

Chairman's letter

Lord Grade of Yarmouth
Chairman



Dear Shareholder

Overview

We are now in our second year as a public listed company and I am pleased to report that the business continues to see significant sales growth and improvements in operational profitability.

During the year the Group invested heavily and continues to do so, in the development of its second Customer Fulfilment Centre at Dordon, Warwickshire. This major development will ensure Ocado is in a prime position to take full advantage of the rapid growth expected in the online grocery business over the coming years.

People

I am greatly inspired and hugely impressed by the level of service and quality of offering that our people deliver. Ocado's impressive record in achieving awards for innovation and quality of service continued during the year and is testament to the efforts and talent of our workforce. I wish to thank all members of the Ocado family for their continued support.

Board changes

Andrew Bracey has resigned as Chief Financial Officer from the Board, and a process is underway to find a new Chief Financial Officer. Andrew is expected to leave after the publication of this annual report. David Young, who joined the Board in 2000, has also expressed his intention to resign as Non-Executive Director at the AGM. I would like to pay thanks to Andrew and David for their valuable contribution to the success of Ocado and wish them every success for the future.

We welcomed Mark Richardson to the Board in the newly created role of Operations Director. Since 2001, as Head of Technology, Mark had led the Ocado technology team in developing our website, mobile applications and warehouse IT system.

Existing Board members Jason Gissing and Neill Abrams also had changes to their roles during the period. Jason has taken on the new Board position of Commercial Director and Neill has assumed responsibility for human resources in addition to his current role as Legal and Business Affairs Director.

We also welcomed three new Non-Executive Directors onto the Board in Douglas McCallum, Wendy Becker and Alex Mahon. Douglas' high-level experience in e-commerce and IT, Wendy's wealth of experience in retail, technology and customer service and Alex's experience in media, strategy and corporate development will complement the skill set of the existing Board. Wendy will chair the Remuneration Committee upon the retirement of David Young.

Corporate governance

The Board has a wide range of responsibilities. There are three that are particularly important for the success of the business, first, to debate, determine and oversee the execution of our strategy; second, to ensure that we have the most talented team to execute this strategy and that we plan effectively for succession; and third, to ensure effective governance.

Securing the right balance of skills, experience and perspectives on the Board is a key responsibility to ensure that the Board works effectively as a team towards shared goals with the right mix of enquiry and support of the Executive Directors from the Non-Executive Directors. The Nomination Committee report on pages 36 to 37 describes this work. We always seek to run our business in a responsible way, and we have a very strong team which is mindful of its responsibilities not just in helping to deliver the strategy but also in overseeing financial controls and risk management.

Our governance reporting obligations are set out in the UK Corporate Governance Code. The appointment of the three new Non-Executive Directors moves the Board closer to the Board's desired full compliance with the 2010 Code in respect of Board independence. A detailed statement of corporate governance can be found on pages 30 to 45 of this annual report.

I am also mindful of my responsibility as Chairman to lead the Board and ensure that it is working effectively. This year a Board evaluation was carried out with the FRC's Guidance on Board Effectiveness in mind. I am encouraged, as reinforced by our Board's performance review, that our Board operates effectively and is properly engaged.

Corporate social responsibility

Operating our business in a responsible way is fundamental both to the way we operate and to delivering sustainable profits and long-term value for our shareholders.

We have continued to explore methods of reducing our impact on the environment, including the use of anaerobic digestion to produce electricity from our food waste, use of electric vans in our London spokes and continuing our closed-loop carrier bag recycling system. We have also supported the Japan Appeal and Macmillan Cancer Support among other important causes. The corporate social responsibility report found on pages 24 to 27 describes our responsibilities here.

Looking forward

I am excited about Ocado's future and I look forward to the continued expansion of our business. As a Board, we remain confident that our strategy and business plan will allow Ocado to grow and deliver our commitment to create value for our shareholders.

Lord Grade of Yarmouth
Chairman
Ocado Group plc