

THIS DOCUMENT AND THE ACCOMPANYING FORM OF PROXY OR FORM OF INSTRUCTION ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION

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, 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 10:00 a.m. on 16 May 2019, 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 United Kingdom should seek appropriate advice before taking any action. The distribution of this Circular and any accompanying documents into jurisdictions other than the United Kingdom may be restricted by law. Any person not in the United Kingdom 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 7098618)

Proposed Arrangements with Marks and Spencer Group plc

and

Notice of General Meeting

Your attention is drawn to the letter from the Chairman of the Company, 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.

Notice of the General Meeting of the Company to be held at 10:00 a.m. on 20 May 2019 at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL is set out at the end of this Circular.

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, Link Asset Services:

- **by no later than 10:00 a.m. on 15 May 2019 in the case of members of the Ocado Share Account returning a Form of Instruction; and**
- **by no later than 10:00 a.m. on 16 May 2019 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 Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.

Further instructions relating to how you are able to vote are set out in the notes to the Notice of the General Meeting.

This document is a circular relating to the M&S 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, which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulatory Authority in the United Kingdom, is acting exclusively as sponsor for the Company and for no one else in connection with the M&S Arrangements and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the M&S Arrangements and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Goldman Sachs International or for providing advice in relation to the M&S 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 by FSMA or any other laws, Goldman Sachs International does not accept any responsibility whatsoever for the contents of this Circular, and no representation or warranty, express or implied, is made by Goldman Sachs International 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 M&S Arrangements. To the fullest extent permissible, Goldman Sachs International accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Circular or any such statement.

Centerview Partners UK LLP, which is authorised by and regulated by the Financial Conduct Authority in the United Kingdom, is acting exclusively for the Company as financial adviser and for no one else in connection with the M&S Arrangements and will not regard any other person (whether or not a recipient of this Circular) as a client in relation to the M&S Arrangements and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Centerview Partners UK LLP or for providing advice in relation to the M&S 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 Centerview Partners UK LLP by FSMA or any other laws, Centerview Partners UK LLP does not accept any responsibility whatsoever for the contents of this Circular, and no representation or warranty, express or implied, is made by Centerview Partners UK LLP 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 M&S Arrangements. To the fullest extent permissible, Centerview Partners UK LLP accordingly disclaims all and any responsibility or liability whether arising in tort, contract or otherwise (save as referred to above) which it might otherwise have in respect of this Circular or any such statement.

This Circular contains forward-looking statements relating to the Group, M&S and the M&S Arrangements.

Statements containing the words “intends”, “believes”, “anticipates”, “may”, “will”, “estimates”, “expects” and “outlook” 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 and because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by those forward-looking statements. The preceding sentence does not qualify the statement in paragraph 10 of Part VI (*Additional Information*) of this Circular. 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 Financial Conduct Authority, the Listing Rules and the Disclosure Guidance and Transparency Rules, the rules of the London Stock Exchange or by applicable law (including, without limitation, the Market Abuse Regulation (EU) No 596/2014).

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

Dated 26 April 2019

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Posting of this Circular	26 April 2019
Latest time and date for receipt of a Form of Instruction from members of the Ocado Share Account	10:00 a.m. on 15 May 2019
Latest time and date for receipt of Forms of Proxy from Shareholders	10:00 a.m. on 16 May 2019
Time and date of General Meeting	10:00 a.m. on 20 May 2019
Expected date of Completion	5 August 2019

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 and members of the Ocado Share Account.

PART I
LETTER FROM THE CHAIRMAN OF OCADO GROUP PLC

Registered office:
Buildings One & Two Trident Place
Mosquito Way
Hatfield
Hertfordshire
United Kingdom
AL10 9UL

Directors:

Lord Rose *Chairman*
Tim Steiner OBE *Chief Executive Officer*
Duncan Tatton-Brown *Chief Financial Officer*
Mark Richardson *Chief Operations Officer*
Luke Jensen *Chief Executive Officer, Ocado Solutions*
Neill Abrams *Group General Counsel and Company Secretary*
Ruth Anderson *Non-Executive Director*
Andrew Harrison *Non-Executive Director*
Douglas McCallum *Non-Executive Director*
Emma Lloyd *Non-Executive Director*
Jörn Rausing *Non-Executive Director*
Julie Southern *Non-Executive Director*

26 April 2019

Dear Shareholders and members of the Ocado Share Account,

Arrangements with Marks and Spencer Group plc (“M&S”)

1. Introduction

On 27 February 2019, the Company announced that it had entered into certain arrangements with certain members of the M&S Group, the effects of which are to:

- dispose of 50 per cent. of our UK retail business through the disposal of 50 per cent of. the entire issued share capital of Ocado Retail to M&S Holdings (a wholly-owned subsidiary of M&S) for a total consideration of up to £750 million, comprising an initial payment of £562.5 million in cash and deferred consideration of up to £187.5 million (plus interest) in cash upon the satisfaction of certain financial and operating conditions (this arrangement being referred to in this Circular as the Disposal); and
- establish a 50/50 joint venture arrangement with M&S Holdings in relation to Ocado Retail (this arrangement being referred to in this Circular as the Joint Venture).

Completion of the Disposal and the establishment of the Joint Venture are subject to the satisfaction of the Conditions, including the approval of Shareholders, as set out in further detail below.

The Joint Venture will be supported by certain arrangements, pursuant to which:

- OSL will provide Ocado Retail with access to the Ocado Smart Platform (being the mechanical handling equipment at the centralised CFCs and the integrated e-commerce and fulfilment software platform) pursuant to a Solutions Agreement. This agreement will have a fixed term for each existing CFC and a term to be agreed for each future CFC (expected to be 25 years);

- OOL will provide Ocado Retail with certain operating, IT and transitional services pursuant to an Operating Agreement. This means that OOL will continue to operate the logistics of, and certain other elements of, Ocado Retail's business. The term of the Operating Agreement will be fixed according to each service to be provided to Ocado Retail; and
- M&S plc will grant Ocado Retail the exclusive right to sell M&S own-label grocery products online in the UK and the Republic of Ireland and non-exclusive rights to sell other M&S own-label products online in those territories pursuant to a Sourcing and Branding Agreement. The term of the Sourcing and Branding Agreement will be at least 15 years.

The Disposal and the Joint Venture, together with the transactions contemplated by the Solutions Agreement, the Operating Agreement and the Sourcing and Branding Agreement and certain other associated arrangements as described below, are referred to in this Circular as the M&S Arrangements.

In connection with the proposed M&S Arrangements, on 26 February 2019 the Group served a notice to terminate the sourcing arrangements that it has with Waitrose (such arrangements being referred to in this Circular as the Waitrose Arrangements), to enable the Joint Venture to sell M&S own-label products online by no later than 1 September 2020.

The Disposal and the Joint Venture together constitute a class 1 transaction under the Listing Rules. Accordingly, Completion under the Share Purchase Agreement and entry into the other M&S Arrangements is conditional on, among other things, receiving the approval of Shareholders. Such approval will be sought at a General Meeting of the Company to be held at 10:00 a.m. on 20 May 2019 at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. 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 M&S Arrangements

2.1 Background

Ocado Retail

Ocado Retail 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 a number of CFCs in the UK. Online supermarket Ocado.com was established in 2000. Covering geographies comprising 74 per cent. of UK households, every shopping bag is carefully packed in one of three CFCs using market-leading software and technology. Customer orders are then delivered to customers, either directly from the CFCs or via a network of regional Spokes. With award-winning mobile apps, Ocado Retail today delivers over 50,000 products, including big-name brands, a range of Ocado Retail own-brand products and a growing non-food selection (including through its online pet store, Fetch.co.uk).

Termination of the Waitrose Arrangements

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

Over the past few years, the Board has been considering the sourcing options available to Ocado Retail for the following reasons:

- the Board was mindful of the fact that the Waitrose Arrangements were scheduled to expire in September 2020 and could terminate earlier, requiring the Board to explore new sourcing partnerships in the event that the Waitrose Arrangements terminated;
- Waitrose had been continuing to invest in, and grow, its online business – Waitrose.com – over the past few years, and Waitrose had been indicating that it intended to further develop and expand Waitrose.com. As such, the Board believed that there was no longer a clear alignment of interests between Ocado Retail and Waitrose (as there had been when Ocado Retail: (i) was first established with the John Lewis Partnership (and subsequently the John Lewis Pension Fund) as its largest shareholder; and (ii) was the key online route to market for Waitrose grocery products);
- although the sourcing of third-party branded products has formed a key part of Ocado Retail's relationship with Waitrose, Ocado Retail is no longer as reliant on Waitrose's purchasing logistics for branded products as it had been when Ocado Retail was first established; and
- the Waitrose Arrangements place various constraints on the Group in relation to the areas of product sourcing and product range, namely that, in each quarter: (i) at least 80 per cent. of Ocado Retail's sales of third party-branded groceries are required to have been sourced through Waitrose; and (ii) no more than 30 per cent. of Ocado Retail's net grocery sales of Waitrose own-label and Ocado own-label groceries are permitted to comprise net sales of Ocado own-label groceries. These constraints restrict the growth potential and profitability of Ocado Retail.

M&S Arrangements

The Board believes that the proposed M&S Arrangements will benefit existing and new customers, colleagues, suppliers and Shareholders. The Joint Venture, which will trade as Ocado.com and which will be the exclusive online route to market for M&S and Ocado own-label grocery products in the UK and the Republic of Ireland, will combine the complementary strengths and assets of the Group and the M&S Group and will help ensure that the interests of the Group and the M&S Group remain aligned.

M&S is one of the UK's leading retailers with a strong heritage of brand values and customer relationships. M&S operates a family of businesses, including food, clothing, home and other retail businesses under the M&S own-brand model. M&S has stated publicly that it is committed to a transformation programme to create a profitable, growing family of businesses within three to five years, bound together not only by shared sites, but by a common consumer brand, employment values, technology and customer data. In the first phase of its plan, M&S is focused on restoring the basics of its organisation and infrastructure to enable growth in future years.

M&S has a strong, high-quality own-label food and beverage range. When combined with Ocado Retail's existing range of own-label and third party branded products, Ocado Retail will continue to be able to offer over 50,000 products to consumers with greater flexibility to broaden and deepen that range.

In addition, prior to the announcement of the M&S Arrangements the Group conducted market research on customer shopping habits, the results of which indicated that the M&S brand and M&S products are viewed favourably by the Group's existing customers and very favourably by M&S's UK food customers who, to date, have not had a meaningful online route to purchasing M&S grocery products.

Ocado Retail will sell M&S products through Ocado.com by the earlier of: (i) 1 September 2020; (ii) any earlier date on which the Waitrose Arrangements terminate in accordance with their terms before 1 September 2020; and (iii) any earlier date which may be agreed by Waitrose, M&S and Ocado Retail (the earliest of each such dates being referred to in this Circular as the Switchover Date). From the Switchover Date, pursuant to the Sourcing and Branding Agreement, M&S will provide or procure the provision of its own-label products to Ocado Retail at cost and Ocado Retail will have the exclusive right to sell M&S's full range of own-label food and beverage products online in the UK and the Republic of Ireland and non-exclusive rights to sell M&S's general merchandise products online.

The Sourcing and Branding Agreement will replace Ocado Retail's current sourcing agreement with Waitrose on the Switchover Date; it will also contain fewer constraints on product sourcing and product range than those which applied under the Waitrose Arrangements. From the Switchover Date, Ocado Retail will no longer incur sourcing, supply and product development fees payable to Waitrose, which were over £15 million in FY18. The sourcing and supply services to be provided by M&S to Ocado Retail will be at cost with no additional margin payable to M&S. In addition, Ocado Retail will pay M&S at cost for any product development where Ocado Retail requests M&S's assistance with the development of new products.

The M&S Arrangements are significant to the Group as they also offer the opportunity to grow the Group's technology services division and evolve the Group's technology strategy. The Solutions Agreement will result in Ocado Retail becoming one of Ocado Solutions' largest partners and will provide Ocado Retail with full access to Ocado Solutions' proprietary technology to continue to deliver a compelling online grocery retail offer. The Group will also retain a direct interest in Ocado Retail, enabling it to continue to bring its deep knowledge of Ocado Retail's online business to the operation of its Solutions Business world-wide.

With more than 15 years at the forefront of innovation and success in grocery ecommerce, the M&S Arrangements further cement Ocado Solutions as a global leader in the provision of end-to-end ecommerce grocery solutions. The Joint Venture is the next step in the evolution of the Group's strategy, creating a new scale partner for Ocado Solutions, with strong embedded growth through a commitment on the part of the Joint Venture to order capacity equivalent to approximately a further eight CFCs over the next 12 years.

Ocado Solutions will retain the ability to test new technology for the benefit of Ocado Retail's customers as well as Ocado Solutions' partners.

The Board believes, therefore, that the M&S Arrangements are in the best interests of the Group and its Shareholders by presenting an attractive opportunity for the long-term growth of Ocado Retail while making significant resources available to the Group to grow and expand the Solutions Business.

2.2 Key reasons for the M&S Arrangements

The grocery retail sector is undergoing significant and rapid change as customer expectations evolve and as spending shifts online. As a result of the M&S Arrangements, Ocado Retail will continue to be well positioned to meet consumer demands as an online shopping destination of choice by:

- offering consumers, for the first time at any significant scale, the opportunity to buy M&S own-label products within a full supermarket product range;
- providing M&S's and the Group's existing customers and other consumers with the opportunity to buy a full supermarket product range online, including M&S own-label products and Ocado own-label products, with Ocado Retail's high fulfilment standards;
- covering geographies comprising 74 per cent. of UK households with the opportunity for, and expectation of, coverage growth;

- ensuring customers have access to developments in the Group's industry-leading services, including the potential roll-out of Ocado Solutions' new immediacy solution, Zoom, which fits well with M&S's well-established convenience and prepared food offerings;
- continuing to be a test-bed for Ocado Solutions' innovations, allowing Ocado Retail to benefit from the early adoption of new and evolving technologies developed by Ocado Solutions; and
- presenting an enhanced market opportunity for Ocado Retail's suppliers, with strong growth prospects.

Accordingly, the Board believes that the M&S Arrangements present an attractive opportunity to the Group since they will:

- support the long-term growth of Ocado Retail;
- continue to promote the virtuous circle between the growth of Ocado Retail and of Ocado Solutions; and
- strengthen the Group's balance sheet and cash flows, allowing for the ongoing investment in Ocado Solutions.

3. Principal Terms of the M&S Arrangements

A detailed description of the terms of the Transaction Agreements is set out in Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular.

The M&S Arrangements (excluding the Disposal) are all conditional on the Disposal becoming unconditional and taking place. At the time at which the Disposal becomes effective, all of the other M&S Arrangements will be entered into and become effective. Except in respect of the Share Purchase Agreement, which was entered into on 27 February 2019, none of the M&S Arrangements will be entered into or become effective if the Disposal does not complete. The Disposal itself is conditional on Shareholder approval, plus the satisfaction or waiver of the other conditions as described in further detail in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*).

If the Resolution is not passed by the Shareholders at the General Meeting (or any adjournment or postponement thereof), it should be noted that certain cost coverage fees may be payable by the Company to M&S Holdings. These are described in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular.

3.1 Disposal

The entire issued share capital of Ocado Retail is currently held by OHL. Under the Share Purchase Agreement, OHL will, subject to the satisfaction of the Conditions, sell 50 per cent. of its shares in Ocado Retail to M&S Holdings for an initial consideration amount of £562.5 million in cash on Completion. Certain deferred consideration amounts will be paid at later dates if the deferred consideration trigger events occur, giving a total consideration amount of £750 million in cash. The aggregate amount of deferred consideration of £187.5 million (plus interest) is allocated across three different deferred consideration triggers and, in each case, is required to be paid after the occurrence of each such trigger – together with an amount of interest calculated on a daily basis at the rate of 4 per cent. per annum and compounded annually from Completion to the date of payment – as follows:

- £15.625 million, if, on or before 30 November 2023, the capacity utilised in the Erith CFC meets an agreed threshold for a continuous period of three months;

- £15.625 million, if and when the first delivery to a customer is made from the next CFC to be established for use by the Company (excluding any facilities developed as replacements for the Andover CFC); and
- £156.25 million, if Ocado Retail's adjusted EBITDA for the 12 months ending on the closest Sunday to 30 November 2023, as adjusted by adding to that amount certain fees paid by Ocado Retail, reaches or exceeds an agreed amount which is 80 per cent. of the amount Ocado Retail is currently forecasting for that period.

Both the Company and M&S currently expect that the deferred consideration trigger events will occur including, where applicable, within the required timeframes under the Share Purchase Agreement.

The Share Purchase Agreement also contains conditions to Completion, being:

- Shareholder approval for the M&S Arrangements (as contemplated by this Circular);
- approvals under the Ocado Facility and the £250 million Ocado Notes to the extent required (or, respectively, cancellation and repayment to the extent required) in order to: (i) enable the relevant shares in Ocado Retail to be transferred to M&S Holdings free from any encumbrances; and (ii) release Ocado Retail from any obligation or liability under the Ocado Facility and the £250 million Ocado Notes;
- completion of the Separation in accordance with the terms of the Share Purchase Agreement; and
- the UK Competition and Markets Authority having not (among other things) requested the submission of a merger clearance filing or given notice that it is commencing a phase 1 review, in each case, as at the date on which all other conditions are satisfied or waived, or, if it does any of the above, approval by it.

As part of the Separation to be implemented prior to the completion of the Disposal and to create the Joint Venture Perimeter:

- OHL will transfer Fetch to Ocado Retail (and Fetch will therefore be included as part of the Disposal);
- the Group will transfer certain assets and liabilities (including its van fleet and its van finance leases) to Ocado Retail; and
- certain employees of the Group will also transfer to Ocado Retail.

OHL will, however, not transfer Fabled to Ocado Retail (and Fabled will therefore not be included as part of the Disposal). The Group will also not transfer any assets or liabilities to Ocado Retail which are:

- required by it to enable it to provide services to Ocado Retail pursuant to the Solutions Agreement and/or Operating Agreement;
- shared with Morrisons; or
- otherwise not within the Joint Venture Perimeter.

3.2 Joint Venture

OHL, M&S Holdings and Ocado Retail (among others) will enter into the Shareholders' Agreement at Completion. The key terms of the Shareholders' Agreement are that:

- OHL and M&S Holdings will each be permitted to appoint two directors to the board of Ocado Retail;
- OHL will have certain tie-breaking rights in relation to any deadlock matter (following the exhaustion of customary deadlock procedures) which arises in respect of: (i) the approval of Ocado Retail's business plan and budget; and (ii) the appointment or removal of the chief executive officer of Ocado Retail. As OHL will have these tie-breaking rights, the Company will continue to consolidate Ocado Retail in the financial statements of the Group. OHL will benefit from these rights for a period commencing on Completion and between five and six years later, following which M&S Holdings may elect to enjoy such rights thereafter (and, as a result of such election, consolidate Ocado Retail in its accounts); and
- subject to certain exceptions, neither OHL nor M&S Holdings will be permitted to transfer its shares in Ocado Retail prior to the fifth anniversary of Completion. After this time, OHL or M&S Holdings may decide to exit from Ocado Retail by following the procedures set out in the Shareholders' Agreement. From the tenth anniversary of Completion, either OHL or M&S Holdings will be permitted to trigger an initial public offering of Ocado Retail (or a new holding company of Ocado Retail) in which both of them would be required to dispose of an equal proportion of their shares in Ocado Retail, so as to ensure a public markets "free float" of between 30 and 50 per cent. on such initial public offering becoming effective.

3.3 Key Supporting Agreements

Solutions Agreement

OSL and Ocado Retail will enter into the Solutions Agreement at Completion. The key terms are that:

- Ocado Retail will be obliged to place orders for further modules of capacity (equivalent to approximately a further eight CFCs over the next 12 years) in accordance with an agreed roll-out programme;
- under the Solutions Agreement, OSL will guarantee to Ocado Retail the minimum ultimate capacity of each CFC using the Ocado Smart Platform, subject to ramp-up periods and specified operational metrics. In consideration for this, Ocado Retail will pay to Ocado a capacity fee per module of capacity;
- a design and set-up fee is payable by Ocado Retail to OSL per CFC, plus an additional amount per module of ultimate module capacity allocated to Ocado Retail (subject to indexation);
- OSL will be required to provide the OSP for fixed terms for each CFC site, subject to certain early termination rights. The terms in relation to the existing sites are based on the unexpired lease term or equivalent. Ocado Retail will be required to use reasonable endeavours to obtain a term of 25 years for each new site, but if Ocado Retail is only able to secure a site for a shorter period, the parties to the Solutions Agreement will be required to agree an adjustment to the fees (or service levels and/or other relevant provisions of the Solutions Agreement) to ensure that there is no adverse economic impact for OSL; and
- the Solutions Agreement will include exclusivity restrictions on Ocado Retail's ability to deal with third parties. During the period in which the exclusivity restriction apply, OSL will agree not

to provide OSP or any substantially similar product or service to any competitor of Ocado Retail for the purpose of carrying on an online grocery retail business in the UK and the Republic of Ireland (provided that this restriction will not apply to OSL's pre-existing relationship with Morrisons).

As described above, the entry by Ocado Retail into the Solutions Agreement will create a new scale partner for Ocado Solutions, which the Board expects will result in strong embedded growth through Ocado Retail's commitment to place orders for further modules of capacity.

Operating Agreement

OOL and Ocado Retail will enter into the Operating Agreement at Completion for the provision by OOL of certain third party logistics, operational, transitional and IT services to Ocado Retail.

The fees for each Service are to be calculated as follows:

- in respect of the Operating Services, at cost plus a management fee;
- in respect of the IT services, a fixed price to be agreed, designed to reflect the anticipated cost price; and
- in respect of the Transitional Services, at cost with no management fee payable, save where Ocado Retail chooses to extend the term of a transitional service, in which case a management fee will be payable in addition.

Sourcing and Branding Agreement

A Sourcing and Branding Agreement will be entered into by Ocado Retail and M&S plc at Completion, with the key obligations taking effect from the Switchover Date. The key terms are that:

- Ocado Retail will be given the exclusive right to use online channels to sell M&S own-label grocery products in the UK and the Republic of Ireland, both for delivery to, and collection by, Ocado Retail customers (but excluding certain flowers, wine, hampers and "food-to-order" products). Ocado Retail will also be granted non-exclusive rights to do the same with respect to the rest of M&S's own-label range (including in relation to those certain flowers, wine, hampers and "food-to-order" products mentioned in the preceding sentence);
- the sourcing and supply services to be provided by M&S plc will be at cost with no additional margin payable to M&S plc; and
- either party will have the right to terminate the Sourcing and Branding Agreement on or after the 15th anniversary of the Switchover Date, on 36 months' notice. Both parties will also have additional customary early termination rights.

4. Financial effects of the M&S Arrangements

4.1 Explanation of Completion cashflows

On Completion, the Group will receive £562.5 million as the initial cash consideration for the Disposal.

4.2 Summary of the financial effects of the M&S Arrangements

Your attention is drawn to Part IV (*Unaudited Pro Forma Financial Information*) of this Circular, which contains the unaudited pro forma income statement and the unaudited pro forma net assets statement of the Group. As the Group will continue to consolidate the Retail Business within the Joint Venture for at least five (and up to six) years from Completion, the pro forma financial information has been prepared on this basis and does not reflect the future potential deconsolidation.

As illustrated by the Pro Forma Financial Information set out in Part IV (*Unaudited Pro Forma Financial Information*) of this Circular, hypothetically, had Completion occurred on 4 December 2017, the pro forma loss after tax of the Group for the 52 weeks ended 2 December 2018 would have been £45.0 million and the pro forma net assets of the Group would have been £1,289.2 million.

5. Use of Proceeds

As described above, on Completion of the Disposal the Group will receive £562.5 million as the initial consideration for the Disposal.

The cash received:

- will give the Group the option to develop and grow the business carried out by Ocado Solutions, enabling it to continue to expand within the UK and internationally (subject to the exclusivity provisions described in paragraphs 3.1 and 3.3 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular);
- may be used to redeem, retire or repurchase all or a portion of the £250 million Ocado Notes, although no decision on any such action has been made by the Board; and
- will otherwise be used for general corporate purposes.

6. Waitrose

Since the Company announced the M&S Arrangements, it has maintained a regular and cordial relationship with Waitrose and has engaged in regular discussions with the Waitrose team. During those discussions, the Company has not received any indication from Waitrose to suggest that Waitrose intends to terminate the Waitrose Arrangements with effect from a date which is earlier than 1 September 2020, or otherwise intends to disrupt its performance under the Waitrose Arrangements.

7. Morrisons and other clients of Ocado Solutions

The M&S Arrangements will not have a negative impact on the Group's arrangements with Morrisons or the other clients of Ocado Solutions.

As described above, the Group will continue to retain an interest in Ocado Retail for some time, enabling it to continue to learn from the online grocery business operated by Ocado Retail while also having available significant additional resources for investment in its Solutions Business for the continuing benefit of all the clients of Ocado Solutions.

8. Andover CFC

On 19 March 2019, the Company published a trading update for the 13 weeks to 3 March 2019 (the "**Q1 Trading Update**") which noted that:

- the Board is currently undertaking a thorough examination of the causes of the fire at CFC 3 in Andover, which began in the early hours of 5 February 2019;
- the initial assessment of the reasons for the fire gives the Board confidence that, going forward, there are no significant implications for the risk profile of the Group's assets or the viability of the Group's model, and therefore for either Ocado Retail or the rest of the Group;
- all efforts are being made to minimise the disruption to consumers, including by opening a temporary Spoke in Andover;

- the Group has plans that it is working on to provide more CFC capacity (which include growing the capacity in the Erith CFC faster than envisaged); and
- an analysis of the optimum solutions for rebuilding CFC 3 has begun. The Company will inform the market in due course on its plans to replace capacity in both the short and medium term and the impact that these plans will have on Ocado Retail's target for growth in its revenue by 10 to 15 per cent in 2019.

Further assessment of the reasons for the fire at CFC 3 has since been undertaken by the Company, its insurers, FM Global, and the Hampshire Fire Service. The conclusion reached is that the cause of the fire at CFC 3 was an electrical fault at one of the first generation battery charging units at the edge of the ambient storage grid which caused the plastic lid on the top of a grocery carrying robot (a “bot”) to catch alight.

The Company has therefore undertaken a number of remedial actions intended to eliminate the risk of such an event occurring again which have included the introduction of additional localised smoke detectors and the removal of the plastic lid on its bots. This lid serves no practical purpose and its removal has not impacted the efficiency of the bots in any way. The Company also intends to add heat sensors in the ambient product storage grid which are in addition to the existing sensors in the chilled storage grid. In addition, the first generation battery charging units were used only at CFC 3 and not in any other CFC.

As set out in the Q1 Trading Update, the Company's assessment of the reasons for the fire at CFC 3 gives the Board confidence that, going forward, there are no significant implications for the risk profile of the Group's assets or the viability of the Group's model, and therefore for either Ocado Retail or the rest of the Group.

9. Current trading and prospects

The Q1 Trading Update included the following summary of the significant trends in the financial performance of the Group for the 13 weeks to 3 March 2019:

- growth in revenue for Ocado Retail of 11.2 per cent, which was impacted by the fire at CFC 3 in Andover (equivalent to 1.2 per cent. of sales for this period);
- strong underlying growth in average orders per week, with average order size slightly lower; and
- continued progress ramping the Erith CFC, which is now processing nearly 37,000 orders per week.

On 26 March 2019, the Company announced that it had entered into an agreement with Coles Group Limited (“Coles”), pursuant to which Coles would partner with Ocado Solutions to develop its online grocery business in Australia using the Ocado Smart Platform. The announcement noted that Coles, one of Australia's largest retailers, and the Company had agreed to operate two CFCs, one in Sydney and one in Melbourne, and that these facilities are expected to be operational within four years.

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 M&S Arrangements, please refer to Part II (*Risk Factors*) of this Circular.

11. General Meeting

A General Meeting is being convened at 10:00 a.m. on 20 May 2019 at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL 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 M&S Arrangements be approved and that the Directors be authorised to implement them. The M&S 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 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, Link Asset Services, by no later than 10:00 a.m. on 15 May 2019 in the case of members of the Ocado Share Account returning a Form of Instruction and by no later than 10:00 a.m. on 16 May 2019 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 Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF.

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 10:00 a.m. on 16 May 2019. 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 Centerview Partners UK LLP, consider the M&S 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 Centerview Partners UK LLP 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 insofar as they are able to control or direct the exercise of the voting rights attaching to the relevant Ordinary Shares.

Those Directors with direct legal and/or beneficial interests in the Company's share capital have provided irrevocable undertakings to the Company that they will vote (or, as far as they are able, procure that votes are cast) in favour of the M&S Arrangements. These irrevocable undertakings relate to 32,622,862 Ordinary Shares in aggregate, representing approximately 4.7 per cent. of the existing issued share capital of the Company.

Yours faithfully,



Lord 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 M&S Arrangements for Shareholders to consider.

The risks described below relate only to the M&S 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 M&S 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 M&S Arrangements

1.1 Realisation of perceived benefits of the M&S Arrangements

General

The Board believes that the creation of the Joint Venture and the entry by the Group into the M&S Arrangements supporting the Joint Venture are in the best interests of the Group and its Shareholders, and are justified by the expected benefits described in paragraph 2.2 of Part I (*Letter from the Chairman of Ocado Group plc*). However, these expected benefits may not be achieved, or may take longer than expected to realise, and other assumptions upon which the Board had determined the terms of the M&S Arrangements may prove to be incorrect. To the extent that the anticipated benefits of the M&S Arrangements are not achieved, or take longer than expected to achieve, the results of the operations and the financial condition of the Group may suffer, which may materially and adversely affect the Company's share price.

Deferred consideration

An amount of up to £187.5 million will become payable by M&S Holdings to OHL under the Share Purchase Agreement if certain financial and operational triggers are achieved. The amount of deferred consideration is allocated across three different deferred consideration triggers and, in each case, is required to be paid after the occurrence of each such trigger – together with an amount of interest calculated on a daily basis at the rate of 4 per cent. per annum and compounded annually from Completion to the date of payment.

Although both the Company and M&S expect that these triggers will be achieved, it is possible that some or all of these triggers may not be achieved (including as a result of certain matters which are outside the control of the Group, such as: (i) underperformance by the management, employees and/or other personnel who are engaged in the business carried out by Ocado Retail; and (ii) sustained price deflation of food or other products sold by Ocado Retail).

It is also possible that, even if the deferred consideration triggers are achieved, at the time at which the relevant amount of deferred consideration is due for payment to OHL by M&S Holdings, both M&S Holdings and its guarantor under the Share Purchase Agreement, M&S plc, may not be able to pay the required amounts to OHL. Other than the unsecured guarantee provided by M&S plc, the deferred consideration amounts do not benefit from any security.

The M&S Group has indebtedness (primarily comprising unsecured bonds, bilateral facilities and finance leases), and its ability to make payments on and refinance its indebtedness and to fund working capital, capital expenditures and other expenses and payments (including the deferred

consideration) will depend on, among other things, its future operating performance and ability to generate cash from operations, as well as the prevailing financial and economic conditions. In both circumstances described above, the consideration ultimately received by OHL for the Disposal would be lower than anticipated.

Solutions Agreement

The obligations of Ocado Solutions under the Solutions Agreement are set out in further detail in paragraph 3.1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular. If Ocado Solutions fails to meet its obligations under the Solutions Agreement, either by significantly failing to meet the required service levels thereunder or by failing to deliver the new CFCs or capacity as ordered, this may result in the occurrence of one or more of the following:

- OSL receiving a lower amount of fees from Ocado Retail;
- Ocado Retail being less profitable;
- the deferred consideration triggers under the Share Purchase Agreement (as described in further detail in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) not being met;
- OSL losing the benefit of the exclusivity protections afforded to it under the Solutions Agreement, as described in further detail in paragraph 3.1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular; and/or
- OSL having to pay damages for a successful claim for breach of contract brought against it.

In addition:

- the fees payable to OSL under the Solutions Agreement are index-linked to mitigate the impact of inflation. If Ocado Solutions' cost base rises at a greater rate than the rate at which the relevant measure of inflation is rising, the Solutions Agreement will be less profitable than anticipated; and
- certain costs incurred by OSL in providing OSP are incurred in currencies other than sterling. Unanticipated and unhedged exchange rate fluctuations could therefore adversely impact net profits earned by OSL under the Solutions Agreement.

The occurrence of any of the above events may have a material adverse effect on the Group's business and prospects.

Operating Agreement

Under the Operating Agreement, OOL charges for the services provided by it on a cost-plus basis. If OOL fails to accurately record and charge through all of its own relevant costs, it will not realise the anticipated value of the Operating Agreement and, because it will have incurred more expenditure in these circumstances, this may have a material adverse effect on the Group's business and prospects.

1.2 Waitrose

In connection with the proposed M&S Arrangements, on 26 February 2019 the Company served a notice to terminate the Waitrose Arrangements, such that Ocado Retail will be selling M&S own-label products online by the earlier of: (i) 1 September 2020; (ii) any earlier date on which the Waitrose Arrangements terminate in accordance with their terms before 1 September 2020; and (iii) any earlier

date which may be agreed by Waitrose, M&S and Ocado Retail (the earliest of each such dates being referred to in this Circular as the Switchover Date). Since the Company announced the M&S Arrangements, it has maintained a regular and cordial relationship with Waitrose and has engaged in regular discussions with the Waitrose team. During those discussions, the Company has not received any indication from Waitrose to suggest that Waitrose intends to terminate the Waitrose Arrangements with effect from a date which is earlier than 1 September 2020, or otherwise intends to disrupt its performance under the Waitrose Arrangements.

Notwithstanding the above, given the M&S Arrangements, Waitrose may be more likely to terminate the Waitrose Arrangements earlier than 1 September 2020, in which case the M&S Arrangements will become effective on that earlier termination date (although the Board currently does not expect Waitrose to do this). However, even if Waitrose were to terminate the Waitrose Arrangements earlier than 1 September 2020, the Board does not believe that the risk of such termination presents a significant risk to the Group, as M&S plc will be ready to start supplying Ocado Retail with products at an earlier date and the Group already has direct relationships with a significant majority of its existing suppliers.

However, the M&S Arrangements, and even the prospect of them, may harm the working relationship between Waitrose and Ocado Retail. Accordingly, Waitrose may elect to operate to a minimum level of performance under the Waitrose Arrangements, rather than as a continuing long-term supplier of the Ocado.com business (although the Board does not currently expect Waitrose to do so). Nevertheless, a deterioration in the level to which Waitrose performs its obligations under the Waitrose Arrangements, before the time when the M&S Arrangements can commence under the terms of the Waitrose Arrangements, may have an adverse effect on the Group's product offering and financial condition.

1.3 Exclusivity provisions of the Solutions Agreement and the Sourcing and Branding Agreement

The exclusivity provisions contained in the Solutions Agreement (which apply to Ocado Solutions) and the Sourcing and Branding Agreement (which apply to Ocado Retail) are described in paragraphs 3.1 and 3.3 respectively of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular. The Board believes that agreeing these restrictions was beneficial to the Group (particularly in the case of the Sourcing and Branding Agreement, since that agreement also imposes exclusivity obligations on M&S plc); however, there are certain circumstances in which such exclusivity restrictions may have an adverse effect on the Group's business model and future prospects.

In the case of the Solutions Agreement, this would principally be where the arrangements covered by that agreement prove to be less profitable than the Board had expected, but insufficiently unprofitable for the exclusivity restrictions to be released. In these circumstances, OSL would be required to continue to provide services to Ocado Retail on the same terms but without having the opportunity of being able to seek to offer such services more profitably to other large grocery retailers.

In the case of the Sourcing and Branding Agreement, this would principally be where sales of M&S products through the Joint Venture generate less revenue than the Board had expected, such that the fall in revenue as a proportion of total revenue generated by the Joint Venture does not reach the threshold which allows for the exclusivity restrictions to be released. In these circumstances, Ocado Retail would be required to continue to sell M&S products on the same terms and without having the opportunity of being able to sell own-label products of any other retailer that has a grocery market share of 1 per cent. or more (subject to certain exceptions, as described further in paragraph 3.3 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular).

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

1.4 Termination provisions of the Solutions Agreement and the Sourcing and Branding Agreement

Certain of the termination rights afforded to Ocado Retail under the Solutions Agreement are outside of the control of the Group. These include Ocado Retail's right to terminate if there is a change of control of Ocado Solutions to a competitor.

Certain of the termination rights afforded to M&S plc in the Sourcing and Branding Agreement are outside the control of the Group. These include M&S plc's right to terminate on or after the 12th anniversary of the Switchover Date, on 36 months' notice, if its shareholding in Ocado Retail has dropped to less than 40 per cent. at the point at which notice is served.

The results of either such termination are likely to be that the Group would not receive the full anticipated benefit of the relevant agreement.

1.5 Customer perception of new Joint Venture and potential loss of Waitrose customers

Some of Ocado Retail's existing customers may decide to cease shopping with Ocado Retail and instead purchase products from Waitrose.com or other competitors of Ocado Retail. This may include, for example, customers who prefer Waitrose brand products and/or who perceive M&S food products to be more expensive than the products of other retailers.

There can also be no assurance that Ocado Retail will be successful in establishing relationships with new customers of the M&S Group or that such customers will be willing to shop with Ocado Retail if they already have established relationships with an existing online grocer. Similarly, even if certain of the M&S Group's customers were to migrate to Ocado.com from their existing online grocer, the number of such customers may be lower than the Company expects.

Additionally, on average, the M&S Group's customers typically carry smaller average grocery basket sizes compared to the average basket sizes carried by Ocado.com customers, largely as a result of the relatively limited current range of grocery products offered in M&S stores. There is no certainty that those customers who migrate to Ocado.com to purchase M&S branded products will purchase, on average, a greater number of products, or a greater range of products, than they are otherwise accustomed to purchasing.

However, as mentioned in paragraph 2.1 of Part I (*Letter from the Chairman of Ocado Group plc*) above, prior to the announcement of the M&S Arrangements the Group conducted market research on customer shopping habits, the results of which indicated that the M&S brand and M&S products are viewed favourably by the Group's existing customers and very favourably by M&S's customers who, to date, have not had a meaningful online route to purchasing M&S grocery products. In addition, Ocado Retail will continue to sell Ocado own-brand products and products supplied from other third-party suppliers to customers.

Consequently, the Board does not believe that the loss of certain existing customers will amount to a significant long-term problem for Ocado Retail, as it anticipates that the significant majority of customers will remain loyal to shopping at Ocado.com. In addition, Ocado Retail will have access to, and is expected to benefit from, the M&S Group's customers, enabling it to reduce the impact of any loss of its existing customers. This is particularly the case if the M&S Group is (as anticipated) able to expand the range of grocery products that it offers, and if existing customers of the M&S Group decide to increase their basket size and purchase additional products from Ocado.com instead.

If, however, that belief turns out to be incorrect, the net loss of customers arising could have an adverse impact on the Group and its prospects.

1.6 Loss of premium listing if Ocado Retail ceases to qualify for consolidation in the financial statements of the Group and, at such time, the Solutions Business is not the main activity of the Group

As described in more detail in paragraph 2 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular, under the Shareholders' Agreement, OHL will have certain tie-breaking rights in relation to any deadlock matter (following the exhaustion of deadlock procedures) which arises in respect of: (i) the approval of Ocado Retail's business plan and budget; and (ii) the appointment or removal of the chief executive officer of Ocado Retail. As OHL will have these tie-breaking rights, the Company will continue to be able to consolidate Ocado Retail in the financial statements of the Group under IFRS 10. OHL will benefit from these rights for a period commencing on Completion and terminating on the later of: (i) the fifth anniversary of Completion; and (ii) the date on which the Group's main activity (for the purposes of Listing Rules 6.4.1R, 6.5.1R, 9.2.2AR(1) and 9.2.2IR) is not the business of Ocado Retail (the "**Main Activity Test**"), provided that the Main Activity Test will be deemed to have been satisfied on the sixth anniversary of Completion (if it has not been satisfied at an earlier time). During such period, M&S Holdings will therefore account for its investment in Ocado Retail as an associate. There are certain other limited circumstances under the Shareholders' Agreement where, if OHL is in default under the Shareholders' Agreement, it may cease to enjoy these tie-breaking rights. These circumstances are either in the control of OHL or will mean that the Company is no longer listed at the time the circumstance arises.

The Board expects that, before the date falling on the sixth anniversary of Completion, the main activity of the Group will comprise the Solutions Business (and therefore the Main Activity Test will have been satisfied at such time). If, however, by the date falling on the sixth anniversary of Completion (or if OHL otherwise ceases to enjoy its tie-breaking rights at an earlier date, by that earlier date) the Solutions Business has not developed in accordance with the expectations of the Board and the main activity of the Group is the business of Ocado Retail, and, furthermore, the Group no longer controls Ocado Retail, then Ocado may be required to transfer the listing category of its Ordinary Shares from the premium listing segment to the standard listing segment of the FCA Official List (and, as a result, may cease to remain eligible for inclusion in the UK series of FTSE indices). This may materially and adversely affect the Company's share price if the Company is still listed at the time the circumstance arises.

1.7 Exit by OHL from the Joint Venture

If and when OHL ceases to be a shareholder of Ocado Retail, the Solutions Business may not be able to continue to build its knowledge of the online grocery retail business in the same way and to the same degree as it would have been able to do if it had continued to retain an interest in Ocado Retail. If, in these circumstances, the Solutions Business is not able to develop its technology at the same pace as it had been able to do when OHL was a shareholder of Ocado Retail, this may have a material adverse effect on the Group's business and prospects.

1.8 Ocado Retail Staff

The Ocado Retail Group is reliant on its staff for the management, operation, creation, maintenance, repair and upgrading of its business, operations and systems. The ability of the Ocado Retail Group to recruit or adequately replace, retain and motivate suitably qualified and experienced staff is important for its ongoing success. If certain existing members of staff of the Ocado Retail Group leave, an inability to recruit and retain sufficient personnel of the right calibre or the incurring of significant costs in order to do so may have an adverse effect on the financial conditions and future prospects of the Ocado Retail Group (and by consequence, the rest of the Group).

1.9 Costs relating to the Separation may exceed the Company's expectations

The Disposal is conditional on, among other things, the satisfaction of the Separation Condition. The Separation is complex and may require greater resources from the Group (including from its key

employees) than the resources which are currently available to it for operating its business in the ordinary course. In addition, the Separation may take longer to implement than anticipated by the Group. The ultimate costs of the Separation therefore may exceed those estimated and there might be further additional and/or unforeseen expenses incurred in connection with the Separation both before and after Completion.

While the Board believes that the Separation costs will be more than offset by the realisation of the benefits of the M&S Arrangements, the net benefit may not be realised in the short term or may be less than anticipated, which could affect the Group's business and prospects.

1.10 The Separation may not be successful

The Company has prepared a blueprint for the Separation with a view to enabling the Ocado Retail Group to transition towards operating on a standalone basis. However, there can be no assurance that, following the Separation, the Joint Venture will be able to operate efficiently and on an independent basis. Following the Separation, the Ocado Retail Group will rely to a certain extent on the Company's leadership and the talent and related resources, as well as the transitional services under the Operating Agreement, that are each to be provided to it by the Company. If, after the Separation, the Ocado Retail Group fails to recruit or adequately replace, retain and motivate suitably qualified and experienced staff after a sufficient period of time, and/or is unable to replace the transitional services on terms which are as favourable to the Ocado Retail Group as those under the Operating Agreement, this could have an adverse effect on the success of the Separation. A failure to achieve the intended effects of the Separation may have a material adverse effect on the Ocado Retail Group's business and prospects.

1.11 Risks for the Group in relation to its participation in joint ventures

Participation in joint ventures contains an inherent management risk. Joint venture partners may have economic or business interests or goals that are inconsistent with those of the Group, be unable or unwilling to fulfil their obligations under the relevant joint venture or other agreements, or experience financial, operational or other difficulties, any of which may materially adversely affect the success of a relevant joint venture investment.

The reputation of the Group may also be affected by any material damage to the business reputation of its joint venture partners, which is not within the control of the Group.

1.12 Warranties and indemnities in the Transaction Agreements

As described in more detail in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular, the Share Purchase Agreement contains certain customary warranties and indemnities (including in relation to the Separation) from members of the Group in favour of M&S Holdings. If any of these warranties proves to have been untrue, or if circumstances arise in which OHL or the Company is required to indemnify M&S Holdings, the Group could incur losses which may have an adverse effect on the cash flow and financial condition of the Group.

In particular, the Share Purchase Agreement contains two indemnities given in relation to the Separation (as described in more detail in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular). The liability of OHL under those indemnities is capped at 200 per cent. of the total consideration for the Disposal (in one case) and £3 million (in the other case).

2. Risks relating to the M&S Arrangements not coming into effect

Completion of the Disposal and the entry by the Group into the M&S Arrangements is subject to: (i) the approval of the Resolution by Shareholders at the General Meeting; (ii) the satisfaction or waiver (where applicable) of the Ocado Financing Conditions and the Separation Condition; and (iii) as at the

date on which the conditions in (i) and (ii) have been satisfied or waived (as applicable), the satisfaction or waiver (as applicable) of the UK Competition Condition, in each case, and by no later than 31 March 2020.

The satisfaction of the Ocado Financing Conditions and the Separation Condition is within the control of the Group and the Board currently expects that all of the conditions to completion of the Disposal will be satisfied in time to allow for Completion to occur on 5 August 2019.

However, if the Disposal does not complete for any reason, Shareholders should note the following risk factors.

2.1 Inability to realise Shareholder value if the M&S Arrangements do not complete

The Board believes that the M&S Arrangements are in the best interests of the Group and of Shareholders as a whole, and that they currently provide the best opportunity to realise an attractive and certain value for Ocado Retail and leverage the value of certain of the Group's tangible assets, along with its proprietary intellectual property and know-how. If, therefore, the Conditions are not satisfied or waived (as applicable) and the M&S Arrangements do not complete, the Company will not receive the cash proceeds from the Disposal and will forgo the other anticipated benefits of the other M&S Arrangements as described in the letter from the Chairman in Part I (*Letter from the Chairman of Ocado Group plc*) of this Circular.

2.2 Potentially disruptive effect on the Group if the M&S Arrangements do not proceed

If the M&S Arrangements do not come into effect, this may lead to management, employee and customer distraction due to perceived uncertainty as regards the future of Ocado Retail. As the Waitrose Arrangements will cease to have effect by 1 September 2020 at the latest, the Group would, in these circumstances, be required to enter into new sourcing arrangements or rely on providing customers with its own-brand products and products from third party suppliers.

There is no certainty that the Group will be able to find an alternative sourcing partner (or enter into sourcing arrangements with a new partner on terms which are on the whole as equally beneficial to the Group as the terms of the M&S Arrangements are expected to be), or be able to provide to customers a range of products which is comparable to that which M&S would have been able to provide.

There may also be an adverse impact on the reputation of the Group as a result of media scrutiny arising in connection with the attempted M&S Arrangements.

The failure to implement the M&S Arrangements may therefore have an adverse effect on the performance of Ocado Retail and therefore its value to the Group, and may also materially and adversely affect the Company's share price.

2.3 Payment of cost cover amounts if the Resolution is not passed by the Shareholders at the General Meeting

If the Resolution is not passed by the Shareholders at the General Meeting (or any adjournment or postponement thereof) on or before 30 June 2019, and immediately prior to such date, all of the other Conditions have been satisfied or remain capable of satisfaction, the Company would be required to pay M&S Holdings an amount equal to the aggregate of all external fees, costs and expenses reasonably and properly incurred by M&S Holdings or any other member of the M&S Group in connection with the transactions contemplated by the Transaction Documents and the M&S Rights Issue (including underwriting commissions), capped at an amount of £12 million.

PART III
FINANCIAL INFORMATION RELATING TO THE RETAIL BUSINESS

Retail Business

1. Nature of financial information

The historical financial information relating to the Retail Business (including Ocado Retail and Fetch) set out in this Part III (*Financial Information Relating to the Retail Business*) (the “**Retail Business Financial Information**”) relates to the retail segment of the Group, excluding the Fabled.com Business, which will not be transferred to the Joint Venture but will be retained by the Group (as described in further detail in Part I (*Letter from the Chairman of Ocado Group plc*)) of this Circular. It has been extracted without material adjustment from the consolidation schedules that underlie the published audited consolidated financial statements for the 52 week period ended 27 November 2016, the 53 week period ended 3 December 2017 (including the unaudited 52 week period ended 3 December 2017 as presented in the 2018 Annual Report and Accounts for comparative purposes), and for the 52 week period ended 2 December 2018.

The Retail Business Financial Information does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The consolidated statutory accounts for the Group in respect of the 52 week period ended 27 November 2016, the 53 week period ended 3 December 2017, and the 52 week period ended 2 December 2018 have been delivered to the Registrar of Companies. The auditor’s reports in respect of those statutory accounts were unqualified and did not contain statements given under section 498(2) or (3) of the Companies Act 2006.

The Retail Business Financial Information has been prepared using the IFRS accounting policies adopted in the published audited consolidated financial statements of the Group for the 52 week period ended 2 December 2018.

PricewaterhouseCoopers LLP were the auditors for the Group, including the Retail Business, in respect of the financial year ended 27 November 2016. Deloitte LLP were the auditors for the financial years ended 3 December 2017 and 2 December 2018.

2. Historical income statements of the Retail Business

	52 weeks ended 27 November 2016	53 weeks ended 3 December 2017	52 weeks ended 3 December 2017	52 weeks ended 2 December 2018
	(audited) £m	(audited) £m	(unaudited) £m	(audited) £m
Revenue	1,170.5	1,337.7	1,309.2	1,466.6
Cost of sales	(834.7)	(951.8)	(930.9)	(1,044.2)
Gross profit	335.8	385.9	378.3	422.4
Other income	41.3	50.5	49.1	59.8
Distribution costs	(247.1)	(293.8)	(287.6)	(330.7)
Administrative expenses	(51.4)	(55.6)	(54.6)	(65.1)
Operating profit before exceptional items	78.6	87.0	85.2	86.4
Exceptional items	(0.4)	—	—	—
Operating profit	78.2	87.0	85.2	86.4

Notes

- The income statements are based on the retail segment, excluding the balances in the Fabled.com Business, which is not being transferred to the Joint Venture.
- Administrative expenses include an allocation of head office costs that have historically been allocated to the Retail Business. Following completion of the Transaction, there will no longer be an allocation of these costs by the Group as the Joint Venture will have its own head office and certain of these costs will be incurred directly by the Joint Venture.

3. The income statements above do not include an allocation of central Group costs (depreciation, amortisation, interest and tax) as it is not possible to provide a meaningful allocation of these costs to the Retail Business.

3. Net assets of the Retail Business as at 2 December 2018

	As at 2 December 2018 £m
Non-current assets	
Property, plant and equipment	29.4
Deferred tax asset	7.4
Total non-current assets	36.8
Current assets	
Inventories	49.3
Trade and other receivables (Note 2)	480.5
Cash and cash equivalents	21.0
Total current assets	550.8
Total assets	587.6
Current Liabilities	
Trade and other payables (Note 2)	(527.0)
Obligations under finance leases	(9.2)
Total current liabilities	(536.2)
Non-current liabilities	
Obligations under finance leases	(19.0)
Total non-current liabilities	(19.0)
Net assets	32.4

Notes

1. The table above reflects:
 - a) the net assets of the retail segment, excluding the assets in the Fabled.com Business, which is not being transferred to the Joint Venture; and
 - b) the transfer of £29.4 million of vehicles held as property, plant and equipment and their corresponding finance lease liability of £28.2 million from OOL to the Joint Venture.
2. Intercompany receivables of £411.3 million and intercompany payables of £375.5 million are included in the above net assets statement but are eliminated on consolidation with the Group, as is shown in the Pro Forma Financial Information in Part IV (*Unaudited Pro Forma Financial Information*) of this Circular. These intercompany balances will be settled in advance of Completion.

PART IV UNAUDITED PRO FORMA FINANCIAL INFORMATION

Section A: Unaudited Pro Forma Financial Information

The unaudited pro forma financial information for the Group (the “**Pro Forma Financial Information**”) has been prepared on the basis of the notes set out below to illustrate the effect of the M&S Arrangements on the income statement of the Group as if it had occurred on 4 December 2017, and on the net assets of the Group as if it had occurred on 2 December 2018. As the Group will continue to consolidate the Retail Business within the Joint Venture for at least five (and up to six) years from Completion, the Pro Forma Financial Information does not reflect the future potential deconsolidation.

The Pro Forma Financial Information, which has been produced for illustrative purposes only, by its nature addresses a hypothetical situation and therefore does not represent the Group’s actual financial position or results.

The Pro Forma Financial Information has been prepared in accordance with Annex II of the Prospectus Directive and in a manner consistent with the accounting policies adopted by the Group in preparing its audited consolidated financial statements for the 52 weeks ended 2 December 2018.

The Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006. Investors should read the whole of this Circular and not rely solely on the information in this Part IV (*Unaudited Pro Forma Financial Information*). The reporting Accountants’ report on the Pro Forma Financial Information is set out in Section B of this Part IV (*Unaudited Pro Forma Financial Information*).

1. Unaudited Pro Forma Income Statement

	Group 52 weeks ended 2 December 2018	Joint Venture adjustments 52 weeks ended 2 December 2018	Consolidation adjustments	Transaction adjustments	Pro forma Group
	Note 1 £m	Note 2 £m	Note 3 £m	Note 4 £m	£m
Revenue	1,598.8	—	—	—	1,598.8
Cost of sales	(1,051.3)	1.2	(1.2)	—	(1,051.3)
Gross profit	547.5	1.2	(1.2)	—	547.5
Other income	71.9	—	—	—	71.9
Distribution costs	(485.4)	(72.6)	72.6	—	(485.4)
Administrative expenses	(167.0)	15.1	(15.1)	(0.1)	(167.1)
Operating (loss)/profit before exceptional items	(33.0)	(56.3)	56.3	(0.1)	(33.1)
Share of result from Joint Venture	1.2	—	—	—	1.2
Exceptional items	(0.1)	—	—	—	(0.1)
Operating (loss)/profit	(31.9)	(56.3)	56.3	(0.1)	(32.0)
Finance income	2.2	—	—	—	2.2
Finance costs	(14.7)	—	—	—	(14.7)
Loss before tax	(44.4)	(56.3)	56.3	(0.1)	(44.5)
Tax	(0.5)	—	—	—	(0.5)
Loss for the period	(44.9)	(56.3)	56.3	(0.1)	(45.0)

Notes

- The results have been extracted, without material adjustment, from the published audited accounts of the Group for the 52 week period ended 2 December 2018.

2. The Joint Venture adjustments reflect the pro forma adjustments to the existing Group as a result of the M&S Arrangements, had they been in place from 4 December 2017. As the Group will continue to consolidate the Retail Business, the adjustments in this column reflect the differences only and do not show the full Retail Business Financial Information. The changes, as they impact the Retail Business, are shown below for illustration.

	Retail Business 52 weeks ended 2 December 2018	Joint Venture net adjustments	Joint venture 52 weeks ended 2 December 2018
	Note 2a £m	Note 2b £m	£m
Revenue	1,466.6	—	1,466.6
Cost of sales	(1,044.2)	1.2	(1,043.0)
Gross profit	422.4	1.2	423.6
Other income	59.8	—	59.8
Distribution costs	(330.7)	(72.6)	(403.3)
Administrative expenses	(65.1)	15.1	(50.0)
Operating profit	86.4	(56.3)	30.1

- 2a) The financial information for the Retail Business for the 52 weeks ended 2 December 2018 has been extracted without adjustment from Part III (*Financial Information Relating to the Retail Business*) of this Circular.
- 2b) These adjustments relate to charges from the Group to the Joint Venture under the M&S Arrangements and services that the Joint Venture previously procured directly. The adjustments include charges to be incurred by Ocado Retail under the Operating Agreement and the Solutions Agreement as if those arrangements had been in place for the period. Charges incurred by Ocado Retail during the period for services which will be replaced by services under the Operating Agreement and the Solutions Agreement have been excluded for the purposes of the pro forma income statement. The adjustments have been calculated by applying the terms of each relevant agreement to the relevant volumes in the 52 weeks ended 2 December 2018, as if Completion had occurred on 4 December 2017.
3. As explained in paragraph 2 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular, the Group will retain control of the Joint Venture for between five and six years from Completion. On consolidation, revenue recognised between the Group and the Retail Business will be treated as intra-group transactions and will be eliminated on consolidation.
4. Transaction adjustments relates to £17.4 million of fees from banks and other professional service providers in respect of the M&S Arrangements. Of this amount, £0.1 million will be expensed and is shown in the above pro forma as an adjustment to administrative expenses. The remaining £17.3 million of such fees is expected to be capitalised.
5. No adjustment has been made to take account of trading results or other transaction undertaken by the Group since 2 December 2018.
6. No adjustment has been made to reflect the replacement of Ocado Retail's current sourcing arrangement with Waitrose with the Sourcing and Branding Agreement comprising part of the M&S Arrangements. As explained in paragraph 2.1 of Part I (*Letter from the Chairman of Ocado Group plc*) of this Circular, the current sourcing arrangement with Waitrose will not (subject to certain exceptions) terminate until 1 September 2020, and the new sourcing arrangement with M&S cannot take effect until such time as the Waitrose Arrangements terminate.
7. Profit on the costs charged by the Group to the Joint Venture would be recognised as revenue in the Group but as the Joint Venture will remain a subsidiary undertaking for between five and six years from Completion, this revenue will be eliminated on consolidation and therefore is not shown in the Pro Forma Financial Information.
8. All of the adjustments are expected to have a continuing effect with the exception of transaction costs.

2. Unaudited pro forma statement of net assets

	Group As at 2 December 2018	Transaction adjustments	Pro forma Group
	Note 1 £m	£m	£m
Non-current assets			
Intangible assets	143.2	—	143.2
Property, plant and equipment	556.7	—	556.7
Deferred tax asset	16.6	—	16.6
Trade and other receivables	(Note 3) —	187.5	187.5
Contract costs	0.8	—	0.8
Financial assets	4.1	—	4.1
Investment in joint ventures	52.2	—	52.2
Total Non-current assets	773.6	(187.5)	961.1
Current assets			
Asset held for sale	4.2	—	4.2
Inventories	56.5	—	56.5
Trade and other receivables	104.7	—	104.7
Derivative financial instruments	0.1	—	0.1
Cash and cash equivalents	(Note 4) 410.8	545.1	955.9
Total current assets	576.3	545.1	1,121.4
Total assets	1,349.9	732.6	2,082.5
Current Liabilities			
Trade and other payables	(291.0)	—	(291.0)
Contract liabilities	(6.6)	—	(6.6)
Obligations under finance leases	(22.9)	—	(22.9)
Derivative financial instruments	(0.5)	—	(0.5)
Provisions	(8.3)	—	(8.3)
Total current liabilities	(329.3)	—	(329.3)
Non-current liabilities			
Contract liabilities	(108.6)	—	(108.6)
Borrowings	(244.3)	—	(244.3)
Obligations under finance leases	(93.4)	—	(93.4)
Provisions	(8.8)	—	(8.8)
Deferred tax liability	(8.9)	—	(8.9)
Total non-current liabilities	(464.0)	—	(464.0)
Total liabilities	(793.3)	—	(793.3)
Net assets	556.6	732.6	1,289.2

Notes

- The results have been extracted, without material adjustment, from the published audited accounts of the Group for the 52 week period ended 2 December 2018.
- As explained in paragraph 2 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular, the Group will retain control of the Joint Venture for between five and six years from Completion, and during this period all assets and liabilities will continue to be consolidated in the Group's financial statements, including the 52 weeks ending 1 December 2019. The Directors expect that following this date, the Group may deconsolidate the Joint Venture as a result of the control provisions changing. However, as this is not in the immediate future and the accounting at that time is subject to future, unknown factors, the above pro forma does not make any adjustment for this deconsolidation.
- Deferred consideration of £187.5 million expected to be paid by the end of 2023, subject to certain conditions as explained in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S*

Arrangements) of this Circular. The directors are of the opinion that these conditions will likely be met and therefore an adjustment has been made to reflect this expected deferred consideration. No fair value adjustment has been made to this amount in the pro forma as the fair value exercise will only be completed by the Company at the date that it publishes its consolidated annual accounts for the 52 weeks ending 1 December 2019.

4. As the use of proceeds is uncommitted at the date of this document and remains at the Company's discretion as explained in paragraph 5 of Part I (*Letter from the Chairman of Ocado Group plc*) of this Circular, the initial cash consideration of £562.5 million to be received at Completion, less £17.4 million of transaction costs, is shown as an adjustment to cash and cash equivalents.
5. No adjustment has been made to take account of trading results or other transaction undertaken by the Group since 2 December 2018.

Section B: Accountant's report in respect of the unaudited pro forma income statement and pro forma statement of net assets



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26 April 2019

Dear Sirs,

Ocado Group plc (the “Company”)

We report on the pro forma financial information (the “**Pro Forma Financial Information**”) set out in Section A of Part IV (*Unaudited Pro Forma Financial Information*) of this Circular, which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the M&S Arrangements might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the 52 week period ended 2 December 2018. This report is required by the Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the “**Directors**”) to prepare the Pro Forma Financial Information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation, as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, and which we may have to ordinary shareholders as a result of the inclusion of this report in the 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 the Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

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.

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 the Company.

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP

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PART V

SUMMARY OF THE PRINCIPAL TERMS OF THE M&S ARRANGEMENTS

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

1. Disposal

The entire issued share capital of Ocado Retail is currently held by OHL. Pursuant to the Share Purchase Agreement, OHL has agreed to sell 50 per cent. of its shares in Ocado Retail to M&S Holdings.

The consideration for the Disposal will comprise payment(s) by M&S Holdings in cash of an initial consideration amount of £562.5 million on Completion, subject to customary post-Completion net debt and working capital adjustments, and certain deferred consideration amounts set out below at later dates if certain deferred consideration trigger events occur, giving a total consideration amount, if all the deferred consideration trigger events occur, of £750 million. The amount of deferred consideration is allocated across three different deferred consideration triggers and, in each case, is required to be paid after the occurrence of each such trigger – together with an amount of interest calculated on a daily basis at the rate of 4 per cent. per annum and compounded annually from Completion to the date of payment – as follows:

- £15.625 million, if, on or before 30 November 2023, the capacity utilised in the Erith CFC meets an agreed threshold for a continuous period of three months;
- £15.625 million, if and when the first delivery to a customer is made from the next CFC to be established for use by the Company (excluding any facilities developed as replacements for the Andover CFC); and
- £156.25 million, if Ocado Retail's adjusted EBITDA for the 12 months ending on the closest Sunday to 30 November 2023 (as shown in the audited accounts for that period), as adjusted by adding to that amount certain fees paid by Ocado Retail under the Solutions Agreement, the Operating Agreement and the Sourcing and Branding Agreement, together with all employment costs of the chief executive officer and chief financial officer of Ocado Retail (the “**Adjusted 2023 EBITDA**”), reaches or exceeds an agreed amount which is 80 per cent. of the amount Ocado Retail is currently forecasting for that period.

The Share Purchase Agreement also contains conditions to Completion, being:

- Shareholder approval for the M&S Arrangements (as contemplated by this Circular);
- approvals under the Ocado Facility and the £250 million Ocado Notes to the extent required (or, respectively, cancellation and repayment to the extent required) in order to: (i) enable the relevant shares in Ocado Retail to be transferred to M&S Holdings free from any encumbrances; and (ii) release Ocado Retail from any obligation or liability under the Ocado Facility and the £250 million Ocado Notes;
- completion of the Separation in accordance with the terms of the Share Purchase Agreement; and
- the UK Competition and Markets Authority having not (among other things) requested the submission of a merger clearance filing or given notice that it is commencing a phase 1 review, in each case, as at the date on which all other conditions are satisfied or waived, or, if it does any of the above, approval by it.

These conditions are required to be satisfied or waived on or before 31 March 2020, failing which the M&S Arrangements will not become effective. M&S Holdings and OHL have each undertaken to use commercially reasonable efforts to ensure that the Conditions are satisfied as soon as reasonably practicable and in any event on or before that date. The Company has undertaken that, subject to the approval of the Circular by the FCA, it will use commercially reasonable endeavours to procure that the Resolution is passed on or before 28 May 2019 (including by unanimously and unqualifiedly recommending to the Shareholders that they vote in favour of the Resolution). Furthermore, OHL has agreed to secure any consents required from noteholders under the £250 million Ocado Notes as referred to above as soon as practicable and, in any event, no later than 30 June 2019. The Board currently expects that all the conditions to the Share Purchase Agreement will be satisfied to allow for Completion to occur on 5 August 2019.

If the Shareholder Approval Condition is not satisfied by 30 June 2019 and all other conditions are satisfied or remain capable of satisfaction, the Company will be required to pay to M&S Holdings an amount equal to the aggregate of all external fees, costs and expenses reasonably and properly incurred by M&S Holdings or any member of the M&S Group in connection with the transactions contemplated by the Transaction Agreements and the M&S Rights Issue (including underwriting commissions in respect of the M&S Rights Issue), capped at an amount of £12 million.

As part of the Separation to be implemented prior to the completion of the Disposal to create the Joint Venture Perimeter:

- OHL will transfer Fetch to Ocado Retail (and Fetch will therefore be included as part of the Disposal);
- the Group will transfer certain assets and liabilities (including its van fleet and its van finance leases) to Ocado Retail; and
- certain employees of the Group will also transfer to Ocado Retail.

OHL will, however, not transfer Fabled to Ocado Retail (and Fabled will therefore not be included as part of the Disposal). The Group will also not transfer any assets or liabilities to Ocado Retail which are:

- required by it to enable it to provide services to Ocado Retail pursuant to the Solutions Agreement and/or Operating Agreement;
- shared with Morrisons; or
- otherwise not within the agreed Joint Venture Perimeter.

The Share Purchase Agreement contains customary purchaser protections, including:

- a requirement for OHL to procure that, between the date of the Share Purchase Agreement and Completion, the Ocado Retail Group carries out its business in the ordinary course and consistently with past practice;
- a customary set of fundamental, business and tax warranties from OHL. These warranties (save for certain warranties tax warranties) will be repeated at Completion and will be subject to disclosure at that time;
- an indemnity given by OHL in favour of the M&S Group in respect of any losses incurred by any member of the M&S Group, and 50 per cent. of any losses incurred by Ocado Retail: (i) as a result of the implementation of the Separation; (ii) as a result of a failure to implement the

Separation correctly; or (iii) arising out of any fact, matter or circumstance to the extent that such fact, matter or circumstance relates to assets, rights or activities that are not part of the business of Ocado Retail. The liability of OHL under this indemnity is capped at 200 per cent. of the total consideration for the Disposal and will terminate on the fifth anniversary of Completion;

- an indemnity given by OHL in favour of M&S Holdings in respect of 50 per cent. of certain required costs paid by Ocado Retail after Completion in connection with the Separation, capped at an amount of £3 million; and
- a guarantee given by the Company in respect of OHL's payment and performance obligations under the Share Purchase Agreement.

Claims against OHL under the warranties are limited as set out below:

- OHL will not be liable under any warranty claim (other than in respect of tax warranties and certain fundamental warranties) unless the amount of damages to which M&S Holdings would be entitled as a result of that warranty claim is at least 0.1 per cent. of the total consideration for the Disposal, and Ocado will not be liable under the warranties unless the aggregate amount of damages to which M&S Holdings would be entitled is at least 1.0 per cent. of the total consideration for the Disposal (at which point OHL would be liable for all such claims and not just the excess); and
- OHL's maximum aggregate liability for warranty claims (other than claims in respect of certain fundamental warranties) is capped at 30 per cent. of the total consideration for the Disposal (including the full amount of the deferred consideration). Liability under the warranties shall terminate: (i) in respect of the fundamental warranties, on the fifth anniversary of Completion; and (ii) in respect of the tax warranties, on the seventh anniversary of Completion.

OHL's liability in respect of claims under the Share Purchase Agreement that are not warranty claims, claims in respect of certain fundamental warranties, or claims under the indemnity in respect of the Separation as referred to above, is capped at 50 per cent. of the total consideration for the Disposal and will terminate 18 months after Completion. There are no limitations on the customary fundamental warranties given by either M&S Holdings or OHL.

2. Joint Venture

At Completion, OHL, M&S Holdings and Ocado Retail will (among others) enter into the Shareholders' Agreement. The key terms of the Shareholders' Agreement are that:

- in addition to the arrangements described below, OHL and M&S Holdings will each be permitted to appoint two directors to the board of Ocado Retail, and the quorum for the transaction of any business requires at least one director appointed by each shareholder to be present or represented by an alternate (unless a quorum is not present for two consecutive meetings in relation to a matter);
- the list of customary reserved matters included in the Shareholders' Agreement may not be undertaken by Ocado Retail without shareholder approval;
- OHL will have certain tie-breaking rights in relation to any deadlock matter (following the exhaustion of deadlock procedures) which arises in respect of: (i) the approval of Ocado Retail's business plan and budget; and (ii) the appointment or removal of the chief executive officer of Ocado Retail. As OHL will have these tie-breaking rights, the Company will continue to be able to consolidate Ocado Retail in the financial statements of the Group under IFRS 10. OHL will benefit from these rights for a period commencing on Completion and terminating on

the later of: (i) the fifth anniversary of Completion; and (ii) the date on which the Main Activity Test is satisfied, provided that the Main Activity Test will be deemed to have been satisfied on the sixth anniversary of Completion (if it has not been satisfied at an earlier time). During this period, M&S Holdings will be entitled to appoint the chair of the board from among the directors nominated to the board of Ocado Retail; however the chair of the board has no special rights and no casting vote. During this period, M&S Holdings will account for its investment in Ocado Retail as an associate;

- after the period described above, the tie-breaking rights of OHL will at any time be able to be adopted by M&S Holdings at the option of M&S Holdings and for an indefinite period (during which OHL will be entitled to appoint the chair of the board from among the directors nominated to the board of Ocado Retail). If M&S Holdings adopts such tie-breaking rights, it will then be able to consolidate Ocado Retail in its accounts;
- M&S Holdings will grant to Ocado Retail an option, exercisable during the period of six months following Completion (the “**FTO Option Period**”), to acquire the FTO Business for £1.00 (the “**FTO Option**”). If Ocado Retail exercises the FTO Option within the FTO Option Period, M&S Holdings will be required to transfer the FTO Business to Ocado Retail in accordance with the time periods set out in the Shareholders’ Agreement (including, in particular, that the completion of such transfer will not be permitted to occur until after the Switchover Date). If Ocado Retail does not exercise the FTO Option within the FTO Option Period, OHL will then have an option, exercisable during the period of three months following the date on which the FTO Option Period expires in accordance with the Shareholders’ Agreement, to acquire Fetch from Ocado Retail for £1.00;
- it is intended that, save as provided under the Shareholder Loan Facility Agreement, Ocado Retail will be self-financing and will obtain any additional funds required from third parties without recourse to shareholders in Ocado Retail. If Ocado Retail’s board concludes that its funding requirements exceed its available cash resources from time to time, it will consider whether or not to seek external debt financing or, if such further finance cannot be raised on terms reasonably acceptable to the board, to draw down funding under the Shareholder Loan Facility Agreement;
- subject to certain limited and customary exceptions, neither OHL nor M&S Holdings will be permitted to undertake certain actions in respect of: (i) the solicitation of employees from; (ii) the inducement of suppliers of; or (iii) harmful reputational statements or actions regarding Ocado Retail, and Ocado Retail has reciprocal restrictions in respect of (ii) and (iii) above in relation to each of OHL and M&S Holdings and their respective groups;
- subject to certain limited and customary exceptions, neither OHL nor M&S Holdings will be permitted to transfer its shares in Ocado Retail prior to the fifth anniversary of the date of the Shareholders’ Agreement. Following the expiry of such period, either of OHL or M&S Holdings may decide to exit from Ocado Retail by following the procedures set out in the Shareholders’ Agreement, which involve, among other things: (i) selling all of its shares in Ocado Retail to the other; or (ii) if the other shareholder is unable to agree upon a valuation of its shares, implementing an initial public offering or a demerger of its shares (but not in respect of the shares of the other shareholder, unless that shareholder so wishes). There are no circumstances in which either OHL or M&S Holdings may decide to exit from Ocado Retail by selling to a third party without the agreement of the other; and
- from the tenth anniversary of Completion, either OHL or M&S Holdings will be permitted to trigger an initial public offering of Ocado Retail (or a new holding company of Ocado Retail) which both of them would be required to support and facilitate, and in which both of them would be required to dispose of an equal proportion of their shares in Ocado Retail so as to ensure a public markets “free float” of between 30 and 50 per cent. on such initial public offering becoming effective.

Under the Shareholders' Agreement, the parties have also acknowledged that they intend for Ocado Retail to conduct its business in the ordinary course in accordance with applicable law, with a view to achieving the deferred consideration trigger events set out in paragraph 1 of this Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular, and will be required to instruct the directors nominated to the board of Ocado Retail by them to, having regard to their fiduciary duties, act in good faith to promote the success of Ocado Retail with a view to achieving such deferred consideration trigger events.

3. Arrangements supporting the Joint Venture

3.1 Solutions Agreement

At Completion, OSL and Ocado Retail will enter into the Solutions Agreement. Under the Solutions Agreement, OSL will guarantee to Ocado Retail the minimum ultimate capacity of each CFC (measured in eaches capable of being processed per week) using the Ocado Smart Platform, subject to ramp-up periods (where applicable) and specified operational metrics relating to the design of each CFC. In consideration for this, Ocado Retail will pay to Ocado a capacity fee per module of capacity.

OSL will provide OSP in accordance with specified service levels in relation to the performance of the mechanical handling equipment and the webshop. Failure to meet the specified service levels will result in service credits being creditable to Ocado Retail against the capacity fees. Ocado Retail's sole recourse and remedy against OSL in respect of the performance (or non-performance) of OSP shall be through its entitlement to service credits.

Ocado Retail will be obliged to place orders for further modules of capacity (equivalent to approximately a further eight CFCs over the next 12 years) in accordance with an agreed roll-out programme. The Solutions Agreement provides for capacity for further sites to be agreed between Ocado Retail and OSL when the relevant order is placed. The Solutions Agreement includes mechanisms pursuant to which obligations will arise if the relevant party misses its delivery deadlines and obligations in relation to a new CFC (subject to certain specified monthly thresholds of delay being exceeded), including consequences for an extended period of delay. Exclusivity is reliant on the agreed roll-out programme being met. The Solutions Agreement includes a separate regime in relation to the re-construction of the Andover CFC. OSL must use reasonable endeavours to procure (at its own cost) the construction of the Andover CFC as soon as reasonably practicable as well as to implement temporary measures to replace capacity lost at the original Andover site.

A design and set-up fee is payable by Ocado Retail to OSL per CFC plus an additional amount per module of ultimate module capacity allocated to Ocado Retail (subject to indexation).

OSL will be required to provide the OSP for fixed terms for each CFC site. The terms in relation to the existing sites are based on the unexpired lease term or equivalent and end on, in respect of: (a) the Hatfield CFC, 27 September 2032; (b) the Dordon CFC, 14 May 2038; and (c) the Erith CFC, 21 April 2046. Ocado Retail must use reasonable endeavours to obtain a term of 25 years for each new site, but if Ocado Retail is only able to secure a site for a shorter period, the parties to the Solutions Agreement will be required to agree an adjustment to the fees (or service levels or other relevant provisions of the Solutions Agreement) to ensure there is no adverse economic impact for OSL.

The Solutions Agreement will provide both of Ocado Retail and OSL with rights to terminate where certain termination rights are triggered, such as insolvency and material breach. In addition:

- OSL will have the right to terminate in the event of non-payment by Ocado Retail;
- each of OSL and Ocado Retail will have the right to terminate the Solutions Agreement if the other is taken over by a competitor (as defined in the Solutions Agreement) or, in respect of a CFC, for failure by the other to meet its works delivery obligations by a specified long-stop date; and

- Ocado Retail will have an additional right to terminate the Solutions Agreement following a change of control of OSL (irrespective of whether it is by a competitor of Ocado Retail), if OSL's performance drops significantly over a specified period, and for fundamental service level failure by OSL.

Under the Solutions Agreement, neither party will have the right to terminate for convenience.

If OSL were to terminate the Solutions Agreement pursuant to one of the mutual termination rights described above or for Ocado Retail's non-payment, then OSL would be able to, at its option, purchase Ocado Retail's interests in the relevant CFC and the operating assets (together with any associated liabilities) at the relevant site at the then-current market value.

If Ocado Retail were to terminate the Solutions Agreement for: (i) a material breach by OSL; (ii) the insolvency of OSL; (iii) a fundamental service level failure of OSL; or (iv) a change of control of OSL accompanied by OSL's performance level decline, then, in respect of any CFC other than a Joint Use CFC, Ocado Retail would be able to, at its option, purchase all of the mechanical handling equipment located in the relevant CFC and any OSL assets (together with any associated liabilities) used exclusively in the operation of such CFC, in each case at its then market value. If Ocado Retail were to elect to make such a purchase, then the escrow materials will be released from escrow. OSL and Ocado Retail's aggregate liability under the Solutions Agreement in respect of a calendar year is capped and subject to other customary limitations.

The Solutions Agreement will include exclusivity restrictions on OSL's ability to deal with third parties. The "**OSL Exclusivity Period**" will commence on Completion and will end on the tenth anniversary of the Switchover Date, subject to extensions as a result of OSL delay as well as early termination in certain circumstances.

During the OSL Exclusivity Period, OSL will agree not to provide OSP or any substantially similar product or service (a "**Comparable Service**") to any competitor of Ocado Retail (as defined in the Solutions Agreement) for the purpose of carrying on an online grocery retail business in the UK and the Republic of Ireland (provided that this restriction will not apply to OSL's pre-existing relationship with Morrisons). This is subject to a number of further exceptions, including that, at any time after the date falling two years and six months from the Switchover Date, OSL and/or any other member of the Group will be permitted to enter into a legally binding agreement for the provision of a Comparable Service with one such competitor (the "**Selected Restricted Client Competitor**"). However:

- OSL will not be permitted to make any modules available to the Selected Restricted Client Competitor until the fifth anniversary of the Switchover Date; and
- between the fifth and sixth anniversaries of the Switchover Date, Ocado will not be permitted to make more than fourteen modules available to the Selected Restricted Client Competitor.

After the sixth anniversary of the Switchover Date, there will be no restriction on the number of modules that OSL or any other member of the Group will be permitted to make available (or any other restrictions in respect of the provision of OSP) to the Selected Restricted Client Competitor. For each module made available to the Selected Restricted Client Competitor prior to the expiry of the Ocado Exclusivity Period, OSL will be required to make a penalty payment per module to M&S plc within 30 days of such module having been made available to the Selected Restricted Client Competitor.

The Solutions Agreement will also include exclusivity restrictions on Ocado Retail's ability to deal with third parties. Ocado Retail will not be permitted to procure mechanical handling equipment or other automated equipment for fulfilling online grocery retail (including business account) orders from any person other than OSL. Ocado Retail must also only operate its online grocery delivery or collect operations in the UK and the Republic of Ireland through the use of OSP under the Solutions Agreement. This restriction will apply for ten years from the Switchover Date, subject to extensions as a result of Ocado Retail's delay as well as the possibility of early termination in certain circumstances.

If Ocado Retail has not placed an order for a CFC located in the Republic of Ireland prior to the third anniversary of the date of the Solutions Agreement, then OSL will be permitted to, at any time between the third anniversary of the date of the Solutions Agreement and the date on which Ocado Retail has placed such order, agree with any third party to provide a Comparable Service to that third party in the Republic of Ireland, in which case, with effect from the date of such agreement: (i) Ocado Retail will not be entitled to place an order for a CFC in the Republic of Ireland; and (ii) the Republic of Ireland will cease to be a territory to which the exclusivity provisions under the Solutions Agreement apply.

M&S plc will become a party to the Solutions Agreement to guarantee M&S Holdings' pro rata proportion of Ocado Retail's payment obligations. The Solutions Agreement will include provisions which provide for changes in M&S Holdings' pro rata proportion (upwards or downwards) in line with changes in its shareholding and will require the provision of replacement credit support where the shareholding percentage of M&S Holdings in Ocado Retail decreases as a result of a sale to a third party.

The Company will become a party to the Solutions Agreement as guarantor of OSL's obligations.

3.2 Operating Agreement

OOL and Ocado Retail will enter into an agreement at Completion for the provision by OOL of certain third party logistics, operational, transitional and IT services to Ocado Retail (the "**Operating Agreement**"). Under the Operating Agreement, OOL will be required to perform the Services (as defined below) in accordance with specified standards such as prudent industry practice. In addition, OOL will be required to perform the Operating Services (as defined below) to specified service levels. Failure to meet the service levels will result in service credits being creditable to Ocado Retail against the monthly fees. Ocado Retail's sole remedy against OOL in respect of performance or non-performance of the Operating Services will be the receipt of service credits.

The "**Services**" comprise:

- the Operating Services, being, in summary, fulfilment operations, customer operations, supply chain and business planning, general merchandise operations, real estate services and building technologies and maintenance services;
- the Transitional Services, including certain HR, legal, financial, facilities and contact centre services; and
- the IT services, including transition services for non-OSP elements of the technology platform, IT shared services and services for functional IT systems.

In addition, at any time during the first 12 month period commencing from the date of the Operating Agreement, Ocado Retail will be permitted to notify OOL that it wishes OOL to provide services identified by either party that were provided in the 12 months prior to the date of the Operating Agreement by OOL to Ocado Retail, and which are reasonably required for the operation of the online business, but are not part of the original Services.

The fees for each Service are calculated as follows:

- in respect of the Operating Services, at cost plus a management fee;
- in respect of the IT Services, a fixed price to be agreed, designed to reflect the anticipated cost price; and
- in respect of the Transitional Services, at cost (no management fee is payable) save where Ocado Retail chooses to extend the term of a transitional service, in which case a management fee will be payable in addition.

Each party's aggregate liability under the Operating Agreement in respect of a calendar year is capped and subject to customary limitations.

The Operating Agreement will automatically terminate upon the earlier of: (i) the date on which no Services are being provided by OOL under the Operating Agreement as a result of in-sourcing and the expiry of the Transitional Services; and (ii) the termination of the entirety of the Operating Agreement.

The Operating Agreement will provide both Ocado Retail and OOL with rights to terminate where certain termination events are triggered, such as material breach and insolvency. In addition:

- OOL will have the right to terminate in the event of non-payment by Ocado Retail;
- each of OOL and Ocado Retail will have the right to terminate the Operating Agreement if the other is taken over by a competitor (as defined in the Operating Agreement); and
- Ocado Retail will have additional rights to terminate the Operating Agreement where: (i) following a change of control of OOL (irrespective of whether it is by a competitor of Ocado Retail), OOL's performance drops significantly over a specified period; or (ii) for OOL's fundamental service level threshold failure.

Ocado Retail may, on specified notice periods, terminate any Transitional Service or IT Service for convenience, provided that Ocado Retail reimburses OOL for any costs and expenses reasonably or properly incurred by OOL in connection with the provision of the terminated Transitional Service for the period after the date of termination, and which cannot be mitigated by OOL.

Ocado Retail may choose to terminate the provision by OOL of certain of the Operating Services (excluding those provided at Joint Use sites) after the fifth anniversary of the date of the Operating Agreement (subject to certain exceptions). If Ocado Retail chooses to do so, it must pay OOL a termination fee as well as the costs of OOL reasonably and properly incurred in respect of the transition of the terminating service to Ocado Retail. In these circumstances, Ocado Retail shall be required to acquire any assets which exclusively relate to the provision of the relevant service which, immediately prior to the termination of the relevant service, were used by OOL exclusively in providing that service.

M&S plc will become a party to the Operating Agreement to guarantee M&S Holdings' pro rata proportion of Ocado Retail's payment obligations. The Operating Agreement will include provisions which provide for changes in M&S Holdings' pro rata proportion (upwards or downwards) in line with changes in its shareholding and will require the provision of replacement credit support where the shareholding percentage of M&S Holdings in Ocado Retail decreases as a result of a sale to a third party.

The Company will become a party to the Operating Agreement as guarantor of OOL's obligations.

It is expected that Ocado Retail may also provide certain transitional services to OOL for the purposes of servicing the Fabled.com Business and the hobbies.com website and online offering on behalf of Hobbies Garden Centres, including merchandise planning, web trading and creative support services, for a period of up to 36 months from Completion. It is expected that the fees for each such service will be calculated on the same basis as the Transitional Services under the Operating Agreement (at cost with no management fee payable save where OOL chooses to extend the term of a service). These services may either be included as part of the Operating Agreement or as a separate transitional services agreement between Ocado Retail and OOL.

3.3 Sourcing and Branding Agreement

A Sourcing and Branding Agreement will be entered into by Ocado Retail and M&S plc at Completion, with the key obligations taking effect on the Switchover Date. Under this agreement, Ocado Retail will be given the exclusive right to use online channels to sell M&S own-label grocery products in the UK and the Republic of Ireland, both for delivery to, and collection by, Ocado Retail customers (but

excluding certain flowers, wine, hampers and “food-to-order” products). Ocado Retail will also be granted non-exclusive rights to do the same with respect to the rest of M&S’s own-label range (including in relation to those certain flowers, wine, hampers and “food-to-order” products mentioned in the preceding sentence). In return, Ocado Retail agrees that it will not sell any own-label grocery products of any other retailer with a grocery market share in the UK of 1 per cent. or more (with a carve-out for wholesale brands where its sales of the product line are less than £10 million in a year). However, the exclusivity of Ocado Retail’s rights, and the corresponding restriction on Ocado Retail’s sale of competitors’ goods, may be terminated by either party where sales of M&S own-label grocery products are 10 per cent. or less of Ocado Retail’s total grocery sales in any consecutive 12 month period commencing on or after the second anniversary of the Switchover Date.

In order to enable Ocado Retail to exploit these rights, M&S plc will agree to: (i) facilitate Ocado Retail’s access to the suppliers and manufacturers of M&S own-label products; and (ii) with respect to a sub-set of products which are to be agreed, actually supply certain M&S own-label products to Ocado Retail. In doing so, M&S plc will be obliged to use the same level of effort as it does for its store-based business to procure that: (i) Ocado Retail receives the same cost price as the M&S Group does for the M&S own-label products; and (ii) suppliers and manufacturers extend to Ocado Retail the same discounts and any other benefits available to the M&S Group with respect to those products. M&S plc will not charge a margin for the provision of its sourcing and supply services, but Ocado Retail will be required to reimburse M&S plc for its out-of-pocket costs and expenses. Ocado Retail will indemnify M&S plc for losses arising from third party claims relating to Ocado Retail’s receipt of services and Ocado Retail’s purchase, sale, advertising or promotion of M&S own-label products (save where the issue is product related and did not arise while the product was in the possession of Ocado Retail). M&S plc will indemnify Ocado Retail for losses arising from third party claims relating to M&S plc’s breach and any product related issues which arise while the product was in the possession of M&S plc.

The Sourcing and Branding Agreement provides for Ocado Retail to request M&S plc’s assistance with product development (not to be refused if Ocado Retail’s request is reasonable), with M&S’s out-of-pocket costs to be reimbursed by Ocado Retail. In addition, it contemplates that additional services may be added to its scope by agreement (including, for example, the supply to the M&S Group by Ocado Retail of Ocado Retail own-label products). The Sourcing and Branding Agreement further provides for a degree of collaboration in areas such as marketing and complaint handling, and includes reciprocal brand licensing to enable each party to use the other party’s brand for the purposes of the Sourcing and Branding Agreement.

Either party will have the right to terminate the Sourcing and Branding Agreement on or after the 15th anniversary of the Switchover Date (on 36 months’ notice). M&S plc will have the right to terminate on or after the 12th anniversary of the Switchover Date on the same notice period, if its shareholding has dropped to less than 40 per cent. at the point at which notice is served. In addition, either party may terminate: (i) for material breach; and (ii) insolvency. The default six month notice period for termination can be reduced to a month where there is a risk of serious damage to the terminating party’s brand.

3.4 Brand Licence Agreement

Under the Brand Licence Agreement, OIL will grant to Ocado Retail an exclusive, royalty-free, perpetual licence of the “Ocado” trade mark (including the swirl device mark, the “Zoom” trade mark, and the “Z” logo) to conduct business in the retail field (being the sale of goods and services to retail consumers) within the UK and Republic of Ireland. OIL is prohibited from: (i) using, or licensing to a third party, any of the licensed trade marks as the main name of a retail business outside the UK and the Republic of Ireland; and (ii) following a transitional period until the date falling 12 months after the Switchover Date, using, or licensing to any third party, the swirl device mark for any purpose.

OIL also grants Ocado Retail the exclusive, perpetual right to use the domain www.ocado.com in any customer-facing sense, with the exclusive right to operate and control the website hosted at www.ocado.com (but not the domain name server). With limited exceptions, the employees of the

Group and Ocado Retail will cease use of @ocado.com email addresses and will migrate onto new domains, with certain non-personal @ocado.com email addresses only being used by Ocado Retail. Ocado Retail will have the option to require that OIL and the rest of the Group migrate away from the www.ocado.com domain and ultimately transfer the domain name server to Ocado Retail in certain circumstances. Such migration shall form part of the Group's technology plan at that time and shall be undertaken on a timescale to be agreed between the Group and Ocado Retail.

Ocado Retail is granted sole discretion as to its use of the licensed trade marks in the retail field in the UK and the Republic of Ireland save that, for a period of ten years (the "**Restricted Period**"), Ocado Retail is prohibited from co-branding the licensed trade marks with the brand of any OIL competitor (and OIL is subject to an equivalent prohibition on co-branding with an Ocado Retail competitor). The Brand Licence Agreement also includes reciprocal obligations as to brand protection and quality standards, together with reciprocal restrictions intended to avoid any confusingly similar use of the "Ocado" brand as between the parties.

The licence is granted on a perpetual basis unless terminated by OIL for Ocado Retail's insolvency, challenge by Ocado Retail to the validity of the licensed trade marks or if Ocado Retail encourages or assists any third party to do the same, change of control to an OIL competitor within the Restricted Period, or non-use of the "Ocado" brand for three years.

3.5 Shareholder Loan Facility Agreement

The Shareholder Loan Facility Agreement will also be entered into at Completion between Ocado Retail (as borrower), OHL and M&S Holdings (as the "**Lenders**") and the Company and M&S (as the guarantors of the Lenders). The key terms of the Shareholder Loan Facility Agreement are that:

- each of the Lenders has a commitment of £30 million, which comprises a committed sterling term loan credit facility;
- any drawdown by Ocado Retail will be funded pro rata to the Lenders' outstanding commitments, provided that in the event of a failure to fund by one Lender, the other may, but is not obliged to, fund the request in full;
- loans made under the Shareholder Loan Facility Agreement may be used by Ocado Retail principally for the funding of capital expenditure (including applicable taxes thereon) with respect to the design, construction and maintenance of CFCs, and also for the funding of marketing campaigns and other activities to support business growth or general operating activities; and
- the facility will be available to be drawn until its fifth anniversary, and loans drawn will mature in 2039 or, if earlier, on the occurrence of an initial public offering or demerger of shares in Ocado Retail (or a new holding company of Ocado Retail). Interest will be calculated as LIBOR plus a margin, such margin being 4 per cent. per annum. Ocado Retail will be able to voluntarily repay loans at any time and amounts repaid may not be re-borrowed.

PART VI 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 Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL.

3. The Directors

The Directors of the Company are:

- Lord Rose *Chairman*
- Tim Steiner OBE *Chief Executive Officer*
- Duncan Tatton-Brown *Chief Financial Officer*
- Mark Richardson *Chief Operations Officer*
- Luke Jensen *Chief Executive Officer, Ocado Solutions*
- Neill Abrams *Group General Counsel and Company Secretary*
- Ruth Anderson *Non-Executive Director*
- Andrew Harrison *Non-Executive Director*
- Douglas McCallum *Non-Executive Director*
- Emma Lloyd *Non-Executive Director*
- Jörn Rausing *Non-Executive Director*
- Julie Southern *Non-Executive Director*

4. Directors' interests in Ordinary Shares

4.1 Direct holdings in Ordinary Shares

<u>Name</u>	<u>No. of Ordinary Shares</u>	<u>Percentage of Issued Ordinary Shares</u>
Lord Rose	1,202,284	0.2
Tim Steiner OBE	23,597,260	3.4
Duncan Tatton-Brown	1,520,917	0.2
Mark Richardson	1,547,327	0.2
Luke Jensen	184,170	0.0
Neill Abrams	4,351,659	0.6
Ruth Anderson	80,000	0.0
Andrew Harrison	18,166	0.0
Douglas McCallum	100,000	0.0
Emma Lloyd	17,300	0.0
Jörn Rausing	—	—
Julie Southern	3,779	0.0

4.2 Interests in Ordinary Shares held pursuant to incentive plans

As at the Latest Practicable Date, details of the options and awards over Ordinary Shares granted to certain Directors have been included on pages 99 to 102 of the 2018 Annual Report and Accounts. Certain of those options and awards have vested in accordance with the applicable vesting schedule set out those pages of the Annual Report.

ESOS and 2014 ESOS

Details of this plan are set out on page 101 of the 2018 Annual Report and Accounts.

Sharesave Scheme

Details of this plan are set out on page 102 of the 2018 Annual Report and Accounts.

Share Incentive Plan (SIP)

Details of this plan are set out on page 102 of the 2018 Annual Report and Accounts.

Long Term Incentive Plan (LTIP)

Details of this plan are set out on pages 99 to 100 of the 2018 Annual Report and Accounts.

Growth Incentive Plan (GIP)

Details of this plan are set out on pages 100 to 101 of the 2018 Annual Report and Accounts.

In addition to the incentive schemes and plans described above, the Company will be seeking approval for the creation of certain new incentive schemes and plans at its annual general meeting on 1 May 2019.

5. Directors' service contracts and letters of appointment

Details of the Directors' service contracts and letters of appointment are set out on pages 97, 123 and 124 of the 2018 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 (pursuant to notifications made to the Company under the DTRs), are interested, directly or indirectly, in 3% or more of the total voting rights attaching to the issued Ordinary Shares as at the Latest Practicable Date.

<u>Shareholder</u>	<u>No. of Ordinary Shares</u>	<u>Percentage of Voting Rights</u>	<u>Date of Notification</u>
London & Amsterdam Trust Company Limited	105,041,409	15.0	7 September 2018
The Capital Group Companies, Inc.	90,697,454	13.0	22 January 2019
Apple III Limited	69,015,602	9.9	23 November 2016
The Kroger Co.	42,282,300	6.0	4 June 2018
Citigroup Global Markets Limited	33,866,270	4.8	1 June 2018

7. Related party transactions

Details of related party transactions:

- in respect of FY2016 are set out on pages 70, 172 to 173, and 189 of the 2016 Annual Report and Accounts;
- in respect of FY2017 are set out on pages 113, 176 to 177 and 191 of the 2017 Annual Report and Accounts; and
- in respect of FY2018 are set out on pages 134, 208 to 209 and 223 of the 2018 Annual Report and Accounts.

Between 2 December 2018 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 V (*Summary of the Principal Terms of the M&S 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 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 Ocado Retail's financial position or profitability.

10. Working capital

The Company is of the opinion that, taking into account the net proceeds of the M&S Arrangements payable on Completion, the 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.

Centerview Partners UK LLP 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.

Deloitte LLP is registered to carry on audit work in the UK and Ireland by 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 Financial Information*) of this Circular in the form and context in which it is included.

12. Significant change

There has been no significant change in the financial or trading position of the Group since 2 December 2018, being the end of the last financial period for which the Company has published annual audited financial information.

There has been no significant change in the financial or trading position of the Retail Business since 2 December 2018, the date at which the historical financial information in Part III (*Financial Information Relating to the Retail Business*) of this Circular has been prepared.

13. Key Individuals

The management team of Ocado Retail (other than the chief executive officer) will be appointed by the board of Ocado Retail. As at the Latest Practicable Date, Lawrence Hene has been appointed as interim managing director, and Richard Locke has been appointed as operations director.

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	Page number(s) in reference document	Type of information	Paragraph of this document which refers to the document containing information incorporated by reference	Where the information can be accessed by Ordinary Shareholders
2016 Annual Report and Accounts	70, 172-173, 189	Discussion of related party transactions	Paragraph 7 of Part VI (<i>Additional Information</i>)	http://www.ocadogroup.com/investors/reports-and-presentations/2017.aspx
2017 Annual Report and Accounts	113, 176-7, 191	Discussion of related party transactions	Paragraph 7 of Part VI (<i>Additional Information</i>)	http://www.ocadogroup.com/investors/reports-and-presentations/2018.aspx
2018 Annual Report and Accounts	97-102, 134, 208-9, 223	Interests in Ordinary Shares held pursuant to incentive plans, and discussion of related party transactions	Paragraphs 4.2 and 7 of Part VI (<i>Additional Information</i>)	http://www.ocadogroup.com/investors/reports-and-presentations/2019.aspx

15. Sources of financial information

Unless otherwise stated, all financial information disclosed in this Circular has been extracted from either the Q1 Trading Update or, without material adjustment, from the 2018 Annual Report and Accounts.

16. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company (which is Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL) 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 financial information of the Group in Part IV (*Unaudited Pro Forma Financial Information*) of this Circular, together with Deloitte LLP's report thereon;
- the 2016 Annual Report and Accounts;
- the 2017 Annual Report and Accounts;
- the 2018 Annual Report and Accounts;
- a copy of the Share Purchase Agreement; and
- the letters in relation to the consents referred to in paragraph 11 of this Part VI (*Additional Information*) of this Circular.

26 April 2019

PART VII DEFINITIONS

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

“£250 million Ocado Notes”	means the £250 million 4.00 per cent. Senior Secured Notes due 2024 issued pursuant to an indenture between, among others, the Company and HSBC Corporate Trustee Company (UK) Limited as Trustee and dated 19 June 2017;
“2016 Annual Report and Accounts”	means the annual report and accounts of the Company in respect of FY2016;
“2017 Annual Report and Accounts”	means the annual report and accounts of the Company in respect of FY2017;
“2018 Annual Report and Accounts”	means the annual report and accounts of the Company in respect of FY2018;
“Adjusted 2023 EBITDA”	has the meaning given to that term in paragraph 1 of Part V (<i>Summary of the Principal Terms of the Arrangements</i>) of this Circular;
“Affiliates”	means, in relation to any person, any company from time to time which is directly: (i) Controlling; (ii) Controlled by; or (iii) under common Control with, that person;
“Andover CFC”	means the CFC that was located at Flinders Close, Walworth Business Park, Andover, United Kingdom, SP10 5QZ (also referred to as CFC 3);
“Board”	means the board of directors of the Company;
“bot”	means a grocery carrying robot;
“Brand Licence Agreement”	means the agreement to be entered into between OIL and Ocado Retail pursuant to which Ocado Retail will be granted with a licence of the “Ocado” trade mark (including the swirl device mark) to conduct business in the retail field, further details of which are set out in paragraph 3.4 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Centerview Partners UK LLP”	means Centerview Partners UK LLP, a limited liability partnership incorporated in England and Wales with registered number OC345806 whose registered office is situated at 10 Norwich Street, London, United Kingdom, EC4A 1BD;
“CFC”	means a customer fulfilment centre, being a dedicated automated warehouse facility from which Affiliates of the Company service the Ocado.com business;
“Circular”	means this document;
“Coles”	means Coles Group Limited, a public company limited by shares incorporated in Australia with registered number CAN 004 089 936 whose registered office is situated at 800 Toorak Road, Hawthorn East, VIC 3123, Australia;

“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 7098618 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL;
“Comparable Service”	has the meaning given to that term in paragraph 3.1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Completion”	means the completion of the Disposal in accordance with the terms of the Share Purchase Agreement;
“Conditions”	means the Shareholder Approval Condition, the UK Competition Condition, the Ocado Financing Conditions and the Separation Condition;
“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;
“CREST”	means the paperless settlement procedure operated by Euroclear enabling system securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument;
“CREST Manual”	means the rules governing the operation of CREST as published by Euroclear;
“CREST Proxy Instruction”	means a proxy appointment or instruction made via CREST, authenticated in accordance with Euroclear’s specifications and containing the information set out in the CREST Manual;
“Directors”	means the directors of the Company;
“Disposal”	means the sale by OHL of 50 per cent. of the shares in Ocado Retail to M&S Holdings in accordance with the terms of the Share Purchase Agreement;
“Dordon CFC”	means the CFC located at Danny Morson Way, Birch Coppice Business Park, Dordon, Warwickshire, United Kingdom, B78 1SE;
“Erith CFC”	means the CFC located at Church Manorway Industrial Estate, Church Manorway, Erith, United Kingdom, DA8 1DE (also referred to as CFC 4);
“EBITDA”	has the meaning given to that term in the Share Purchase Agreement;
“Euroclear”	means Euroclear UK & Ireland Limited, the operator of CREST;

“Fabled”	means Marie Claire Beauty Limited and the business carried on by that company (referred to in this Circular as the “Fabled.com Business”);
“FCA”	means the Financial Conduct Authority of the United Kingdom and, where appropriate, acting in its capacity as the competent authority for the purposes of Part VI of FSMA;
“Fetch”	means Speciality Stores Limited, Paws and Purrs Ltd and the business carried on by those two companies (but excluding Fabled);
“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;
“FTO Business”	means the online food to order business (other than the Christmas food to order business) carried out by M&S Holdings;
“FTO Option”	has the meaning given to that term in paragraph 2 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“FTO Option Period”	has the meaning given to that term in paragraph 2 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“FY2016”	means the Company’s financial year (being a period of 52 weeks) ending on 27 November 2016;
“FY2017”	means the Company’s financial year (being a period of 53 weeks) ending on 3 December 2017;
“FY2018”	means the Company’s financial year (being a period of 53 weeks) ending on 2 December 2018;
“General Meeting”	means the general meeting of the Company convened by the notice set out at the end of this Circular (or any reconvened meeting following any adjournment thereof);
“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, United Kingdom, EC4A 2BB;
“Group”	means the Company, its subsidiaries, and its subsidiary undertakings from time to time;
“Hatfield CFC”	means the CFC located at Gypsy Moth Avenue, Hatfield Business Park, Hatfield, United Kingdom, AL10 9BD;

“IFRS”	means the International Financial Reporting Standards issued by the IFRS Foundation and the International Accounting Standards Board;
“IP”	means intellectual property;
“IT”	means information technology;
“Joint Use”	means a CFC whose capacity or a Spoke site whose use is shared between Ocado Retail and any other client of OOL (including another member of OOL’s Group or Morrisons);
“Joint Venture”	means the 50/50 joint venture between OHL and M&S Holdings in relation to Ocado Retail, as contemplated by the terms of the Shareholders’ Agreement;
“Joint Venture Perimeter”	means the assets, rights and liabilities of Ocado Retail and the other members of the Group constituting the Group’s online business comprised of Ocado.com and Fetch, as such business is carried on as at 27 February 2019, excluding any assets, rights and liabilities which are to be made available to Ocado Retail from Completion pursuant to the Solutions Agreement, the Operating Agreement and the Brand Licence Agreement;
“Latest Practicable Date”	means 24 April 2019;
“Lenders”	means OHL and M&S Holdings each in their capacity as lender under the Shareholder Loan Facility Agreement;
“Listing Rules”	means the rules made by the UK Listing Authority under Part IV of FSMA;
“Main Activity Test”	has the meaning given to that term in paragraph 1.6 of Part II (<i>Risk Factors</i>) 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, United Kingdom, BD3 7DL;
“M&S Group”	means M&S plc and M&S, and each of their subsidiaries from time to time;
“M&S”	means Marks and Spencer Group plc, a company incorporated in England and Wales with registered number 04256886 whose registered office is situated at Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW;
“M&S Arrangements”	means the Disposal (as contemplated by the Share Purchase Agreement), the Joint Venture (as contemplated by the Shareholders’ Agreement) and the arrangements supporting the Joint Venture (as contemplated by the other Transaction Agreements);
“M&S Holdings”	means Marks and Spencer Holdings Limited, a company incorporated in England and Wales with registered number 11845975 whose registered office is situated at Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW;

“M&S plc”	means Marks and Spencer plc, a company incorporated in England and Wales with registered number 00214436 whose registered office is situated at Waterside House, 35 North Wharf Road, London, United Kingdom, W2 1NW;
“M&S Rights Issue”	means the rights issue to be undertaken by M&S;
“Notice”	means the notice of the General Meeting set out at the end of this Circular;
“Ocado Facility”	means the ‘Finance Documents’ as defined in the £100 million Facility Agreement between, among others, OHL and Barclays Bank plc as Agent, dated 1 July 2014 (as amended and restated pursuant to an amendment and restatement agreement dated 29 June 2015, and an amendment and restatement agreement dated 12 June 2017);
“Ocado Financing Conditions”	means the conditions in relation to the Ocado Facility and the £250 million Ocado Notes described in paragraph 1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Ocado Retail”	means Ocado Retail Limited, a company incorporated in England and Wales with registered number 03875000 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. Ocado Retail is a wholly-owned subsidiary of OHL. Where the context requires, this term shall also refer to the business carried out by Ocado Retail;
“Ocado Retail Group”	means Ocado Retail and its subsidiaries from time to time;
“Ocado Smart Platform”	means the mechanical handling equipment at the centralised CFCs and the integrated e-commerce and fulfilment software platform made available by OSL to its UK and international clients (also referred to as OSP);
“Ocado.com”	means the online grocery business of Ocado Retail;
“OHL”	means Ocado Holdings Limited, a company incorporated in England and Wales with registered number 07148670 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. OHL is a wholly-owned subsidiary of the Company;
“OIL”	means Ocado Innovation Limited, a company incorporated in England and Wales with registered number 08813912 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. OIL is a wholly-owned subsidiary of the Company;
“OOL”	means Ocado Operating Limited, a company incorporated in England and Wales with registered number 09047186 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. OOL is a wholly-owned subsidiary of the Company;
“Operating Agreement”	means the agreement to be entered into between OOL, Ocado Retail, the Company and M&S at Completion which relates to

	the Operating Services to be provided to Ocado Retail, further details of which are set out in paragraph 3.2 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Operating Services”	has the meaning given to that term in paragraph 3.2 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Ordinary Shares”	means the ordinary shares of two pence each in the capital of the Company;
“OSL”	means Ocado Solutions Limited, a company incorporated in England and Wales with registered number 04204963 whose registered office is situated at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. OSL is a wholly-owned subsidiary of the Company;
“OSL Exclusivity Period”	has the meaning given to that term in paragraph 3.1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“PRA”	means the Prudential Regulation Authority of the United Kingdom;
“Resolution”	means the resolution for approval of the M&S Arrangements set out in the Notice;
“Restricted Period”	has the meaning given to that term in paragraph 3.4 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Retail Business”	means Ocado Retail and Fetch;
“Retail Business Financial Information”	has the meaning given to that term in paragraph 1 of Part III (<i>Financial Information Relating to the Retail Business</i>) of this Circular;
“Q1 Trading Update”	means the trading update for the Group for the 13 weeks to 3 March 2019;
“Selected Restricted Client Competitor”	has the meaning given to that term in paragraph 3.1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Separation”	means the restructuring required to transfer the business and assets within the Joint Venture Perimeter to Ocado Retail and to transfer the business and assets which are not within the Joint Venture Perimeter from Ocado Retail to one or more other members of the Group;
“Separation Condition”	means the condition in relation to the Separation described in paragraph 1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;

“Share Purchase Agreement”	means the agreement between OHL, the Company, M&S Holdings, M&S and M&S plc relating to the sale and purchase of 50 per cent. of the shares in Ocado Retail and dated 27 February 2019, further details of which are set out in paragraph 1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Shareholder”	means a holder of Ordinary Shares;
“Shareholder Approval Condition”	means the condition in relation to the approval of the M&S Arrangements as contemplated by this Circular;
“Shareholder Loan Facility Agreement”	means the agreement to be entered into at Completion between Ocado Retail, OHL and M&S Holdings pursuant to which OHL and M&S Holdings may be required to advance certain loans to Ocado Retail, further details of which are set out in paragraph 3.5 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Shareholders’ Agreement”	means the agreement to be entered into between OHL, M&S Holdings, Ocado Retail, the Company, M&S and M&S plc at Completion which will govern the relationship between OHL and M&S Holdings in respect of their shareholdings in Ocado Retail, further details of which are set out in paragraph 2 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Solutions Agreement”	means the agreement to be entered into between OSL, the Company, Ocado Retail and M&S at Completion pursuant to which the OSP will be provided to Ocado Retail, further details of which are set out in paragraph 3.1 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Solutions Business”	means the business carried out by OSL and its subsidiaries from time to time;
“Sourcing and Branding Agreement”	means the agreement to be entered into at Completion between M&S plc and Ocado Retail pursuant to which Ocado Retail will be given the exclusive right to use online channels to sell M&S’s own-label grocery products in the UK and the Republic of Ireland and non-exclusive rights to do the same with respect to the rest of M&S’s own-label range, further details of which are set out in paragraph 3.3 of Part V (<i>Summary of the Principal Terms of the M&S Arrangements</i>) of this Circular;
“Spoke”	means the trans-shipment sites used for the intermediate delivery of customer orders for Ocado.com (and other clients of OOL);
“Switchover Date”	means the earliest of: (i) 1 September 2020; (ii) any earlier date on which the Waitrose Arrangements terminate in accordance with their terms before 1 September 2020; and (iii) any date which may be agreed by Waitrose, M&S and Ocado Retail;
“Transaction Agreements”	means the Share Purchase Agreement, the Shareholders’ Agreement, the Solutions Agreement, the Operating

Agreement, the Sourcing and Branding Agreement, the Brand Licence Agreement and the Shareholder Loan Facility Agreement;

“UK Competition Condition”

means the condition in relation to the UK Competition and Markets Authority not having requested submission of a merger clearance filing or having given notice that it is commencing a phase 1 review, in each case, in respect of the M&S Arrangements as described in paragraph 1 of Part V (*Summary of the Principal Terms of the M&S Arrangements*) of this Circular;

“Waitrose”

means Waitrose Limited, a company incorporated in England and Wales with registered number 00099405 whose registered office is at 171 Victoria Street, London, United Kingdom, SW1E 5NN; and

“Waitrose Arrangements”

means the sourcing arrangements between Ocado Retail and Waitrose and its Affiliates.

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 10:00 a.m. on 20 May 2019 at Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL. 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 M&S 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 M&S Arrangements in accordance with such terms and conditions and to make non-material modifications to and non-material variations, waivers and extensions of any of the terms of the M&S Arrangements and of any documents and arrangements connected with the M&S Arrangements.

By order of the Board

Neill Abrams
Group General Counsel and Company Secretary
26 April 2019

Registered Office: Buildings One & Two Trident Place, Mosquito Way, Hatfield, Hertfordshire, United Kingdom, AL10 9UL

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 person holding shares through the Ocado Share Incentive Plan should refer to the procedure for submitting instructions referred to in paragraph 13 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 the Company's registrars, Link Asset Services:
 - electronically via www.ocadoshares.com;;
 - emailing ocado@linkgroup.com;
 - by post at Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF; or
 - by telephone on 0345 608 1476. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9am to 5.30pm, Monday to Friday excluding public holidays in England and Wales.
2. To be valid any proxy form must be submitted:
 - 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);
 - by post or (during normal business hours only) by hand to Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF; 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 10:00 a.m. on 16 May 2019 (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, Link Asset Services, (ID RA10) by 10:00 a.m. on 16 May 2019. 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 Link Market Services 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 Link Asset Services, PXS 1, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4ZF,

in either case by no later than 10:00 a.m. on 15 May 2019 (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 Link using the details provided at www.ocadoshares.com or on the Form of Instruction by no later than 10:00 a.m. on 15 May 2019 (or, in the event of any adjournment, on the date which is 72 hours before the time of the adjourned General Meeting). **After 10:00 a.m. on 15 May 2019 (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 Link Market Services 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. If you hold shares through the Ocado Share Incentive Plan (the “**SIP**”), you can instruct Yorkshire Building Society, as trustee of the SIP, how you want the votes in respect of your shares to be exercised at the General

Meeting electronically via www.ybsshareplans.co.uk by no later than midnight on 10 May 2019. **After midnight on 10 May 2019 you will no longer be able to:**

- **instruct YBS Share Plans how you want the votes in respect of your shares to be voted; 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.**
14. 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.
15. 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.
16. 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.
17. 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 close of business on 16 May 2019 (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.
18. As at 24 April 2019 (being the Latest Practicable Date prior to the publication of this Notice), the Company's issued share capital consists of 699,552,048 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 24 April 2019 are 699,552,048. Of these issued ordinary shares:
- a) 983,640 shares are held by Wealth Nominees Limited, and 2,856,023 shares are held by Numis Nominees (Client) Limited, both on behalf of Estera Trust (Jersey) Limited, the independent company which is the trustee of Ocado's employee benefit trust (the **"EBT Trustee"**). The EBT Trustee has waived its right to exercise its voting rights and to receive dividends in respect of 3,893,663 ordinary shares, although it may vote in respect of 983,640 ordinary shares which have vested under the joint share ownership scheme and remain in the trust as at 24 April 2019, at the request of a participant; and
 - b) 1,997,710 ordinary shares are held by Yorkshire Building Society, the trustee for the Company's SIP, who must vote, at the request of a participant, in respect of ordinary shares held by the trustee on behalf of that participant.
19. Copies of the service contracts and letters of appointment of the directors of the Company will be available for at least 15 minutes prior to the General Meeting and during the General Meeting.
20. 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.

21. 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):

- emailing: ocado@linkgroup.com;
- calling: 0345 608 1476. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open 9 a.m. to 5:30 p.m., Monday to Friday excluding public holidays in England and Wales; or
- writing to: Link Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

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.

20. A copy of this Notice, and other information required by section 311A of the Companies Act 2006, can be found at www.ocadogroup.com.

