business, financial condition, results of operations or future prospects of the Group.

1. Risks relating to the Arrangements coming into effect

1.1 Relationship with Waitrose

The Company has received robust legal advice confirming that the way in which it intends to operate the Arrangements will not breach the Waitrose Agreements. Following Completion, the Company intends to operate its business in a manner fully consistent with the terms of both the Arrangements with Morrisons and the Waitrose Agreements, and the Board believes it is fully able to do so in the manner described. However, since the Arrangements are complex and Ocado has not previously operated simultaneous arrangements in respect of two businesses, it is possible that the Arrangements may accidentally or by design be operated differently from the way in which the Company anticipated when the Transaction Agreements were executed.

In addition, whilst the Board believes that the Arrangements will not afford Waitrose any termination rights under the Waitrose Agreements which were not previously available to it, the Company can give no assurances as to any action Waitrose may take outside the terms of the Waitrose Agreements.

Waitrose has expressed concern as to how the Arrangements may affect and as to their compatibility with the Waitrose Agreements. Accordingly, if the Arrangements come into effect, Waitrose may be more likely to terminate the Waitrose Agreements earlier than the current expiry date of 1 September 2020 than might otherwise have been the case. Absent a breach of the Waitrose Agreements, the earliest either party may terminate the Waitrose Agreements in accordance with their terms is 1 March 2017.

Alternatively, the Arrangements may harm the working relationship between Waitrose and Ocado. Accordingly, Waitrose may elect to operate to a minimum level of performance under the Waitrose Agreements, rather than as a long-term supplier to the Ocado.com business.

An early termination of the Waitrose Agreements or a deterioration in the level to which Waitrose performs its obligations under the Waitrose Agreements may have an adverse effect on the Group's business proposition, product offering, financial condition and future prospects.

1.2 Assisting the introduction of a new competitor to Ocado.com

Morrisons does not currently have an online grocery offering and accordingly is not a direct competitor of the Ocado.com business. By assisting Morrisons in accelerating the launch of its online business, and by doing so in a way that the Board believes to be more efficient than the online offering that Morrisons might otherwise have developed, the Group is assisting in creating a competitor for its business. The Board does not believe there currently to be a significant overlap between the demographics of Ocado.com's customers and those of the likely customers of the Morrisons.com business. Moreover, the Board believes that the benefits for the Group of the Arrangements will outweigh the disadvantages of creating a competitor. If, however, these beliefs prove to be incorrect the financial condition and future prospects of the Group may be adversely affected.

1.3 Risk of forfeiture under the Lease

As described in more detail in paragraph 1.2 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, there are a number of circumstances pursuant to which Morrisons, or any future landlord under the Lease, could forfeit the Lease. Such rights of forfeiture do not, broadly, exist under the 997 year lease pursuant to which LMD holds the Dordon CFC. Although the circumstances in which a landlord could exercise its rights of forfeiture are remote and within Ocado's control, were forfeiture to take place it would adversely affect the financial condition and future prospects of the Group.

1.4 Exclusivity provisions of the Operating Agreement

The exclusivity provisions contained in the Operating Agreement are described in paragraph 2.6 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular. The Board believes that agreeing these restrictions was beneficial to the Group although there are certain circumstances in which they may have an adverse effect. This would principally be where:

- the Arrangements prove to be less profitable than the Board had expected, but insufficiently unprofitable for the exclusivity restrictions to be released. In these circumstances Ocado would be required to continue to provide services to Morrisons on the same terms and without having the opportunity of being able to seek to offer such services more profitably to Competitors; or
- Ocado is required to stop supplying online grocery fulfilment services to a third party because such third party becomes a Competitor.

Such restrictions may have an adverse effect on the Group's business model and future prospects.

1.5 Termination rights

The parties' termination rights under the Operating Agreement are set out in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular. These include a fundamental failure by Ocado to operate to the agreed minimum service standards or to meet its Key Obligation. In addition, certain of the termination rights afforded to Morrisons in the Operating Agreement are outside the control of the Group. These include any Competitor acquiring control of the Company or Ocado suffering a material adverse change. As described in more detail in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, the consequences of termination vary depending on when in the term of the Arrangements a termination notice is served and the event giving rise to the termination right. However, the result of termination is likely to be that the Group would not receive the full anticipated benefit of the Arrangements.

As described in more detail in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, there are certain circumstances in which, following the service of a termination notice, Ocado would be required to purchase Morrisons' shares in JVco or LMD. In these circumstances Ocado would be required to raise the financial resources in order to do so. The earliest Ocado could be required to do this (absent its breaching the Operating Agreement, becoming insolvent or suffering a material adverse change) would be 31 July 2015 in respect of the shares in JVco and 31 January 2016 in respect of LMD.

Early termination in any circumstances, particularly where Ocado is required also to purchase Morrisons' shares in JVco or LMD, may have an adverse effect on the Group's financial condition and future prospects.

1.6 Failure to implement the Arrangements at all or in a timely fashion

Notwithstanding the parties' mutual desire to launch by January 2014, if the parties have failed to implement the Arrangements sufficiently for the Morrisons.com business to be launched by 31 July

2015, either party may give notice to terminate the Transaction Agreements. As described in more detail in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, in these circumstances Ocado would be required to purchase Morrisons' shares in JVco and may also be required to repurchase LMD from Morrisons, the adverse consequences of which are described above. In addition, the Group would have dedicated considerable management time and resources to a failed transaction. Accordingly, a failure to launch the Morrisons.com business may have an adverse effect on the financial condition and prospects of the Group.

Although the parties believe it possible to launch the Morrisons.com business by January 2014, it is possible that launch may be delayed. A launch later than January 2014 but prior to 31 July 2015 would delay the payment of certain amounts due under the Operating Agreement. Accordingly, a delayed launch of the Morrisons.com business may have an adverse effect on the prospects of the Group.

1.7 Licences to be granted on termination for a wilful and material default

If Morrisons serves a termination notice on Ocado in respect of Ocado's wilful and material default under the Operating Agreement, in addition to the ordinary consequences of serving such a notice, Ocado shall be required to grant to Morrisons a licence (for a fee) of all of the IP necessary for Morrisons (or a successor services supplier) to supply the services equivalent to those supplied to Morrisons by Ocado under the Operating Agreement. This licence would, therefore, in time, enable Morrisons to maintain a state-of-the-art online grocery offering without the services of Ocado. Accordingly, Ocado being required to grant such a licence may have an adverse effect on the Group's financial condition, business model, IP and future prospects.

1.8 Change of control protection for Morrisons

Morrisons may serve a termination notice on Ocado if the Company is acquired by a Competitor. This may make the Company a less attractive potential takeover target. Accordingly, Completion taking place may adversely affect the market value of the Ordinary Shares.

1.9 Lack of change of control protection for the Company if Morrisons is acquired by a technology or logistics company

Under the Operating Agreement, Ocado may serve a termination notice on Morrisons if Morrisons is acquired by a Competitor. However, no termination right is triggered where Morrisons is acquired by types of acquirers which may in the future compete with the business of the Group, such as a technology or logistics company. Such a person, on acquiring control of Morrisons might, notwithstanding the confidentiality provisions of the Transaction Agreements, gain an insight into the way in which Ocado provides technology and online grocery fulfilment services to Morrisons, and use this insight in a way which is prejudicial to the business of the Group. Accordingly, such persons acquiring control of Morrisons may have an adverse effect on the Group's future prospects.

1.10 Commitment of the Group's management time

Both the implementation of the Arrangements and their operation will require a considerable commitment of the management time of the Group. This commitment will vary over the term of the Operating Agreement: it may reduce after the implementation period but would likely increase again should Ocado and Morrisons agree the terms on which to develop any further CFCs.

The fee structure agreed under the Operating Agreement will reimburse the Group for such management time (and allow the Group to recruit more personnel as necessary), but such commitment may nevertheless impact on the running of the Group's existing business and its ability to develop new business. Accordingly, such commitment of management time may have an adverse effect on the Group's future prospects.

1.11 Sufficiency of the Recurring IT Fee

As described in more detail in paragraph 2.1 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, the Recurring IT Fee is expected to cover Ocado's costs incurred in providing the IT Services to Morrisons. Since the amount of the Recurring IT Fee is set as a fixed percentage of the revenues of Morrisons.com (with a minimum annual fee of £3.5 million) whereas Ocado's costs incurred in providing the IT Services will vary, the Recurring IT Fee may prove to be insufficient to cover such costs. If this proves to be the case, the Group's future prospects may be adversely affected.

1.12 Warranties and indemnities in the Transaction Agreements

As described in more detail in paragraphs 1.1, 1.2 and 2.8 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular, the Share Purchase Agreement, Lease and Operating Agreement contain certain customary warranties and indemnities from members of the Group in favour of Morrisons. If any of these warranties proves to have been untrue, or if the circumstances arise in which OHL or Ocado is required to indemnify Morrisons, the Group could incur losses which may have an adverse effect on the Group's future prospects.

1.13 Reduced excess CFC fulfilment capacity

Ocado currently has excess CFC fulfilment capacity since its sales are not yet sufficient to require all of the capacity of the Dordon CFC. Accordingly, absent the Arrangements, were the Hatfield CFC to suffer a sustained and significant adverse event, the effects on the Ocado.com business could be mitigated by Ocado transferring customer fulfilment previously serviced through the Hatfield CFC to the Dordon CFC. Such excess capacity would also allow the Ocado.com business to grow more rapidly than is currently expected with little capacity constraint holding back such growth in the near term. Since, however, pursuant to the Arrangements half of the capacity of the Dordon CFC will be made available to the Morrisons.com business, the benefits of such excess capacity will be lost.

Mitigating this risk would require the Group to commit further capital expenditure sooner than would otherwise have been the case. Such earlier requirement for capital expenditure may adversely affect the timing of the Group's future cashflows and the future prospects of the Group.

2. Risks relating to the Arrangements not coming into effect

2.1 Inability to realise Shareholder value

The Board believes the Arrangements to be in the best interests of Shareholders as a whole and that they provide the best opportunity to leverage the value of certain of the Group's tangible assets, along with its proprietary IP and know-how. If, therefore, the Arrangements do not proceed, the Board believes that the Group's future prospects may be adversely affected.

2.2 Payment of a break fee and other amounts

If Morrisons terminates the Transaction Agreements because the Group's business suffers a material adverse change, the Board recommends a takeover offer for the Company, the Board withdraws its recommendation for the Resolution or Ocado commits certain breaches of the Operating Agreement, on termination Ocado would be required to pay to Morrisons a break fee of £7 million and repay to Morrisons £5 million, which amount was paid by Morrisons to Ocado prior to the execution of the Operating Agreement.

Paying such amounts may have an adverse effect on the Group's future prospects.

2.3 Requirement to replace the Facility

The Group's principal source of external borrowings is the Facility. The Facility would be repaid in full on Completion. Absent earlier repayment, the Facility is due for repayment at regular intervals from

December 2013 through to July 2015. The repayments due in the 12 months following the publication of this Circular amount to £6,187,500 and, even if the Arrangements do not come into effect, the Board expects to be able to meet such payments without having to raise further capital. However, absent the proceeds of the Transaction, the Group does not have the financial resources available to it to repay the Facility in full and so would likely require to enter into new facilities, or otherwise raise capital, in order to repay the Facility fully. Although the Board is confident that such further capital would be available to the Group on acceptable terms, there can be no guarantee that it would be. Accordingly, the Arrangements not going ahead and the Group not being able to repay the Facility in full at Completion may have an adverse effect on the Group's future prospects.

2.4 Disruptive effect on the Group

If the Arrangements do not come into effect, the Group's management and employees may be affected and key management or employees may choose to leave the Group. This may have a negative effect on the performance of the business of the Group and, therefore, an adverse effect on the Group's financial condition and future prospects.

PART III
FINANCIAL INFORMATION RELATING TO LMD AND THE MHE

Last Mile Developments Limited

The financial information relating to LMD is extracted without material adjustment from the consolidation schedules that underlie Ocado's latest audited accounts for the 53 weeks ended 2 December 2012 and the interim accounts for the 24 weeks ended 19 May 2013. The financial information relating to the MHE is extracted from Ocado's accounting records.

Income statement

	24 weeks ended 19 May 2013	24 weeks ended 13 May 2012	53 weeks ended 2 December 2012	38 weeks ended 27 November 2011 ²
	£m	£m	£m	£m
Revenue	2.0			
Administrative expenses	(0.3)	—	—	—
Operating profit	1.7	—	—	—
Finance costs	(0.6)	—	—	—
Profit before tax	1.1	—	—	—
Taxation	—	—	—	—
Profit for the period	1.1	—	—	—

Note:

LMD was incorporated on 3 March 2011 as an entity to contain the land and buildings of CFC2. No material amounts were recognised in the profit and loss account in the 38 weeks ended 27 November 2011, 53 weeks ended 2 December 2012 and 24 weeks ended 13 May 2012 as the finance costs incurred within these periods were capitalised and assets were not depreciated as they were not yet ready for use. Recognition of finance costs as an expense and depreciation as assets were completed commenced in the 24 weeks ended 19 May 2013.

² The 38 weeks ended 27 November 2011 is the period from LMD's incorporation on 3 March 2011 to the 2011 accounting reference date for the Group.

Balance sheet

	19 May 2013	2 December 2012
	£m	£m
Non-current assets		
Property, plant and equipment	79.9	72.1
	79.9	72.1
Current assets		
Other receivables	9.2	9.3
Cash and cash equivalents	—	—
	9.2	9.3
Total assets	89.1	81.4
Current liabilities		
Trade and other payables	(43.1)	(36.8)
Borrowings	(2.7)	1.1
Derivative financial instruments	(0.2)	(0.3)
	(46.0)	(36.0)
Net current liabilities	(36.8)	(26.7)
Non-current liabilities		
Borrowings	(42.2)	(45.7)
	(42.2)	(45.7)
Net assets / (liabilities)	0.9	(0.3)

Net book value of the MHE

	19 May 2013	2 December 2012
	£m	£m
Intangible assets		
Net book value	—	—
Property, plant and equipment		
Net book value	102.8	86.5

The MHE will be sold by Ocado to a newly incorporated joint venture company owned in equal shares by Ocado and Morrisons. Ocado will subsequently enter into a finance lease for approximately 98% of the value of the non-annexed MHE (the “non-annex MHE” being described in footnote 4 on page 40 below). The value of fixtures, fittings, plant and equipment in the Retained Group will therefore remain unchanged, with a corresponding finance lease liability recognised in respect of these assets.

PART IV
UNAUDITED PRO FORMA STATEMENT OF THE NET ASSETS OF THE GROUP

Set out below is an unaudited pro forma statement of the consolidated net assets of the Group as at 19 May 2013, which has been prepared on the basis described in the notes below to illustrate the effect on the consolidated net assets of the Group of the Arrangements if they had come into effect on that date. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Group's actual financial position or results following Completion and has been prepared for illustrative purposes only.

	Adjustments								
	19 May 2013 Actual £m	Sale of LMD £m	Repayment of LMD intergroup debt	Sale of MHE	Investment in JV following sale of MHE	Repayment of debt following sale of MHE	Lease back of MHE	Completion payments under the Operating Agreement	Unaudited pro forma Retained Group
	(Note 1)	(Note 2)	(Note 3)	(Note 4)	(Note 5)	(Note 6)	(Note 7)	(Note 8)	
Non current assets									
Intangible assets	24.6	—	—	—	—	—	—	—	24.6
Property, plant and equipment	300.0	(79.9)	—	(102.8)	—	—	100.2	—	217.4
- Land and buildings	104.6	(79.9)	—	—	—	—	—	—	24.7
- Fixtures, fittings, plant and machinery	175.9	—	—	(102.8)	—	—	100.2	—	173.2
- Motor vehicles	19.5	—	—	—	—	—	—	—	19.5
Investments in joint ventures and associates	—	—	—	—	51.4	—	—	—	51.4
Deferred tax assets	7.9	—	—	—	—	—	—	—	7.9
Available for sale financial assets	0.4	—	—	—	—	—	—	—	0.4
	332.9	(79.9)	—	(102.8)	51.4	—	100.2	—	301.7
Current assets									
Inventories	20.9	—	—	—	—	—	—	—	20.9
Trade and other receivables	32.0	43.1	(43.1)	—	—	—	—	—	32.0
Derivative financial instruments	—	—	—	—	—	—	—	—	—
Cash and cash equivalents	63.0	—	33.9	101.1	(51.4)	(39.1)	—	27.2	134.7
	115.9	43.1	(9.2)	101.1	(51.4)	(39.1)	—	27.2	187.6
Total assets	448.8	(36.8)	(9.2)	(1.7)	—	(39.1)	100.2	27.2	489.3
Current liabilities									
Trade and other payables	(104.9)	(9.2)	9.2	—	—	—	—	(27.2)	(132.1)
Borrowings	(7.7)	2.7	—	—	—	2.1	—	—	(2.9)
Obligations under finance leases	(15.5)	—	—	—	—	—	(11.8)	—	(27.3)
Derivative financial instruments	(0.3)	—	—	—	—	—	—	—	(0.3)
Provisions	(0.3)	0.2	—	—	—	—	—	—	(0.1)
	(128.7)	(6.3)	9.2	—	—	2.1	(11.8)	(27.2)	(162.7)
Net current assets	(12.8)	36.8	—	101.1	(51.4)	(37.0)	(11.8)	—	24.9
Non current liabilities									
Borrowings	(85.9)	42.2	—	—	—	35.6	—	—	(8.1)
Obligations under finance leases	(28.3)	—	—	—	—	—	(88.3)	—	(116.7)
Provisions	(2.3)	—	—	—	—	—	—	—	(2.3)
Deferred tax liability	(0.4)	—	—	—	—	—	—	—	(0.4)
	(117.0)	42.2	—	—	—	35.6	(88.3)	—	(127.5)
Net assets	203.1	(0.9)	—	(1.7)	—	(1.4)	—	—	199.1

Notes:

- (1) The financial information for the Group has been extracted, without material adjustment, from the unaudited financial statements of the Group for the 24 week period ended 19 May 2013.
- (2) The net assets of Last Mile Developments Limited have been extracted, without material adjustment, from the historical financial information of Last Mile Developments Limited as set out in Part III of this Circular.

Repayment of current borrowings of £2.7 million and non current borrowings of £42.2 represents total repayment of borrowings of £46.4 million less the write-off of arrangement fees of £1.5 million.

LMD recognises trade and other receivables of £9.2 million and trade and other payables of £43.1 million. In respect of the Retained Group these represent trade and other receivables of £43.1 million and trade and other payables of £9.2 million, which is reflected in the pro forma statement of net assets.

- (3) At completion, the net balance owed by LMD to the Retained Group will be settled by Morrisons on behalf of LMD. Such balance at 19 May 2013 would have been £33.9 million, comprising trade and other receivables of £43.1 million and trade and other payables of £9.2 million. In the period between 19 May 2013 and Completion, it is expected that a further £2 million of capital expenditure will be incurred which will result in additional trade and other receivables owed to the Retained Group and therefore an increase in the net amount settled by Morrisons to £35.9 million.
- (4) The adjustments represent the disposal of the MHE to JVco for £102.8 million. At Completion the value of MHE disposal of to JVco is expected to be £115.9 million due to remaining capital expenditure arising between 19 May 2013 and Completion. Cash received is £101.1 million as this is net of transaction costs of £1.7 million. Total transaction costs are approximately £3 million with the remaining £1.3 million incurred prior to 19 May 2013 and therefore recognised within the opening balance sheet.
- (5) The amount represents the 50% share of JVco held by the Group, which is expected to increase to £57.95 million between 19 May 2013 and Completion due to remaining capital expenditure being incurred.
- (6) The amount represents debt settled by the Group on receipt of the sale proceeds. The reduction in net assets is £1.4 million greater as borrowings are shown net of capitalised arrangement fees which will be written off upon repayment of the associated facilities.
- (7) The amount represents the recognition of the finance lease liability on the lease back of the non annexed MHE assets (the meaning of "non annexed MHE" being set out in footnote 4 on page 40 below). Under IFRS, assets held under finance leases are recognised on the balance sheet of the company holding the finance lease, hence the recognition of the non annexed MHE within fixed assets of an equivalent value.
- (8) Cash and cash equivalents of £27.2 million represent upfront payments received from Morrisons offset by an equivalent deferred income creditor. This amount is less than the total upfront payments of £32 million as £5 million was received prior to 19 May 2013.
- (9) No adjustment has been made to reflect the trading results of the Group since 19 May 2013 or any other change in its financial position since that date.

Accountant's report in respect of the unaudited pro forma statement of net assets



The Directors
Ocado Group plc
Titan Court
3 Bishops Square
Hatfield Business Park
Hatfield AL10 9NE

2 July 2013

Dear Sirs

Ocado Group plc

We report on the pro forma financial information (the 'Pro forma financial information') set out in Part IV of this Circular, which has been prepared on the basis described in notes 1 to 9, for illustrative purposes only, to provide information about how the Arrangements might have affected the financial information of the Group presented on the basis of the accounting policies adopted by Ocado Group plc in preparing the financial statements for the period ended 2 December 2012. This report is required by paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

It is the responsibility of the directors of Ocado Group plc to prepare the Pro forma financial information in accordance with paragraph 13.3.3R of the Listing Rules of the Financial Conduct Authority.

It is our responsibility to form an opinion, as required by paragraph 7 of Annex II of the Prospectus Directive Regulation, as to the proper compilation of the Pro forma financial information and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have as a result of the inclusion of this report in this Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R(6), consenting to its inclusion in this Circular.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the directors of Ocado Group plc.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of Ocado Group plc.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in the United States of America or other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- the Pro forma financial information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of Ocado Group plc.

Yours faithfully

KPMG LLP

**PART V
VALUATION REPORTS**

Part A – Property Valuation Report



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2 July 2013

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Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Dear Sirs

The Dordon CFC - Plot SW1, Phase 2, Birch Coppice Business Park, Watling Street, Dordon

1 Introduction

In accordance with your instructions, which were confirmed in our letter dated 27 June 2013, we have inspected the above property owned by Last Mile Developments Limited which, at the date of this report, is a wholly owned subsidiary of Ocado Group plc (the Company), in order to advise you of our opinion of the Market Value of the leasehold interest in the property as at 2 July 2013.

2 Inspection

The property was inspected internally by Jonathan K Crawford BA (Hons) MRICS on Wednesday 5 June 2013. We were able to inspect all of the property.

3 Compliance with RICS Valuation - Professional Standards 2012

We confirm that the valuation has been prepared in accordance with the appropriate sections of the Valuation Standards ("VS") and United Kingdom Valuation Standards ("UKVS") contained within the RICS Valuation - Professional Standards 2012, (the "Red Book").

Compliance with the Red Book also gives assurance of compliance with International Valuation Standards.

4 Status of valuer and conflicts of interest

We confirm that we have sufficient current knowledge of the relevant markets, and the skills and understanding to undertake the valuation competently. We also confirm that where more than one valuer has contributed to the valuation the requirements of VS 1.6.4 of the Red Book have been satisfied. We confirm that Jonathan Crawford has overall responsibility for the valuation. Finally, we confirm that we have undertaken the valuation acting as External Valuers, qualified for the purpose of the valuation.

DTZ has established the criteria for independence with the owners and report addressees and can confirm these are met.

DTZ has provided a preliminary leasing advice regarding the property and advises the Company on rating matters. Other than these relationships, we confirm that we have no current, anticipated or previous recent involvement with the subject property.

5 Purpose of the valuation

We understand that this Valuation Report and Schedule are required for inclusion in a Shareholder Circular which is to be published by the Company and that this Valuation Report and Schedule will assist shareholders in assessing whether to approve the resolution which is required in respect of the proposed sale of Last Mile Developments Limited and related arrangements described in more detail in that Shareholder Circular (the "Purpose of this Report").

6 Disclosures required under the provisions of VS 1.9 and UKVS 4.3

6.1 NAME OF SIGNATORY

DTZ and Jonathan Crawford have not previously been the signatory of Valuation Reports provided to the Company.

6.2 DTZ'S RELATIONSHIP WITH CLIENT

There is no fee-earning relationship between the Company other than this valuation instruction, save for the ongoing advice regarding taxation (i.e. rates).

6.3 FEE INCOME FROM THE COMPANY

DTZ Debenham Tie Leung was a wholly owned subsidiary of DTZ Holdings plc (the "Group") until 5 December 2011, when all the trading subsidiaries of the Group (the "Subsidiaries") were sold to UGL Limited ("UGL"). In UGL's financial year ending 30 June 2012, the proportion of fees payable by the Company to the total fee income of UGL was less than 5%.

7 Basis of valuation

Our opinion of the Market Value of the property has been primarily derived using comparable recent market transactions on arm's length terms.

7.1 MARKET VALUE

The value of the property has been assessed in accordance with the relevant parts of the current RICS Valuation - Professional Standards 2012. In particular, we have assessed Market Value in accordance with VS 3.2. Under these provisions, the term "Market Value" means "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

In undertaking our valuation on the basis of Market Value, we have applied the conceptual framework which has been settled by the International Valuation Standards Council and which is set out in paragraphs 31-35 of the IVS Framework.

7.2 TAXATION AND COSTS

We have not made any adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal incurred by the owner. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding that may arise on disposal.

We have made a deduction to reflect a purchaser's acquisition costs.

8 VAT

The Company has advised us that it has exercised its option to tax.

The capital valuation included in this Valuation Report is net of value added tax at the prevailing rate.

9 Brief Summary of the property

The property comprises a distribution warehouse with bespoke MHE (specifically excluded from this valuation), substantial mezzanine floors, ancillary external services on a site extending to approximately 14.25 hectares (35.21 acres). The property is leased to Ocado Limited for a term of 25 years from 15 May 2013 at an initial rent of £4,920,000 (payable from the conclusion of the transaction with Morrisons), subject to annual CPI upwards only rent reviews.

Our valuation is predicated on the proposed transaction with Morrisons being concluded.

10 Assumptions and sources of information

An Assumption is stated in the Glossary to the Red Book to be a "supposition taken to be true" ("Assumption"). In this context, Assumptions are facts, conditions or situations affecting the subject of, or approach to, a valuation that, by agreement, need not be verified by a valuer as part of the valuation process. In undertaking our valuation, we have made a number of Assumptions and have relied on certain sources of information. Where appropriate, the Company and the Company's various professional advisers have confirmed that our Assumptions are correct so far as they are aware. In the event that any of these Assumptions prove to be incorrect then our valuation should be reviewed

10.1 TITLE

DTZ has reviewed the Title Deeds. Save as disclosed to us by the Company's legal advisers, we have made an Assumption that the Company is possessed of good and marketable long leasehold title and that the property is free from rights of way or easements, restrictive covenants, disputes or onerous or unusual outgoing. We have also assumed that the property is free from mortgages, charges or other encumbrances.

10.2 CONDITION OF STRUCTURE AND SERVICES, DELETERIOUS MATERIALS, PLANT AND MACHINERY AND GOODWILL

Due regard has been paid to the apparent state of repair and condition of the property, but a condition survey has not been undertaken, nor have woodwork or other parts of the structure which are covered, unexposed or inaccessible, been inspected. Therefore, we are unable to report that the property is structurally sound or is free from any defects. We have made an Assumption that the property is free from any rot, infestation, adverse toxic chemical treatments, and structural or design defects other than such as may have been mentioned in the body of our Valuation Report.

We have not arranged for investigations to be made to determine whether high alumina cement concrete, calcium chloride additive or any other deleterious materials have been used in the

construction or any alterations, and therefore we cannot confirm that the property is free from risk in this regard. For the purposes of this valuation, we have made an Assumption that any such investigation would not reveal the presence of such materials in any adverse condition.

We have not carried out an asbestos inspection and have not acted as an asbestos inspector in completing the valuation inspection of properties that may fall within the Control of the Asbestos at Work Regulations 2002. We have not made an enquiry of the duty holder (as defined in the Control of Asbestos at Work Regulations 2002), of the existence of an Asbestos Register or of any plan for the management of asbestos to be made. Where relevant, we have made an Assumption that there is a duty holder, as defined in the Control of Asbestos at Work Regulations 2002 and that a Register of Asbestos and Effective Management Plan is in place, which does not require any immediate expenditure, or pose a significant risk to health, or breach the HSE regulations. We advise that such enquiries be undertaken by a lawyer during normal pre-contract enquiries.

No mining, geological or other investigations have been undertaken to certify that the site is free from any defect as to foundations. We have made an Assumption that the load bearing qualities of the site of the property are sufficient to support the buildings constructed thereon. We have also made an Assumption that there are no services on, or crossing the site in a position which would inhibit development or make it unduly expensive and that there are no abnormal ground conditions, nor archaeological remains present, which might adversely affect the present or future occupation, development or value of the property.

No tests have been carried out as to electrical, electronic, heating, plant and machinery, equipment or any other services nor have the drains been tested. However, we have made an Assumption that all services, including gas, water, electricity and sewerage, are provided and are functioning satisfactorily.

No allowance has been made in this valuation for any items of plant or machinery not forming part of the service installations of the building. We have specifically excluded all items of plant, machinery and equipment installed wholly or primarily in connection with the occupants' businesses. We have also excluded furniture and furnishings, fixtures, fittings, vehicles, stock and loose tools.

Further, no account has been taken in our valuation of any business goodwill that may arise from the present occupation of the property.

It is a condition of DTZ Debenham Tie Leung Limited or any related company, or any qualified employee, providing advice and opinions as to value, that the client and/or third parties (whether notified to us or not) accept that the Valuation Report in no way relates to, or gives warranties as to, the condition of the structure, foundations, soil and services.

10.3 ENVIRONMENTAL MATTERS

There is high voltage electrical supply equipment close to the property. The possible effects of electromagnetic fields have been the subject of media coverage. The National Radiological Protection Board (NRPB), an independent body with responsibility for advising on electromagnetic fields, has advised that, following studies in 2000 and 2001, there may be a risk in specified circumstances, to the health of certain categories of people. Public perception may, therefore, affect marketability and future value of the property.

We have made enquiries of the Local Authority website/the Environment Agency website in order, so far as reasonably possible, to establish the risk of flooding at the property and the potential existence of contamination arising out of previous or present uses of the site and any adjoining sites.

Our enquiries and inspection have provided no evidence that there is a significant risk of contamination in respect of the property. Accordingly, you have instructed us to make an Assumption that no contamination or other adverse environmental matters exist in relation to the property sufficient to

affect value. Other than as referred to above, we have not made any investigations into past or present uses, either of the property or any neighbouring land to establish whether there is any contamination or potential for contamination to the subject property. Commensurate with our Assumptions set out above we have made no allowance in this valuation for any effect in respect of actual or potential contamination of land or buildings. A purchaser in the market might, in practice, undertake further investigations than those undertaken by us. If it is subsequently established that contamination exists at the property or on any neighbouring land or that the premises have been, or are being, put to any contaminative use then this might reduce the value now reported.

Commensurate with our Assumptions set out above we have not made any allowance in the valuation for any effect in respect of actual or potential contamination of land or buildings.

Flooding

We have made enquiries of the Environment Agency website and are advised that Agency does not have an assessment. This may be because the area selected is outside the floodplain. It could also be because it has been unable to assess the likelihood of flooding for this area because of insufficient information (this applies to fewer than 1% of the properties in England and Wales in the flood outline).

If the property lies within or close to a flood plain, or has a history of flooding, we have made the Assumption that building insurance is in place regarding flooding and available to be renewed to the current or any subsequent owner of the property, without payment of an excessive premium or excess.

You should be aware that the Association of British Insurers has issued guidance on insurance issues in which they state that, subject to Government commitment to have a long-term strategy to manage flood risk, insurers have committed to provide flood insurance for existing building until June 2013; however, no commitments have been made for building built after 1 January 2009.

10.4 AREAS

We have measured the property on by scaling from floor plans provided by the Company and have calculated the floor areas in accordance with the current Code of Measuring Practice prepared by the Royal Institution of Chartered Surveyors.

10.5 STATUTORY REQUIREMENTS AND PLANNING

Verbal enquiries have been made of the relevant planning authority in whose area the property lies as to the possibility of highway proposals, comprehensive development schemes and other ancillary planning matters that could affect property values. The results of our enquiries have been included within our Valuation Report where relevant.

We have made an Assumption that the building has been constructed in full compliance with valid town planning and building regulations approvals, that where necessary it has the benefit of a current Fire Risk Assessment compliant with the requirements of the Regulatory Reform (Fire Safety) Order 2005. Similarly, we have also made an Assumption that the property is not subject to any outstanding statutory notices as to its construction, use or occupation. Unless our enquiries have revealed the contrary, we have made a further Assumption that the existing use of the property is duly authorised or established and that no adverse planning condition or restriction applies.

No allowance has been made for rights, obligations or liabilities arising under the Defective Premises Act 1972, and we have made an Assumption that the property complies with all relevant statutory requirements.

In England and Wales, the Government has implemented the Energy Performance of Buildings Directive requiring Energy Performance Certificates ("EPC") to be made available for all properties,

when bought or sold, subject to certain exemptions. If the subject property is not exempt from the requirements of this Directive, we have made an Assumption that an EPC is made available, free of charge, to a purchaser of the interest which is the subject of our valuation.

We would draw your attention to the fact that employees of town planning departments now always give information on the basis that it should not be relied upon and that formal searches should be made if more certain information is required. We assume that, if you should need to rely upon the information given about town planning matters, your solicitors would be instructed to institute such formal searches.

10.6 INFORMATION

We have made an Assumption that the information the Company and its professional advisers have supplied to us in respect of the property is both full and correct.

It follows that we have made an Assumption that details of all matters likely to affect value within your collective knowledge such as prospective lettings, rent reviews, outstanding requirements under legislation and planning decisions have been made available to us and that the information is up to date.

11 Valuation

We are of the opinion that the Market Value as at 2 July 2013 of the leasehold interest in the property as described, subject to the Assumptions and comments in this Valuation Report is as follows:-

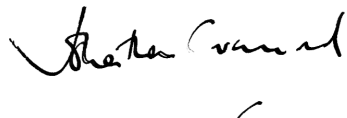
£62,000,000 (Sixty Two Million Pounds)

12 Confidentiality and disclosure

The contents of this Valuation Report and Schedule may be relied upon only by the addressees and the Company's shareholders in connection with the purpose of this Report. No reliance may be placed upon the contents of the Valuation Report and Schedule by any party who is not an addressee of this Valuation Report or a shareholder of the Company or by an addressee of this Valuation Report or a shareholder of the Company for any purpose other than in connection with the purpose of this Report. Before this Valuation Report, or any part thereof, is reproduced or referred to, in a document, circular or statement, and before its contents, or any part thereof, are disclosed orally or otherwise to a third party, the valuer's written approval as to the form and context of such publication or disclosure must first be obtained. Such publication or disclosure will not be permitted unless, where relevant, it incorporates the Assumptions referred to herein. For the avoidance of doubt, such approval is required whether or not DTZ Debenham Tie Leung Limited is referred to by name and whether or not the contents of our Valuation Report are combined with others.

Although the Company's shareholders may rely on the contents of this Valuation Report, DTZ shall have no liability to the Company's shareholders. However such limitation on DTZ's liability shall not affect the responsibility of the Company and its directors for the entirety of the shareholder circular of which this report forms part.

Yours faithfully



Jonathan K Crawford BA (Hons) MRICS
Director
RICS Registered Valuer
For and on behalf of
DTZ Debenham Tie Leung Limited

Part B – MHE Valuation Report



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Our Ref: PJM/lg/6424

2 July 2013

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Numis Securities Limited
The London Stock Exchange Building
10 Paternoster Square
London EC4M 7LT

Dear Sirs

Valuation Report – Ocado Group plc – Material Handling Plant and Equipment at the Dordon CFC

1. INSTRUCTIONS AND PURPOSE

1.1 In accordance with your instructions, we are to provide Ocado Group plc ("the Company") with a valuation of the automated warehouse plant and equipment assets (referred to in the shareholder circular in which this report is published as the "MHE") at the Customer Fulfilment Centre located at Plot SW1, Phase 2 of Birch Coppice Business Park, Watling Street, Dordon.

1.2 Our instructions received from the Company followed submission of our Financial Valuation Proposal dated 10 June 2013 and receipt of a signed mandate of instruction dated 24 June 2013.

1.3 The requirement for the valuation is pursuant to the proposed sale and leaseback arrangement of the facility with Wm Morrison Supermarkets plc ("Morrison's") and the publication by the Company of a class 1 circular in accordance with the Listing Rules of the Financial Conduct Authority ("FCA").

1.4 Charterfields' instructions have been to act as an adviser independent of the Company and Morrison's in respect to this matter.

Charterfields Limited

For a list of directors and offices, please refer to our website at charterfields.com



Registered Office - The Lodge, Westbrook Court, 2 Sharrow Vale Road, Sheffield S11 8YZ Registered in England and Wales Company Reg No - 4193479

2. SCOPE

2.1. The scope of the assignment has covered plant and equipment assets in the nature of:

- pallet infeed and decanting systems;
- automated warehouse pallet and tote bin storage systems and integrated handling equipment;
- picking stations and associated equipment;
- transfer conveyor sorting systems;
- despatch, de-kit and bagging systems; and
- waste conveyor and baling system.

3. COMPLIANCE

3.1 Our valuation provides an opinion of Market Value (In-Situ) adopting Depreciated Replacement Cost (“DRC”) methodology, in accordance with the Royal Institution of Chartered Surveyors (“RICS”) Valuation Standards and definitions, as well as conceptual framework and guidelines issued by the International Valuations Standards Council (“IVSC”). Furthermore, our valuation has been prepared in accordance with the Listing and Prospectus Rules of the FCA.

4. BASIS OF VALUATION

4.1 The basis of valuation adopted is Market Value which complies with RICS Valuation – Professional Standards – March 2012. We have, however, made additional assumptions, as detailed below.

Market Value (VS 3.2) (In-Situ)

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

Added assumption:

the assets have been valued as a whole in the working place.

4.2 A valuation of assets on this basis is generally prepared following consideration of market evidence, transactions or recorded data of assets similar to those that form the subject of the report.

4.3 Where evidence of transactions is unavailable then a DRC approach to value may be adopted. The assets under consideration in this case have been valued by way of this methodology.

4.4 The depreciated replacement cost approach is based on the economic theory of substitution and involves comparing the asset being valued with another. However, as DRC is normally used in situations where there is no directly comparable alternative, the comparison therefore has to be made with a hypothetical substitute, also described as the modern equivalent asset. The underlying theory is that the potential buyer in the exchange would not pay any more to acquire the asset being valued than the cost of acquiring an equivalent new one. The technique involves assessing all the costs of providing a modern equivalent asset using pricing at the date of valuation.

4.5 In order to assess the price that the buyer would bid for the actual asset, depreciation adjustments have to be made to the gross replacement cost to reflect the differences between it and the modern equivalent. These differences can reflect factors such as the comparative age or remaining economic life, the comparative running costs and the comparative efficiency and functionality of the actual asset.

4.6 Gross current replacement cost is the total cost of replacing an existing asset with an identical, or substantially similar, new asset that has a similar production or service capacity, including costs of transport, installation, commissioning, consultants' fees and non-recoverable taxes and duties.

4.7 The depreciation applied to the gross current replacement cost should take due account of the age, condition, economic and functional obsolescence, and environmental and other relevant factors, including any residual value at the end of the asset's useful economic working life.

4.8 We would consider the value of the assets as a total integrated package, rather than the sum of the individual values.

4.9 Finally, it is assumed that there is adequate potential profitability of the business or continuing viability of the collective undertaking.

5. SPECIAL ASSUMPTIONS

Tenure

5.1 We understand that the term of the proposed arrangement is 25 years, thus providing security of tenure for the subject assets.

Third Party Interest

5.2 In arriving at our opinions of value, we have assumed there are no over-riding interests likely to impinge on the opinion of value reported. In the event that this is subsequently found not to be the case, we reserve the right to amend our opinion accordingly.

Asset Buy-Back Provisions

5.3 Our opinion of value assumes that the assets will continue in their current use in the business for the foreseeable future and that they are capable of providing an economic return having regard to all the assets deployed in the business.

5.4 Furthermore, and in the event and for whatever reason the arrangement is terminated, the Company has confirmed that there is provision in the arrangement for buy-back of the assets for continuation of the operation in their existing use.

Statutory Compliance, Health, Safety and Welfare

5.5 The valuation assumes that the activities conducted are in compliance with the requirements of the relevant statutory bodies governing the operation and use of the facility and has been prepared on the basis that the facility operates in accordance with all current health, safety and welfare legislation. Our valuation does not give any warranty, either express or implied, that the facility conforms with such legislation. Nor does it reflect any costs that could be incurred to rectify any issues relating to contamination of plant and equipment and/or buildings and site improvements.

Taxation and Costs

5.6 We have made no adjustment to reflect any liability to taxation that may arise on disposal, nor for any costs associated with disposal. No allowance has been made to reflect any liability to repay any government or other grants, taxation allowance or lottery funding which may arise on disposal.

5.7 Our valuation assumes that the project costs provided are exclusive of value added tax ("VAT") and the figure report is similarly, exclusive of VAT.

6. VALUATION

6.1 Our opinion of the Market Value (In-Situ) of the assets described and in accordance with the restrictions, assumptions, terms and conditions stated in this report is:

GBP 104,000,000 (One Hundred and Four Million Pounds)

6.2 Our stated opinion of value is as at 2 July 2013 and assumes the assets have been valued as a whole in their working place and are wholly owned and free of third party interest.

6.3 We confirm that, although our limited site inspection and investigations were carried out prior to the above valuation date, during the period between the date of that inspection (11 June 2013) and the valuation date, we are not aware of, nor have taken into consideration, any material changes to the asset base in the intervening period which would have a material effect on the value reported.

7. APPROACH

7.1 As this facility has been constructed and fitted out within the preceding 12 to 18 months to the valuation date, and only been operating commercially for less than 6 months, we have adopted a depreciated replacement cost methodology approach, as previously defined, due to the lack of comparable market sales evidence.

7.2 Our approach has therefore been to identify, analyse, and verify purchase cost data provided by the Company, followed by the application of depreciation profiles for each asset category that, in our opinion, reflects the age, condition and usage of the assets since the date of original manufacture.

7.3 In preparing this valuation, we have utilised, or had sight of, the following information provided by the Company:

- site and building layout plans;
- building and MHE asset register data;
- project management accounting spreadsheets, and
- supplier cost data and budgets.

7.4 We have liaised with the Company's property advisers DTZ Debenham Tie Leung Limited in respect to the demarcation of building and service installations between Property (buildings, structures, civil and site works) and Plant and Equipment. Generally, we have adhered to the RICS Valuation – Professional Standards March 2012 Edition Guidance Note 5 on this issue.

8. TERMS AND CONDITIONS OF ENGAGEMENT

Use of this Report

8.1 This report has been produced for inclusion in a class 1 circular to be published by the Company and sent to its shareholders. We understand Goldman Sachs International and Numis Securities Limited are to act as the Company's sponsors for this circular in accordance with the Listing Rules of the Financial Conduct Authority. Accordingly, they are, together with the Company, the addressees of the report and will be able to rely on it (subject to the same limitations as the Company); they are not, however, our clients.

8.2 The addressees of this report and the Company's shareholders may rely on the content of this report. However, Charterfields accepts no responsibility whatsoever to any person or party other than the Company, Goldman Sachs International and Numis Securities Limited. However such limitation on Charterfields' liability shall not affect the responsibility of the Company and its directors for the entirety of the shareholder circular of which this report forms part.

Information and Disclosure

8.3 This opinion of value and report has been prepared on the basis that full disclosure of all information and facts which may affect the valuation has been made to us. We cannot accept any liability or responsibility in the event of information provided being incomplete or incorrect.

8.4 We have based our opinion of value on information which has been made available to us and on our local enquiries. In the absence of documentary details, we have been dependent upon oral information supplied to us. Unless otherwise stated, all information supplied by the Company, their staff, professional advisers and other stated sources, has been accepted as being correct.

9. DECLARATION

9.1 I confirm that this report has been prepared in accordance with the requirements of the relevant sections of the RICS Valuation Standards and the IVSC International Valuation Standards. Specifically, I confirm that:

- Charterfields is an independent entity of Chartered Surveyors acting, at the point of reporting, as a RICS registered firm;
- I have been the valuer responsible for the instruction and the valuation report and have relevant experience of valuations of this nature;
- other staff at Charterfields have been involved under my direction who have the relevant knowledge and experience to undertake and advise on the valuation;
- the valuation represents my honest and objective opinion of the value of the assets;
- the facts presented are correct to the best of my knowledge;
- Charterfields has acted in the role of external valuers to the Company. An external valuer is defined by the RICS and IVSC as "A valuer who, together with any associates, has no material links with the client, an agent acting on behalf of the client, or the subject of the assignment";
- Charterfields has not acted previously for the Company or Morrisons in respect to this or any other matter;

- our fee in connection with this matter is substantially less than 5% of our annual turnover;
- the fee is not contingent upon any level of values stated in this report and or any other aspect, and
- having checked with our offices, directors and associate directors, we are not aware of any conflicts of interest relating to the Company or Morrisons in terms of mutual areas of business.

Signatory

A handwritten signature in black ink, appearing to read 'P. McCann', with a long horizontal flourish extending to the right.

Paul McCann FRICS
Associate Director and RICS Registered Valuer
Charterfields Limited

PART VI

SUMMARY OF THE PRINCIPAL TERMS OF THE ARRANGEMENTS

The key terms of the Transaction Agreements are set out below.

1. Transaction Agreements effecting the Property Transaction

The key agreements effecting the Property Transaction are:

- in respect of the sale and lease-back of the Dordon CFC, the Share Purchase Agreement and the Lease; and
- in respect of the sale and lease-back of the MHE, the Shareholders' Agreement, the MHE Purchase Agreement and the MHE Lease.

The Lease was executed on 15 May 2013 and the Share Purchase Agreement was executed on 17 May 2013. The terms of the MHE Purchase Agreement, the MHE Lease and the Shareholders' Agreement were fully agreed on the signing of the Share Purchase Agreement and will, subject to Completion taking place, be executed by the relevant parties at Completion.

1.1 Share Purchase Agreement

The entire issued share capital of LMD is currently held by OHL. LMD holds the 997 year leasehold interest in the Dordon CFC. Pursuant to the Share Purchase Agreement, OHL agreed to sell its shares in LMD to Morrisons. The Company has guaranteed the obligations of OHL under the Share Purchase Agreement and the associated tax covenant.

The transfer to Morrisons will be for nominal consideration (subject to certain minor adjustments to reflect the working capital of LMD at Completion), Morrisons separately undertaking to discharge on behalf of LMD up to £82.5 million of debt owed by LMD. Such debt is owed by LMD both on inter-company balance to members of the Group and directly by LMD to the lenders under the Facility.

OHL assumed the following liabilities to Morrisons under the Share Purchase Agreement:

- OHL undertook to indemnify Morrisons in respect of any liability of LMD arising prior to Completion and certain potential liabilities of LMD in respect of the final construction works required at the Dordon CFC. Such indemnity is considered by the Board to be customary for a transaction of this kind;
- OHL gave a set of customary warranties; and
- pursuant to a separate and customary tax covenant to be entered into on Completion, OHL will undertake to pay any tax payable by LMD in respect of periods prior to Completion.

The parties agreed that OHL would have no liability to Morrisons in respect of environmental matters or the condition of the Dordon CFC. The parties also agreed a customary schedule of limitations on OHL's liability.

Any intellectual property owned by LMD is to be transferred to Ocado prior to Completion.

The Share Purchase Agreement places a restriction on Morrisons selling the shares in LMD to certain competitors of the Group, and before selling the shares to any person, Morrisons must first invite OHL to make an offer for the shares.

Completion under the Share Purchase Agreement (and therefore the execution of the MHE Purchase Agreement, MHE Lease and Shareholders' Agreement) is conditional on the Operating Agreement becoming effective. The Operating Agreement becoming effective is conditional on Shareholders approving the Resolution at the General Meeting.

1.2 Lease

LMD is the landlord under the Lease and Ocado the tenant. Ocado's obligations under the lease are guaranteed by the Company. The key terms of the Lease are as follows:

- *Rent* – The initial rent, which accrues from Completion, is £4,920,000 (exclusive of VAT). There are annual CPI-linked upwards only rent reviews, subject to a cap of 3.5%.
- *Term* – The term of the Lease is 25 years from and including 15 May 2013. The tenant has a contractual option to renew for a further 25 years at the expiry of the term, whereupon there will be an open market rent review to determine the initial rent. The tenant also has the benefit of the security of tenure provisions of the Landlord and Tenant Act 1954.
- *Forfeiture* – The landlord may forfeit for non-payment of rent and material unremedied breach, in each case subject to grace periods.
- *Assignment* - Assignment of the whole is permitted with landlord's consent (not to be unreasonably withheld or delayed) subject to certain conditions, including that the combined covenant strength of the intended assignee and any guarantor is equivalent to or better than the combined covenant strength of Ocado and the Company as at 1 December 2013.
- *Underletting* – For as long as a member of the Group or a joint venture company in which a member of the Group has at least a 30% interest is the tenant, no landlord consent is required for underletting. Otherwise, landlord's consent is required (not to be unreasonably withheld or delayed).
- *Environmental indemnity* - The tenant provides a customary indemnity to the landlord in respect of breaches of environmental law during the term of the Lease, subject to the tenant having the right to conduct relevant claims.
- *Restriction on landlord dealings* – The tenant has a right of first offer in respect of any disposal by the landlord of its interest in the premises, and the landlord may not dispose of its interest to certain competitors of the Group.

1.3 Capitalisation of JVco and the Shareholders' Agreement

At Completion, JVco's share capital will be increased up to a maximum amount of £115.9 million³. The shares of JVco shall be subscribed for equally by Ocado and Morrisons; Morrisons shall subscribe in cash and Ocado by way of an undertaking to pay the subscription amount.

The Shareholders' Agreement shall govern the relationship between Ocado and Morrisons qua shareholders of JVco. All decisions of JVco will require unanimity. JVco will:

- purchase and hold all future mechanical handling equipment with which the existing MHE is replaced;

³ JVco shall only acquire the MHE to the extent that it has been acquired by Ocado. The total value of the MHE which the parties have so far agreed that JVco will acquire is up to a maximum amount of £115,900,000, but some of that MHE may not be acquired until after Completion. In these circumstances, the initial capitalisation of JVco and the purchase price under the MHE Purchase Agreement will be reduced proportionately, with future MHE up to the agreed value being purchased by JVco in due course on the same terms (*mutatis mutandis*).

- lease the use of such MHE to Ocado in consideration for a fee (pursuant to the MHE Lease); and
- pay regular dividends to its shareholders to the extent lawful to do so.

1.4 MHE Purchase Agreement⁴

The MHE will be sold by Ocado to JVco for up to a maximum amount of £115.9 million. Such consideration shall be paid half in cash (which cash was received by JVco from Morrisons for the subscription for shares described above) and half by way of set off against Ocado's undertaking to pay described above.

The net result of the capitalisation of JVco, the Shareholders' Agreement and the MHE Purchase Agreement for Ocado will be that Ocado will receive up to a maximum amount of £57.95 million in cash and 50% of the shares in JVco.

Under the MHE Purchase Agreement, Ocado will give JVco warranties as to its title to the MHE and no other warranties.

Further, the MHE Purchase Agreement contains a "wrong pockets" clause which obliges Ocado after Completion to transfer to JVco for nominal consideration any MHE not transferred at Completion but which should have been so transferred.

1.5 MHE Lease

On Completion, JVco and Ocado will enter into a lease agreement for Ocado to use the MHE in order to provide the Services and to provide equivalent services to the Ocado.com business. The rent payable under the MHE Lease will be calculated on arm's-length terms.

2. Operating Agreement

Under the Operating Agreement, Ocado undertakes to provide a range of services to Morrisons in exchange for a variety of fees. The parties' mutual intention is for the Morrisons.com customer offering to be launched in January 2014.

Subject to the early termination rights described below, the term of the Operating Agreement shall be 25 years from Completion, with Morrisons having a single right to extend the agreement for a further 25 years thereafter on similar terms unless otherwise agreed by the parties.

Other than certain incidental obligations, the Operating Agreement will not become effective if the Resolution is not approved by Shareholders (and will terminate if such approval is not received).

Ocado's obligations under the Operating Agreement are guaranteed by the Company.

All fixed recurring amounts described below will be subject to annual indexation.

⁴ As a matter of law, a small percentage of the MHE has become "annexed to the land", that is, it technically forms part of the property which the Dordon CFC comprises. Although this affected the way in which a number of the Transaction Agreements were drafted, it does not affect the economic effect of the Arrangements described in this Circular. Accordingly, for the sake of clarity, these technical drafting points have not been described in this Circular.

2.1 The Services and Fees

The Services are largely to be provided out of the Dordon CFC and on the basis that the parties share 50% each of its capacity. The Services (in providing a full “end to end” service to Morrisons) are broken down as follows:

Operating Services

These are the key picking, packing, van loading, dispatch, management and various ancillary services provided in respect of the Morrisons.com business. The majority of these will be provided from the Dordon CFC. For these Services Morrisons will pay Ocado:

- 50% of the rent payable under the Lease;
- 50% of all maintenance and replacement capital expenditure in respect of the Dordon CFC and further MHE as required (such capital expenditure to be capped as described in paragraph 2.2 below);
- 50% of all the fixed costs of providing these Services (other than those described above), based on the 50% share of the capacity of Dordon, together with a 4% management fee thereon; and
- a share of all variable costs pro rata to actual usage (such as staff costs), together with a 4% management fee thereon.

IT Services

These are the various technology and IT Services required by Morrisons.com for its online offering. They include all of the IT for producing and running the Morrisons.com website and the running of the warehouse software for Dordon and the routing software for the van delivery services which will be provided under Last Mile Services. For these services Morrisons will pay Ocado:

- an initial fee of approximately £30 million (£2.5 million of which it has already paid but which may need to be repaid by the Company should Completion not take place) which is expected to be recognised as income over a five year period;
- a percentage of Morrisons.com’s sales, starting at 1% and reducing progressively to 0.5% for sales in excess of £3 billion⁵, but subject to an annual minimum fee of £3.5 million (the “**Recurring IT Fee**”);
- £8 million per year for the first two years as a contribution to IT R&D, reducing to one third of Ocado’s annual relevant R&D spend for each year thereafter, capped at £8 million per year; and
- an amount equal to all costs attributable to developing any IT unique to Morrisons.com’s customer offering.

The Recurring IT Fee is expected to cover Ocado’s costs incurred in providing IT Services.

Last Mile Services

These are the Services required to transport customer orders from the Dordon CFC to customer’s homes, and include the services associated with developing and managing Spokes. Morrisons will pay a fee equal to its share of all fixed and variable costs, with a 4% management fee to be paid on all shared labour costs.

⁵ All references in the Operating Agreement to the sales of Morrisons are to its sales net of VAT and vouchersing.

Services bonus payment

As additional consideration for the provision of the Services, Morrisons will pay Ocado a services bonus payment, calculated as a percentage of Morrisons.com's earnings (net of certain expenses notionally charged by Morrisons to Morrisons.com) before interest and tax ("**EBIT**") as follows:

- 25% of Morrisons.com's positive EBIT to the extent that the EBIT margin of Morrisons is up to 6.66 per cent. of Morrisons.com's sales in the relevant year; and
- 50% of Morrisons.com's positive EBIT in relation to the element of Morrisons.com's EBIT margin on sales which is in excess of 6.66% in the relevant year,

which will drop to 10% of Morrisons.com's positive EBIT after the fifteenth year from Completion.

Morrisons services and fees

Morrisons itself will need to provide certain services to Morrisons.com, in particular the sourcing of groceries and certain management services. For these Morrisons will receive a fee calculated as a maximum of 1.25% of Morrisons.com's sales. Morrisons will also be able to recharge certain other costs to Morrisons.com. Although this is a service charge internal to the Morrisons group, it will reduce Morrisons.com's EBIT and therefore Ocado's share of it.

2.2 Future capital expenditure

In order to achieve launch, each of the parties has committed up to approximately £20 million in further capital expenditure to be spent on further mechanical handling equipment and related software. As described above, Morrisons paid the first £2.5 million of this commitment to Ocado prior to the execution of the Operating Agreement.

In addition, as described above, the parties shall share the future capital expenditure costs relating to the Dordon CFC. Such capital expenditure shall not exceed £5 million per year without the prior approval of Morrisons.

2.3 Future CFCs and Spokes

The parties anticipate that the Dordon CFC will not be sufficient for the combined needs of Ocado.com and Morrisons.com in the medium term. Accordingly, the Operating Agreement prescribes a regime pursuant to which the parties will seek to agree the joint development of future CFCs. The development of all future CFCs would be managed by Ocado.

The parties intend that such future CFCs would be shared between the parties, with neither party taking less than 30% of its capacity. However, where the parties are unable to agree on the site for a future CFC or their respective capacity shares, Morrisons may require Ocado to develop a future CFC for the sole use of Morrisons.com. Likewise, in these circumstances Ocado may develop a future CFC for the sole use of Ocado.com.

All costs of developing a joint use CFC shall be shared between the parties according to the share of that CFC's capacity that the parties have agreed to take. If Ocado is to develop a CFC for the sole use of Morrisons.com, all such costs shall be charged to Morrisons, together with a 4% management fee on such costs (other than on the purchase price of the land).

The Operating Agreement is drafted largely so as to apply only to the provision of the Services from the Dordon CFC and related Spokes. Accordingly, when the parties agree to the development of a further CFC they will need also to agree the terms of a new operating agreement or an amendment to the Operating Agreement.

The process for agreeing the sites at which new Spokes are to be located shall be broadly similar to that for the siting of new CFCs. However, as far less significant capital commitments, the development of new Spokes is likely to be agreed on a more regular basis and will not require amendments to the Operating Agreement.

Future CFC and Spoke sites may be acquired on a leasehold rather than on a freehold or long leasehold basis.

2.4 Service standard and corresponding obligations on Morrisons

The Services are to be provided by Ocado to the standard which, end to end, is overall the highest (but not at all times or in all respects the highest) in the UK online grocery industry. The Services need also to be provided to the same standard as Ocado provides in respect of Ocado.com, subject to Morrisons achieving Ocado's own levels of efficiencies in terms, inter alia, of ordering and volume prediction. Before Ocado's failure to meet this service level gives rise to a termination right, Morrisons is required to give Ocado a one year period in which to rectify the alleged failure, following which whether such a failure has occurred will be determined by way of an expert determination process.

Morrisons has a corresponding obligation for Morrisons.com to achieve £100 million of annual sales within three years of Completion and £200 million of annual sales within five years (and in each subsequent year thereafter). These obligations are referred to as the **"Key Obligations"**.

There is also a regime of service levels and credits for service level failures. However, the maximum service credit Morrisons will receive will be for Ocado to relinquish the 4% management fee described above in relation to certain of the Fees. If such fee is relinquished entirely for 24 consecutive months, Morrisons will have a right to terminate, the consequences of which are described below.

2.5 Termination rights

There are early termination rights the consequences of which vary depending on when termination takes place.

Any repurchase of LMD or purchase of the shares in JVco as a result of early termination will take place at depreciated book value.

Prior to Completion

If, prior to Completion:

- Ocado suffers a material adverse change, breaches certain provisions of the Operating Agreement or becomes insolvent;
- the Board recommends a takeover bid; or
- Shareholders do not approve the Resolution,

Morrisons may terminate the Operating Agreement in which case, Ocado will have to repay to Morrisons the £5 million which was paid by Morrisons to Ocado prior to the date of the Operating Agreement and Ocado will (unless termination was as a result of Ocado's insolvency) be required to pay Morrisons a break fee of £7 million.

If, prior to Completion:

- Morrisons suffers a material adverse change, breaches certain provisions of the Operating Agreement or becomes insolvent; or
- Morrisons' board recommends a takeover bid,

Ocado may terminate the Operating Agreement, in which case Morrisons would be required to pay Ocado a net amount of £4.5 million (being £7 million less the £2.5 million paid by Morrisons to Ocado by way of advance capital expenditure prior to the execution of the Operating Agreement).

After Completion but prior to implementation

If Morrisons.com's online grocery offering is not launched by 31 July 2015 and such failure is primarily Ocado's fault, Morrisons may terminate the Transaction Agreements. In these circumstances, Ocado would be required to purchase Morrisons' shares in JVco immediately and, if Morrisons still owns LMD, repurchase LMD by 31 January 2016. Until the repurchase of LMD, the rent payable under the Lease would increase by approximately 33%.

If such failure of implementation is primarily Morrisons' fault, Ocado may terminate the Transaction Agreements. In these circumstances it would be required to purchase Morrisons' shares in JVco but not LMD and there would be no increase in the rent payable under the Lease.

After implementation but prior to the commitment to build the first future CFC

If, prior to the commitment to build the first new CFC, either party fails to meet its Key Obligation or certain other fundamental breaches occur (including breach of exclusivity, failure to meet the minimum standard, causing material reputational damage, wilful and material default (by Ocado), a persistent failure by Ocado to meet Service Levels or a change of control to a Competitor), the innocent party may give notice to terminate the agreement on between four and four and a half years' notice. On giving such a notice, the exclusivity provisions described below would fall away.

If Morrisons is the innocent party:

- on termination it may require Ocado to repurchase LMD and its shares in JVco; and
- in the case of termination notice served for wilful and material default only, certain software materials would be released to Morrisons from escrow and Ocado shall grant to Morrisons a licence of the all of the IP necessary for Morrisons (or a successor services supplier) to supply the services equivalent to those supplied to Morrisons by Ocado under the Operating Agreement (the "**Termination Licence**").

If Ocado is the innocent party:

- on termination it shall acquire Morrisons' shares in JVco but shall not be required to acquire LMD; and
- it shall not grant Morrisons the Termination Licence and no materials will be released from escrow.

After the commitment to build the first new CFC

If, after the commitment to build the first new CFC, either party fails to meet its Key Obligation or certain other fundamental breaches occur (as described above), the innocent party may give notice to the other. On giving such a notice, the exclusivity provisions described below would fall away. However, on giving such notice, although certain of the Fees would scale back to reflect Morrisons.com's actual use of the Services, such failures and breaches would not (except if Ocado had procured a third party to acquire Morrisons' capacity of all relevant CFCs) afford either party a termination right prior to the end of the term.

If notice is given in respect of a wilful and material default by Ocado, the escrow materials would be released and the Termination Licence would be granted as described above.

Termination for insolvency

Either party may terminate the Operating Agreement with immediate effect on the insolvency of the other. On termination for Ocado's insolvency:

- the escrow materials will be released and the Termination Licence granted;
- Morrisons may acquire Ocado's shares in JVco; and
- Morrisons may require Ocado to assign the Lease to it.

On termination for Morrisons' insolvency, Ocado shall purchase Morrisons' shares in JVco.

2.6 Exclusivity

The parties undertook, for the duration of the Operating Agreement (but subject to release from this obligation as a result of breach as described above) the following in respect of exclusivity:

- Morrisons will only operate its online groceries solution in the Territory through Ocado; and
- Ocado will not provide online grocery services in the Territory to more than one other Competitor of Morrisons at any one time. That Competitor is currently itself.

There are certain exclusions from these provisions in respect of:

- the existing online operations of the Morrisons group; and
- the provision of services by Ocado to a person who subsequently becomes a Competitor if groceries comprise less than 10% of the turnover of the value of the services that Ocado provides to that person in the Territory.

2.7 Limitation on liability

Other than in respect of each party's payment or indemnity obligations and certain other customary exclusions, neither party shall be liable to the other in any one year:

- until the total value of all such claims exceeds £2 million (in which case the total amount of all such claims shall be recoverable); or
- for amounts in excess of £10 million.

2.8 Warranties and indemnities

The parties gave each other customary warranties.

Each party gave the other customary indemnities in respect of certain costs that the other may incur under TUPE, breaches of the other's confidentiality and breaches of competition law. Ocado also agreed to indemnify Morrisons on customary terms in respect of certain breaches of IP belonging to third parties.

2.9 Ownership of IP

All IP used in the provision of the Services shall remain the property of Ocado, other than IP developed solely for use in Morrisons.com's customer offering and the development of which is borne solely by Morrisons, which the parties shall own jointly.

PART VII ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names appear in paragraph 3 below, accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

The Company was incorporated and registered in England and Wales as a private limited company on 8 December 2009 with company number 7098618 and the name Ocado Group Limited. The Company reregistered as a public limited company and changed its name to Ocado Group plc on 23 June 2010. The principal legislation under which the Company operates is the Companies Acts and the regulations made thereunder.

The Company is headquartered in the United Kingdom with its registered office at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire AL10 9NE.

3. The Directors

The Directors of the Company are:

- Sir Stuart Rose, Non-Executive Chairman;
- David Grigson, Non-Executive Director and Senior Independent Director;
- Tim Steiner, Chief Executive Officer;
- Duncan Tatton-Brown, Chief Financial Officer;
- Jason Gissing, Commercial Director;
- Neill Abrams, Legal and Business Affairs Director;
- Mark Richardson, Operations Director;
- Ruth Anderson, Non-Executive Director;
- Robert Gorrie, Non-Executive Director;
- Jörn Rausing, Non-Executive Director;
- Douglas McCallum, Non-Executive Director; and
- Alexandra Mahon Non-Executive Director.

4. Directors' interests in Ordinary Shares

4.1 Holdings in Ordinary Shares

As at the date of this Circular, the beneficial interests of each Director in the share capital of the Company are as set out on page 60 of the 2012 Annual Report and Accounts. In addition Sir Stuart

Rose now holds an interest in a further 452,284 Ordinary Shares pursuant to the terms of the Chairman's Share Matching Plan, details of which are set out on page 62 of the 2012 Annual Report and Accounts.

4.2 Interests in Ordinary Shares held pursuant to incentive plans

ESOS

Details of the Company's employee share option scheme are set out on page 54 of the 2012 Annual Report and Accounts. As at the date of this Circular, the interests of the Directors in the employee share option scheme remain as set out on page 64 of the 2012 Annual Report and Accounts.

JSOS

Details of the Company's joint share ownership scheme are set out on page 54 of the 2012 Annual Report and Accounts. As at the date of this Circular, the interests of the Directors in the joint share ownership scheme remain as set out on page 65 of the 2012 Annual Report and Accounts.

Sharesave Scheme

Details of the Company's sharesave scheme are set out on page 54 of the 2012 Annual Report and Accounts. As at the date of this Circular, the interests of the Directors in the sharesave scheme remain as set out on page 66 of the 2012 Annual Report and Accounts.

5. Directors' service contracts and letters of appointment

Details of the Directors service contracts and letters of appointment are set out on pages 58 and 59 and 62 to 64 of the 2012 Annual Report and Accounts

6. Major interests in shares

Set out in the table below are the names of those persons (other than the Directors) who, so far as the Company is aware, are interested, directly or indirectly, in 3% or more of the total voting rights attaching to the issued Ordinary Shares as at 1 July 2013 (being the latest practicable date prior to the publication of this Circular):

Name of Ordinary Shareholder ⁶	Number of Ordinary Shares held	Percentage of the total voting rights ⁷
S. N. Roditi and associated holdings	61,512,060	11.1
The Nomad Investment Partnership L.P.	39,573,655	7.1
Generation Investment Management LLP	34,735,685	6.3
Appleby Trust (Jersey) Limited	32,476,700	5.9
Lansdowne Partners Limited being the General Partner of Lansdowne Partners Limited Partnership and Lansdowne Partners International Limited	35,144,035	5.6
Manning & Napier Advisors, LLC	27,908,011	5.0
FMR LLC ⁸	27,749,403	5.0
FIL Limited ⁹	30,380,004	4.9

⁶ If a direct shareholder holds as a nominee for an underlying indirect holder, the shareholder referred to in this table is the indirect holder.

⁷ Percentages have been rounded to one decimal place.

⁸ FMR LLC is the parent company of certain funds and other subsidiaries which have interests in Ordinary Shares. The number set out in this table is the aggregate number indirectly by FMR LLC together with these subsidiaries and funds.

⁹ FIL Limited is the parent company of certain funds and other subsidiaries which have interests in Ordinary Shares. The number set out in this table is the aggregate number indirectly by FIL Limited together with these subsidiaries and funds.

7. Related party transactions

Details of related party transactions:

- in respect of FY2010 are set out on pages 90 and 105 of the 2010 Annual Report and Accounts;
- in respect of FY2011 are set out on pages 113, 114 and 136 of the 2011 Annual Report and Accounts;
- in respect of FY2012 are set out on page 110, 111 and 124 of the 2012 Annual Report and Accounts; and
- in respect of H1 2013 are set out on page 19 of the Half Yearly Report.

Between 19 May 2013 and the date of this Circular there have been no related party transactions.

8. Material contracts

Details of the Transaction Agreements are set out in Part VI (Summary of the Principal Terms of the Arrangements) of this Circular.

9. Litigation

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have, or have had during the 12 months preceding the date of this Circular, significant effects on the Company's or the Retained Group's financial position or profitability.

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), which may have, or have had during the 12 months preceding the date of this Circular, significant effects on LMD's financial position or profitability.

10. Working capital

The Company and the Directors are of the opinion that, taking into account the proceeds of the Arrangements, the Retained Group has sufficient working capital available to it for its present requirements, that is, for at least the next twelve months from the date of publication of this Circular.

11. Consents

Goldman Sachs International has given, and has not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

Numis Securities Limited has given, and has not withdrawn, its consent to the inclusion in this document of the references to its name in the form and context in which they are included.

KPMG LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given, and not withdrawn, its written consent to the inclusion of its report on the unaudited pro forma financial information in Part IV (Unaudited Pro Forma Statement of the Net Assets of the Group) of this Circular and the other references to its name in this document, in the form and context in which they are included.

DTZ Debenham Tie Leung Limited is a member firm of the Royal Institution of Chartered Surveyors and has given, and not withdrawn, its written consent to the inclusion of its property valuation report set out in Part A of Part V (Valuation Reports) of this Circular and the other references to its name in this document, in the form and context in which they are included.

Charterfields Limited is a member firm of the Royal Institution of Chartered Surveyors and has given, and not withdrawn, its written consent to the inclusion of its MHE valuation report set out in Part B of Part V (Valuation Reports) of this Circular and the other references to its name in this document, in the form and context in which they are included.

12. Significant change

There has been no significant change in the financial or trading position of the Retained Group since 19 May 2013, being the end of the last financial period for which the Company has published interim financial information (the Half Yearly Report).

There has been no significant change in the financial or trading position of LMD since 19 May 2013, being the end of the last financial period for which the Company has published interim financial information (the Half Yearly Report).

13. Employees

LMD has no employees and no employees will transfer from the Group to the Morrisons group pursuant to the Arrangements.

14. Information incorporated by reference

The table below sets out the various information incorporated by reference into this Circular, so as to provide the information required pursuant to the Listing Rules.

Documents containing information incorporated by reference	Paragraph of this document which refers to the document containing information incorporated by reference	Where the information can be accessed by Ordinary Shareholders
Prospectus	Paragraph 7 of Part I (Letter from the Chairman of Ocado Group plc) Definition of "Prospectus" in Part VIII (Definitions)	www.ocadogroup.com/~media/Files/O/Ocado/Attachments/pdf/Ocado%20Prospectus.pdf
2010 Annual Report and Accounts	Paragraph 7 of Part VII (Additional Information)	www.ocadogroup.com/~media/Files/O/Ocado/pdf/Ocado_Annual_Report_2010.pdf
2011 Annual Report and Accounts	Paragraph 7 of Part VII (Additional Information)	www.ocadogroup.com/~media/Files/O/Ocado/pdf/Ocado-Annual-Report-FY11.pdf
2012 Annual Report and Accounts	Paragraphs 4.1, 4.2, 5 and 7 of Part VII (Additional Information)	www.ocadogroup.com/~media/Files/O/Ocado/pdf/AR-FY12-130313.pdf
Half Yearly Report	Paragraph 9 of Part I (Letter from the Chairman of Ocado Group plc) Paragraph 12 of Part VII (Additional Information)	http://www.ocadogroup.com/investor-centre/results-and-presentations/pr-2013.aspx

15. Sources of financial information

Unless otherwise stated, all financial information disclosed in this Circular has been extracted without material adjustment from the 2012 Annual Report and Accounts or the Half Yearly Report as the context so requires.

16. Valuation reports

Valuation reports in respect of the Dordon CFC and the MHE are set out in Part V (Valuation Reports) of this Circular. The sum of the valuations set out in those reports differs from the values ascribed to the Dordon CFC and the MHE pursuant to the Arrangements. This is primarily because the valuations were prepared on the basis of a “market value” (as described in more detail in the reports) for a non-specialist purchaser, whereas the Arrangements reflect a commercial agreement between the Group and Morrisons for continued specialist usage of the asset in the context of a long term relationship of which the Property Transaction comprises only part.

The parties agreed that the amounts ascribed to the Dordon CFC and the MHE pursuant to the Arrangements would reflect the Group’s actual (and recently) incurred costs in their acquisition and development. These costs reflect, amongst other things, the bespoke nature of the assets, being tailored to the unique requirements of the Ocado.com business and, in due course, the Morrisons.com business. A market valuation cannot, by its nature, take into account the particular and unique value of assets to their current user.

It should be noted that the rent payable by Ocado under the Lease (50% of which is reimbursed by Morrisons pursuant to the terms of the Operating Agreement) reflects the valuation ascribed to the Dordon CFC pursuant to the Arrangements and not the market value of Dordon CFC set out in the valuation reports.

17. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company (which is Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Herts. AL10 9NE) during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date of the General Meeting and until its conclusion:

- the memorandum and articles of association of the Company;
- the unaudited pro forma statement of the net assets of the Group, together with KPMG LLP’s report thereon;
- the property valuation report relating to the Dordon CFC prepared by DTZ Debenham Tie Leung Limited;
- the MHE valuation report prepared by Charterfields Limited;
- the 2010 Annual Report and Accounts;
- the 2011 Annual Report and Accounts;
- the 2012 Annual Report and Accounts;
- a redacted copy of the Operating Agreement;
- the Share Purchase Agreement;
- the Lease;
- the MHE Lease;
- the MHE Purchase Agreement; and
- the Shareholders’ Agreement.

PART VIII DEFINITIONS

The following terms have the following meanings throughout this document unless the context otherwise requires:

"2010 Annual Report and Accounts"	means the annual report and accounts of the Company in respect of FY2010;
"2011 Annual Report and Accounts"	means the annual report and accounts of the Company in respect of FY2011;
"2012 Annual Report and Accounts"	means the annual report and accounts of the Company in respect of FY2012;
"Affiliates"	means any company from time to time directly (i) Controlling, (ii) Controlled by, or (iii) under common Control with, that person;
"Arrangements"	means the overall arrangements contemplated by the Transaction Agreements;
"Board"	means the board of directors of the Company;
"CFC"	means a customer fulfilment centre, being a dedicated automated warehouse facility from which Ocado services either the Ocado.com business, the M.com business, or both;
"Companies Acts"	has the meaning given to it in section 2 of the Companies Act 2006;
"Company"	means Ocado Group plc, a public limited company incorporated in England and Wales with registered number 07098618 whose registered office is situated at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire AL10 9NE;
"Competitor"	means: (i) any of Waitrose, Asda Stores Limited, J Sainsbury plc, Tesco plc, Marks & Spencer Group plc, Lidl UK GmbH, Aldi Stores Limited, Iceland Goods Limited, Co-operative Group Limited and any of their respective Affiliates; or (ii) any entity, other than Morrisons, Ocado or their respective Affiliates, which directly or indirectly controls more than one per cent. of the UK grocery retail markets by sales (based on IGD definitions of the UK grocery retail markets) but excluding any institutional investor or investment entity that holds an interest in a grocery retailer for investment purposes;
"Completion"	means the completion by Morrisons of the acquisition of LMD and by JVco of the MHE in accordance with the terms of the Share Purchase Agreement and other relevant Transaction Agreements;

“Control”	means, in respect of a body corporate, the holding, or controlling the exercise, in each case directly or indirectly, of shares in that body corporate bearing the majority of the voting rights attaching to all the shares in that body corporate, or having the power directly or indirectly to control the composition of the board of directors or other managing body of that body corporate and “Controlling” and “Controlled” shall be construed accordingly;
“Directors”	means the directors of the Company;
“Disclosure and Transparency Rules”	means the Disclosure and Transparency Rules of the Financial Conduct Authority;
“Dordon CFC”	means the CFC located at Plot SW1, Phase 2 of Birch Coppice Business Park, Watling Street, Dordon;
“EBIT”	has the meaning given to it in paragraph 2.1 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“EBITDA”	means the operating profit/(loss) before interest (including interest on finance leases), taxation, depreciation, amortisation and impairment loss;
“Facility”	means the Credit Agreement between the Company, Ocado and Barclays Bank PLC, HSBC Bank PLC and Lloyds TSB Bank PLC dated 5 July 2010, as amended and restated on 25 March 2011, 18 November 2011, 24 November 2011 and 19 November 2012;
“Fees”	means the fees payable under the Operating Agreement;
“Form of Instruction”	means the form of instruction accompanying this Circular for use by members of the Ocado Share Account as described herein;
“Form of Proxy”	means the form of proxy accompanying this Circular for use by Shareholders as described herein;
“FSMA”	means the Financial Services Act 2000, as amended;
“FY2010”	means the Company’s financial year (being a period of 52 weeks) ending on 28 November 2010;
“FY2011”	means the Company’s financial year (being a period of 52 weeks) ending on 27 November 2011;
“FY2012”	means the Company’s financial year (being a period of 53 weeks) ending on 2 December 2012;
“General Meeting”	means the general meeting of the Company convened by the Notice or any reconvened meeting following any adjournment thereto;

“Goldman Sachs International”	means Goldman Sachs International, an unlimited company incorporated in England and Wales with registered number 2263951 whose registered office is at Peterborough Court, 133 Fleet Street, London EC4A 2BB;
“Group”	means the Company and its subsidiaries from time to time;
“H1 2013”	means the 24 weeks to 19 May 2013;
“Half Yearly Report”	means the half yearly report in respect of H1 2013 published by the Company on 2 July 2013;
“IP”	means intellectual property;
“IT”	means information technology;
“JVco”	means a joint venture company to be incorporated pursuant to the terms of the Transaction Agreements. JVco shall be owned 50:50 by Ocado and Morrisons for the purposes of purchasing, holding and leasing the MHE;
“Key Obligations”	has the meaning given to it in paragraph 2.4 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“Lease”	means the lease of Dordon CFC dated 15 May 2013 between LMD as landlord and Ocado as tenant, further details of which are set out in paragraph 1.2 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“Listing Rules”	means the rules made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000 (as amended);
“LMD”	means Last Mile Developments Limited, a company incorporated in England and Wales with registered number 07551306 whose registered office is at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire AL10 9NE;
“MHE”	means all mechanical handling plant and equipment and any other related assets and equipment located at the Dordon CFC which shall be used in the provision of the Services;
“MHE Lease”	means the lease of the MHE from JVco to Ocado to be entered into pursuant to the terms of the Share Purchase Agreement, further details of which are set out in paragraph 1.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“MHE Purchase Agreement”	means the agreement pursuant to which JVco will purchase the MHE from Ocado to be entered into pursuant to the terms of the Share Purchase Agreement, further details of which are set out in paragraph 1.4 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;

“Morrisons”	means Wm Morrison Supermarkets plc, a company incorporated in England and Wales with registered number 00358949 whose registered office is situated at Hilmore House, Gain Lane, Bradford, West Yorkshire BD3 7DL;
“Morrisons.com”	means the online grocery business of Morrisons;
“Notice”	means the notice of General Meeting set out at the end of this Circular;
“Numis Securities Limited”	means Numis Securities Limited, a company incorporated in England and Wales with registered number 02285918 whose registered office is at 10 Paternoster Square, London EC4M 7LT;
“Ocado”	means Ocado Limited, a company incorporated in England and Wales with registered number 03875000 whose registered office is situated at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire AL10 9NE. Ocado is a wholly-owned subsidiary of OHL;
“Ocado.com”	means the online grocery business of Ocado;
“OHL”	means Ocado Holdings Limited, a company incorporated in England and Wales with registered number 07148670 whose registered office is at Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire, AL10 9NE. OHL is a wholly-owned subsidiary of the Company;
“Operating Agreement”	means the operating agreement between Ocado, Morrisons and the Company dated 17 May 2013, further details of which are set out in paragraph 2 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“Ordinary Shares”	means the ordinary shares of two pence each in the capital of the Company;
“Property Transaction”	means: <ul style="list-style-type: none"> (i) the sale of LMD by OHL to Morrisons pursuant to the Share Purchase Agreement and lease of the Dordon CFC by LMD to Ocado pursuant to the Lease; and (ii) the sale of the MHE by Ocado to JVco pursuant to the MHE Purchase Agreement and its lease back to Ocado pursuant to the MHE Lease;
“Prospectus”	means the prospectus of the Company dated 6 July 2010 in respect of its application for listing on the Premium Listing segment of the Official List and to trading on the Main Market of the London Stock Exchange;
“R&D”	means research and development;
“Recurring IT Fee”	has the meaning given to it in paragraph 2.1 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;

“Resolution”	means the resolution for approval of the Arrangements set out in the Notice;
“Retained Group”	means the Company and its subsidiaries after Completion excluding, therefore, LMD;
“Services”	means the services to be provided by Ocado to Morrisons pursuant to the Operating Agreement;
“Share Purchase Agreement”	means the agreement between OHL, the Company and Morrisons relating to the sale and purchase of shares in LMD dated 17 May 2013, further details of which are set out in paragraph 1.1 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“Shareholder”	means a holder of Ordinary Shares;
“Shareholders’ Agreement”	means the agreement governing relationship between Ocado and Morrisons in respect of their shares in JVco, to be entered into pursuant to the terms of the Share Purchase Agreement;
“Spoke”	means the trans-shipment sites used for the intermediate delivery of Ocado.com’s or Morrisons.com’s customers’ orders;
“Termination Licence”	has the meaning given to it in paragraph 2.5 of Part VI (Summary of the Principal Terms of the Arrangements) of this Circular;
“Territory”	means England, Scotland and Wales;
“Transaction Agreements”	means the agreements effecting the Arrangements, being the Share Purchase Agreement, the Lease, the MHE Lease, the MHE Purchase Agreement, the Shareholders’ Agreement and the Operating Agreement;
“TUPE”	means the Transfer of Undertakings (Protection of Employment) Regulations 2006 as amended from time to time;
“Waitrose”	means Waitrose Limited, a company incorporated in England and Wales with registered number 99405 whose registered office is at 171 Victoria Street, London, SW1E 5NN; and
“Waitrose Agreements”	means the sourcing arrangements between Ocado and Waitrose and its Affiliates as described on pages 256 to 259 of the Prospectus.

NOTICE OF GENERAL MEETING



OCADO GROUP PLC

*(incorporated and registered in England and Wales under the Companies Act 2006,
registered number 7098618)*

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Ocado Group plc will be held at One Bunhill Row, London EC1Y 8YY on 18 July 2013 at 3:00 p.m. You will be asked to consider and, if thought fit, to pass the Resolution below. The Resolution will be proposed as an ordinary resolution and will be decided on a poll.

Capitalised terms used in this Notice shall have the same meaning as is given to them in the Circular of which this Notice forms part.

ORDINARY RESOLUTION

THAT:

The Arrangements on the terms and subject to the conditions set out in the Circular with such modifications (if any) as may be made to them in the manner specified below are hereby approved for the purposes of Chapter 10 of the Listing Rules and the Board of Directors of the Company be and is hereby authorised to conclude and implement the Arrangements in accordance with such terms and conditions and to make non-material modifications to and non-material variations, waivers and extension of any of the terms of the Arrangements and of any documents and arrangements connected with the Arrangements.

By order of the Board

Neill Abrams
Company Secretary and Legal and Business Affairs Director
2 July 2013

Registered Office: Titan Court, 3 Bishops Square, Hatfield Business Park, Hatfield, Hertfordshire AL10 9NE.

Registered in England and Wales No. 7098618

NOTES TO THE NOTICE OF MEETING

1. Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. **Members of the Ocado Share Account should refer to the procedure for submitting instructions referred to in paragraph 12 below.** A shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company. A proxy form which may be used to make such appointment and give proxy instructions accompanies this Notice (if you received this Notice in the post) or is available to download from www.ocadogroup.com. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact Capita Registrars:
 - by post at Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
 - by telephone on 0845 608 1476 (Calls cost 10 pence per minute plus network extras) or from outside the UK on +44 800 141 2954. Lines are open Monday to Friday, 9am till 5:30pm; or
 - electronically via www.ocadoshares.com.
2. To be valid any proxy form must be submitted:
 - by post or (during normal business hours only) by hand to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU;
 - electronically via www.ocadoshares.com (you will be asked to enter your Investor Code shown on your share certificate and agree to certain terms and conditions); or
 - in the case of shareholders holding their shares through CREST, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in paragraphs 8 to 11 below,by no later than 3:00 p.m. on 16 July 2013 (or, in the event of any adjournment, on the date which is 48 hours before the time of the adjourned General Meeting).
3. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
4. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
5. In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
6. Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
7. The return of a completed proxy form, other such instrument or any CREST Proxy Instruction (as described in paragraphs 8 to 11 below) will not prevent a member attending the General Meeting and voting in person if he/she wishes to do so.
8. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
9. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear

UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via www.euroclear.com/CREST). The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent, Capita Registrars, (ID RA10) by 3:00 p.m. on 16 July 2013. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

10. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
11. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
12. If you hold shares through the **Ocado Share Account**, you can instruct Capita IRG Trustees (Nominees) Limited how you want the votes in respect of your shares to be exercised at the General Meeting, either:
 - electronically via www.ocadoshares.com; or
 - by filling out a Form of Instruction and returning it by post or (during normal business hours only) by hand to Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU,

in both cases by no later than 3:00 p.m. on 15 July 2013 (or, in the event of any adjournment, on the date which is 72 hours before the time of the adjourned General Meeting). If you would prefer to attend, speak and vote at the General Meeting in person, or appoint someone else to attend the General Meeting and vote on your behalf, you must confirm this to Capita using the details provided at www.ocadoshares.com or on the Form of Instruction by no later than 3:00 p.m. on 15 July 2013 (or, in the event of any adjournment, on the date which is 72 hours before the time of the adjourned General Meeting). After 3:00 p.m. on 15 July 2013 (or, in the event of any adjournment, on the date which is 72 hours before the time of the adjourned General Meeting) you will no longer be able to:

- instruct Capita IRG Trustees (Nominees) Limited how you want the votes in respect of your shares to be voted;
 - register to attend the General Meeting in person; or
 - change your instructions either as to how you want the votes in respect of your shares to be voted or in order to attend the General Meeting in person.
13. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
 14. Any person to whom this Notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the shareholder by whom he/ she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the shareholder as to the exercise of voting rights.

15. The statement of the rights of shareholders in relation to the appointment of proxies in paragraphs 1 to 6 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by shareholders of the Company.
16. To be entitled to attend and vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), shareholders must be registered in the Register of Members of the Company at 6:00 p.m. on 16 July 2013 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned General Meeting). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.
17. As at 1 July 2013 (being the last practicable date prior to the publication of this Notice) the Company's issued share capital consists of 616,655,004 issued ordinary shares of 2p each admitted to trading. The Company does not hold any ordinary shares in treasury. Each ordinary share carries the right to one vote in relation to all circumstances at general meetings of the Company. Accordingly, the total voting rights of the Company as at 1 July 2013 are 616,655,004. Of these issued ordinary shares, 36,694,300 are held by Greenwood Nominees Limited mostly on behalf of Appleby Trust (Jersey) Limited, the independent company which is the trustee of Ocado's employee benefit trust (the "EBT Trustee"), as at 1 July 2013. The EBT Trustee has waived its right to exercise its voting rights and to receive dividends in respect of these 36,694,300 ordinary shares, although it may vote in respect of 23,516,705 ordinary shares which have vested under the JSOS and remain in the trust as at 1 July 2013, at the request of a participant.
18. Except as provided above, members who have general queries about the General Meeting should use the following means of communication (no other methods of communication will be accepted):
- calling: 0845 608 1476 (Calls cost 10 pence per minute plus network extras) or from outside the UK on +44 800 141 2954. Lines are open Monday to Friday, 9am till 5.30pm;
 - writing to: Capita Registrars, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; or
 - emailing: ocado@capitaregistrars.com.
- You may not use any electronic address provided either in this Notice or any related documents (including the proxy form) to communicate with the Company for any purposes other than those expressly stated.
19. Any member attending the General Meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the General Meeting but no such answer need be given if: (i) to do so would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information; (ii) the answer has already been given on a website in the form of an answer to a question; or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.
20. A copy of this Notice, and other information required by s311A of the Companies Act 2006, can be found at www.ocadogroup.com.

