



Interim Results
2016/17



OF THE DAY
SEA BASS
MSC LINE CAUGHT
COD FILLET
FISH MIX

David Tyler
Chairman



Mike Coupe
Group Chief Executive

Market context

As our customers' lives change, so does our business

- Customer expectations are changing rapidly. They want:
 - Flexibility, convenience and speed
 - To order online and via mobile
 - Shopping in-store, as home delivery or Click & Collect



Two years ago we set out a clear strategy



Two years on . . .

We are delivering against it

Quality investment programme

2,100 products complete

Pricing simplification success

multi-buys and brand match removal

3-year £500m cost savings on track
£65m in H1 delivered



Sainsbury's Bank migration

Savings & ATMs complete



Same day and one hour delivery trials



Home Retail Group

Transaction complete

Industry leading service and availability

Convenience stores
>130 opened in the last 2 years

Argos stores in Sainsbury's Supermarkets

22 stores now open



Realising the potential of the Group

Multi-product, multi-channel retailer; focus on four key priorities

1 Further enhance our differentiated food proposition



2 Grow Clothing and General Merchandise and deliver synergies



3 Diversify and grow Sainsbury's Bank



4 Continue cost savings and maintain balance sheet strength





Ed Barker
Interim Chief Financial Officer

Financial highlights

- HRG: consolidated at end of H1
- LFL transaction growth and total volume growth
- Pricing pressures continue to impact margins; market share only down 6bps¹
- £113m property profits and £98m profit on Pharmacy sale completion
- Net debt reduced by £0.5bn since March 2016 to £1.3bn
- Sainsbury's triennial pension valuation completed - net cash payments increase by £6m p.a.
- Interim dividend of 3.6p

¹ Kantar Worldpanel 52 week Total Till Roll data ending 11 September 2016

Group performance

Overview

£m	H1 2016/17	H1 2015/16	Change %
Underlying results			
Group sales (inc VAT)	13,923	13,641	▲ 2.1
Retail sales (inc VAT, inc fuel) ¹	13,750	13,475	▲ 2.0
Retail sales (inc VAT, ex fuel) ¹			▲ 2.4
Retail operating profit ²	308	332	▼ (7.2)
Financial Services operating profit	29	34	▼ (14.7)
Net finance costs ³	(65)	(62)	▼ (4.8)
Share of JV profits	5	4	▲ 25.0
Profit before tax	277	308	▼ (10.1)
Tax rate	21.3%	25.3%	▲ 392 bps
Basic EPS	11.2p	12.0p	▼ (6.7)
Interim dividend per share	3.6p	4.0p	▼ (10.0)
Statutory results			
Items excluded from underlying results ²	95	31	
Profit before tax	372	339	▲ 9.7

1 Retail sales include sales of £281m inc VAT (£235m ex VAT) from the acquired Argos business consolidated from 2 September 2016

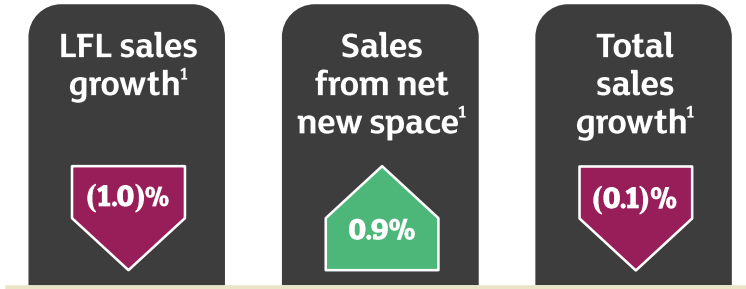
2 Retail operating profit includes £1m of underlying operating profit from the acquired Argos business consolidated from 2 September 2016

3 Net finance costs are stated inclusive of the 'perpetual securities' coupons (perpetual subordinated capital securities and perpetual subordinated convertible bonds) of £13m (H1 2015/16: £4m)

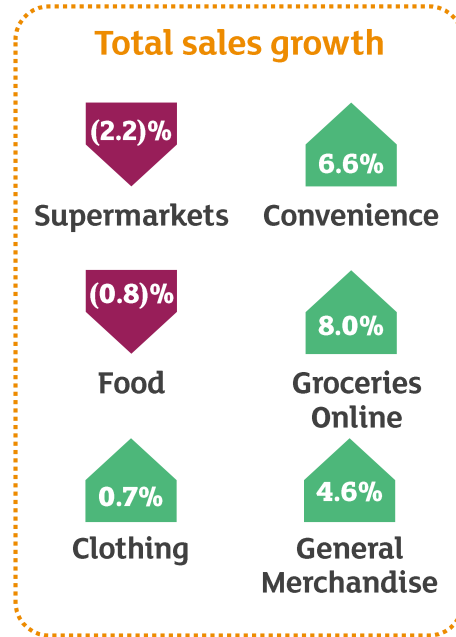
These are then added back to items excluded from underlying results in order to reconcile profit before tax with the statutory accounts

Retail sales - Sainsbury's only

Food price deflation, but good performance across growing channels



- H1 Retail sales performance measures for Sainsbury's only
- Argos H1 sales in the 3 weeks post acquisition were £281m (inc VAT)
 - Contribution of 2.5% to Group total sales growth
 - Group total sales growth of 2.4%



2016/17 FY Guidance

- Contribution from net new space (excluding extensions, replacements and the disposal of the Pharmacy business) expected to be around 0.8%: H1 contribution 1.0%; H2 contribution 0.7%. Impact of the disposal of the Pharmacy business reduces this to 0.3% for the full year: H1 contribution 0.9%; H2 contribution (0.3)%
- 5 supermarkets and around 40 convenience stores

¹ Sales including VAT, excluding fuel

Retail – Total Group

Operating margin impacted by further price investment made in H1

£m	H1 2016/17	H1 2015/16	Change %
Retail sales (inc VAT, inc fuel) ¹	13,750	13,475	▲ 2.0
(ex VAT, inc fuel) ¹	12,469	12,248	▲ 1.8
Retail underlying EBITDAR ¹	934	928	▲ 0.6
Retail underlying EBITDAR margin % ¹	7.49	7.58	▼ (9) bps
at constant fuel prices	7.43	7.58	▼ (15) bps
Retail underlying operating profit ¹	308	332	▼ (7.2)
Retail underlying operating margin % ¹	2.47	2.71	▼ (24) bps
at constant fuel prices	2.45	2.71	▼ (26) bps

2016/17 FY Guidance

- We will remain competitive on price in the market
- Our full year underlying profit expectation for the combined Group remains in line with current market consensus (which includes Argos)²
- We expect Sainsbury's H2 underlying profit (excluding the impact of Argos) to be lower than H1 as a result of continued price investment and a step-up in cost inflation in H2

¹ H1 retail sales and profit metrics above include sales of £281m inc VAT (£235m ex VAT) from the acquired Argos business and £1m of underlying operating profit from the acquired Argos business consolidated from 2 September 2016

² 2016/17 UPBT consensus estimate (including Argos) of £573m, as published on 1 November 2016 on www.j-sainsbury.co.uk/investor-centre/analyst-consensus

HRG acquisition

Summary

- Consideration of £1,093m
 - £447m cash¹
 - £646m in shares²
- Fair value of net assets acquired £1,075m
 - £615m net customer loan book
 - £322m cash (net of capital return)³
 - £138m other net assets including £179m Brand value
- Goodwill arising on acquisition £18m
- Group accounts consolidate only three weeks performance from date of acquisition on 2 September 2016
- £160m EBITDA synergies in 3rd full year post acquisition

¹ £0.55 of cash per HRG share, based on HRG share capital of 813,445,001 shares

² £643m: 0.321 Sainsbury's shares for each HRG share - 261m new J Sainsbury plc shares at a share price of £2.4610 on 2 September 2016. Plus £3m in relation to share scheme awards and options

³ £548m cash and cash equivalents less capital return of £226m

HRG acquisition impact on the Group

- HRG previously analysed as Argos, Homebase, financial services, central activities and interest income
 - Homebase now discontinued operation
 - Financial services to be reported as part of Sainsbury's Bank
 - Interest income to form part of the Group's finance costs
 - Argos and central activities including Habitat ('Argos') combined into Retailing segment
- Argos full year profit of £30m-£50m¹
 - Argos H1 £(26)m loss - not consolidated
 - Argos H2 guidance: profit contribution £55m-£75m¹ – consolidated
 - Key trading period still to come

2016/17 FY Guidance

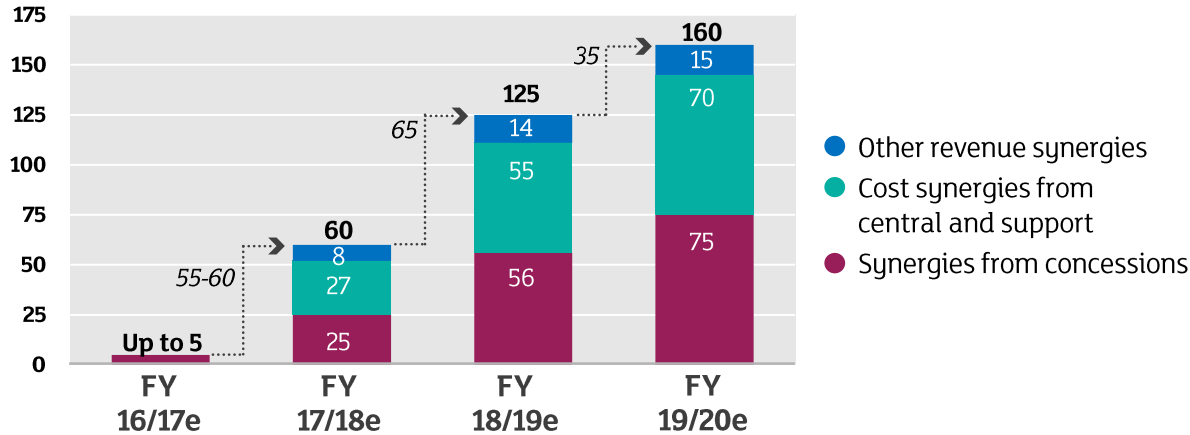
- Argos underlying profit contribution expected to be between £55m - £75m in H2, before synergies and Homebase disposal impacts
- Open c.35 Argos digital stores in supermarkets to make a total of around 45 by the end of 2016/17
- Close c.35 Argos stores in Homebase stores (remaining stores to close in H1 2017/18)
- Open 7 Habitat stores within supermarkets
- Open 4 Argos pop up stores in H2

¹ Before synergies and Homebase disposal impacts

HRG acquisition impact on the Group

£160m EBITDA synergies in 3rd full year post acquisition

Expected synergies phasing across financial years (£m)



- £160m synergies in addition to base business in 3rd full year post acquisition
- Integration costs of £130m¹
 - Relocation of property, dilapidations, lease break costs, redundancy costs
- Integration capex of £140m¹
 - Reformatting supermarket space, Argos store fit-out costs

¹ Phasing of the one-off integration costs and capex set out in appendix

2016/17 FY Guidance

UPBT impacts

- Up to £5m of synergies expected in FY16/17
- Expected cumulative loss of profit from Homebase Transitional Services Agreement and closure of Argos stores within Homebase:
 - Up to £5m in FY16/17
 - £10m in FY17/18
 - £20m in FY18/19 onwards

One-off costs

- Exceptional costs of £10m in H2 relating to Homebase separation and restructuring
- Around £15m of integration costs expected in FY16/17

Integration capex

- Around £20m of integration capex expected in FY16/17

Sainsbury's Bank

Performance in H1 in line with expectations

£m	H1 2016/17 ¹	H1 2015/16 ²	Change %
Total income³	144	139	▲ 3.6
Underlying operating profit	29	34	▼ (14.7)
Net interest margin⁴	3.8%	3.9%	▼ (10) bps
Bad debt asset ratio⁵	0.5%	0.3%	▼ (23) bps
Tier 1 capital ratio⁶	14.4%	14.0%	▲ 32 bps

- Transfer of Argos Financial Services ('AFS') took place at the end of H1
- Capital injections to the Bank in H1
 - £100m on the Argos Loan Book transfer

¹ 6 months to 31 August 2016

² 6 months to 31 August 2015

³ Net interest and net commission income

⁴ Net interest receivable / average interest-bearing assets

⁵ Bad debt expense / gross lending

⁶ Tier 1 capital / risk-weighted assets

⁷ Sainsbury's Bank FY Guidance includes the impact from acquiring the Argos Loan Book

2016/17 FY Guidance⁷

- Underlying Operating Profit expected to be around 10% lower year-on-year, due to investment required to enter the mortgage market and the impact of reduced interchange fees
- A small H2 contribution from Argos Financial Services will be offset by the ongoing cost of increased customer deposits used to refinance the Loan Book
- Sainsbury's Bank transition to new banking platform costs are expected to be around £40m
- Capital costs relating to the transition to the new banking platform are also expected to be around £40m
- Capital injections to the Bank are expected to be £120m (including £100m for the transfer of AFS into the Bank)

Items excluded from underlying results

£113m property profits realised, largely on the Nine Elms development

£m	H1 2016/17	H1 2015/16
Profit on disposals of properties	113	94
Pharmacy disposal	98	-
Sainsbury's Bank transition costs	(16)	(25)
Impairment and onerous contract charge	(30)	3
Netto closure costs	(23)	-
Home Retail Group acquisition costs	(22)	-
Other items excluded from underlying results ¹	(25)	(41)
Total	95	31

2016/17 FY Guidance

- No further property profits expected in H2
- The sale of the Pharmacy business was completed on 1 September 2016

¹ Other items excluded from underlying results set out in the appendix

Underlying finance costs

Finance costs in line with expectations

£m	H1 2016/17	H1 2015/16	Change %
Net finance cost¹	(65)	(62)	▼ (4.8)
Net interest cover¹	5.3x	6.0x	
Fixed charge cover¹	2.6x	2.7x	

- Capitalised interest £4m (H1 2015/16: £4m)
- Perpetual securities coupons £13m (H1 2015/16: £4m)

¹ Underlying finance costs and ratios are stated inclusive of the perpetual securities coupons of £13m. For statutory purposes the perpetual securities are accounted for as equity and the coupons are treated as dividends. Therefore, excluding the perpetual securities coupons of £13m, net finance costs are £52m, net interest cover is 6.6x and fixed charge cover is 2.7x

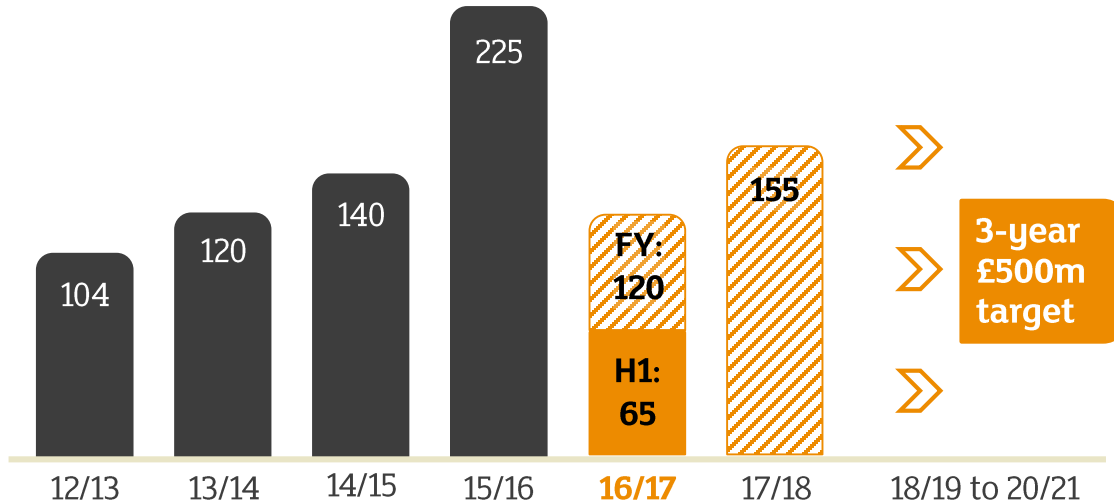
2016/17 FY Guidance

- Net finance costs to be slightly lower year-on-year, as a result of lower average net debt
- Capitalised interest expected to be similar year-on-year
- Underlying tax rate to be between 23-24%

Sainsbury's cost savings

£65m of cost savings delivered in H1

Annual operating cost savings¹ (£m)



2016/17 FY Guidance

- Cost inflation at the lower end of 2-3% range, with a step up in H2 as a result of the 4% wage increase for store colleagues effective 28 August 2016
- Operational cost savings of around £120m in 16/17
- On track to deliver our three-year £500m cost saving programme by the end of 2017/18
- Further 3-year £500m cost savings target from 2018/19 onwards

¹ Synergies reported as part of the HRG acquisition are not included here

Cash flow and working capital

Good decrease in working capital in H1

£m	H1 2016/17	H1 2015/16
Retail operating cash flow before changes in working capital	553	614
Decrease in retail working capital	239	191
Retail cash generated from operations	792	805
Bank operating cash flow before changes in working capital	27	18
Decrease / (increase) in Sainsbury's Bank working capital	226	(323)
Group cash generated from operations	1,045	500
Interest and corporation tax paid	(100)	(128)
Cash consideration for acquisition of HRG	(447)	-
Cash acquired, net of capital return	322	-
Sainsbury's Bank refinancing of Argos loan book	(504)	-
Retail refinancing of Argos loan book	504	-
Net cash used in other investing activities	(325)	(313)
Proceeds from issue of perpetual securities	-	494
Exceptional pension contribution	(199)	(125)
Dividends paid	(151)	(157)
Elimination of net increase in Sainsbury's Bank cash and cash equivalents	255	238
Other movements	85	(23)
Movement in net debt from year end	485	486
Net debt¹	(1,341)	(1,857)

2016/17 FY Guidance

- Small improvement in retail working capital
- Dividend cover will be maintained at 2.0x underlying earnings

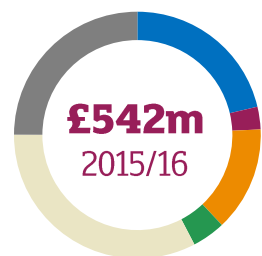
¹ Treating perpetual securities as debt (net of fees), net debt would be £1,841m (March 2016: £2,320m)

Retail capital expenditure

Retail capex guidance now inclusive of Argos expenditure

£m	H1 2016/17	H1 2015/16
Core retail capital expenditure	237	301
Acquisition of freehold and trading properties	74	1
Debtor / creditor movements	(1)	(4)
Argos integration capex	5	-
Net retail capital expenditure	315	298

Core retail capital expenditure



- New stores
- Extensions
- Convenience
- Refurbishments
- IT
- Other
- Argos (BAU)

2016/17 FY Guidance

- Core retail capex (including business as usual Argos capex) expected to be around £600m, excluding Sainsbury's Bank capex and Argos integration capex
- Argos integration capex expected to be around £20m
- Depreciation (excluding Argos) expected to increase by around £20m year-on-year, primarily due to investment in Digital and Technology that is depreciated over a shorter lifetime
- Core retail capex (including business as usual Argos capex) to be around £600m per annum over medium term

Balance sheet

Significant reduction in net debt

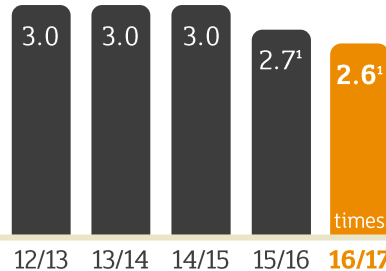
- Net debt £1,341m (March 2016: £1,826m), down £485m since March 2016
- Facilities of £4.0bn (March 2016: £4.1bn) including the perpetual securities, of which £2.8bn drawn down
- Market value of property now £10.3bn (March 2016: £10.6bn)
- No financial covenants across any of our borrowings

2016/17 FY Guidance

- Year-end net debt expected to reduce year-on-year to c.£1.5bn, mainly as a result of the HRG acquisition
- Net debt reduction expected over the medium term

Fixed charge cover (H1)

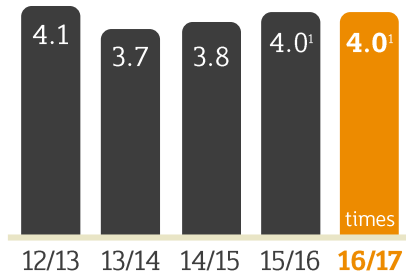
(Group underlying EBITDAR / interest + rent)



Lease adjusted

net debt / underlying EBITDAR^{2,3}

(Rolling 52 weeks)



¹ For statutory purposes the perpetual securities are accounted for as equity and the coupons are treated as dividends

Fixed charge cover treats the £13m perpetual securities coupons as interest. Accounting for the perpetual securities coupons as a dividend, fixed charge cover is 2.7x

Accounting for the perpetual securities as equity, lease adjusted net debt / underlying EBITDAR is 4.0x. Treating the perpetual securities as debt, lease adjusted net debt / underlying EBITDAR is 4.3x (H1 2015/16: 4.3x)

² Net debt plus capitalised lease obligations (5.5% discount rate) divided by Group underlying EBITDAR

³ All years reflect changes in disclosure of lease lengths beyond five years

Balance sheet

Pensions

- March 2015 Sainsbury's actuarial valuation completed - deficit £740m (March 2012: deficit £592m)
 - Recovery payments increase £6m to £84m per annum (including property partnership payments)
 - Second and final £125m exceptional contribution made in August 2016
- March 2015 Argos actuarial valuation completed - deficit £315m (March 2012: deficit £158m)
 - 2x £50m exceptional contributions¹ made during H1 in relation to Homebase and Sainsbury's transactions
 - Ongoing recovery payments of £40m per annum
- Sainsbury's pension scheme IAS 19 pension deficit² £1,063m (March 2016: £389m)
 - Driven by a fall in the discount rate since the year end from 3.65% to 2.20%
- Argos pension scheme IAS 19 pension deficit² £249m
- Next triennial valuations in March 2018 with outcome expected in 2019

¹ £50m in relation to the Homebase sale (£24m of which was paid after the acquisition) and £50m from Sainsbury's

² Net of deferred tax

Combined Group reporting going forwards

Overview

- **Q3 and Q4 2016/17 – Trading Statements as per Q2**
 - Sainsbury's LFL and Total sales growth performances
 - Argos LFL and Total sales growth performances
- **Prelims 2016/17 and onwards**
 - Retail LFL sales - no longer splitting sales performance between Sainsbury's and Argos
 - Additional total sales growth performance disclosure for Food, Clothing (including Argos clothing), General Merchandise (including Argos GM), Convenience and Groceries Online
 - Guidance for the combined Group - no ongoing separate disclosure of Sainsbury's and Argos
 - Synergies separately tracked and reported

FY16/17 Outlook

Combined Group guidance

Summary of Group guidance

- Our full year underlying profit expectation for the combined Group remains in line with current market consensus (which includes Argos)¹
- We expect Sainsbury's H2 underlying profit (excluding the impact of Argos) to be lower than H1 as a result of continued price investment and a step-up in cost inflation in H2
- Argos underlying profit contribution expected to be £55m-£75m in H2²
- Synergies in H2 of up to £5m, offset by up to £5m loss from closure of Argos stores in Homebase
- Year-end net debt of around £1.5bn
- Full year dividend cover will be maintained at 2.0x underlying earnings

¹ 2016/17 UPBT consensus estimate (including Argos) of £573m, as published on 1 November 2016 on www.j-sainsbury.co.uk/investor-centre/analyst-consensus.

² Before synergies and Homebase disposal costs

ooking

ade

28

World foods
Cheese
Butter

Traditional
Asian

Sainsbury's
Foodhall

Polish foods

Delicatessen

Butter

Mike Coupe
Group Chief Executive

Realising the potential of the Group

Multi-product, multi-channel retailer; focus on four key priorities

1 Further enhance our differentiated food proposition



2 Grow Clothing and General Merchandise and deliver synergies



3 Diversify and grow Sainsbury's Bank



4 Continue cost savings and maintain balance sheet strength



Further enhance
our differentiated
food proposition





Quality

Improving products that matter most to our customers

- 3,000 product quality investment programme to complete by end of 2016
 - 2,100 products now improved
- Improvements in growing categories
 - *Deliciously Freefrom*
 - *Taste the Difference* Ready Meals
 - *On the Go*
- 125 major range reviews over the next year, touching c.60% of food sales



Further enhance our differentiated food proposition

Differentiated food offer

Launch of *On the Go*



Food to go
market worth
c.£16bn



Wider range

- New meal occasions: breakfast and snacks
- New sushi salads



Quality

- New softer bread
- On-trend ingredients
- Improved taste and freshness

Investment

- £8m investment into the range

Packaging

- New modern design



Value

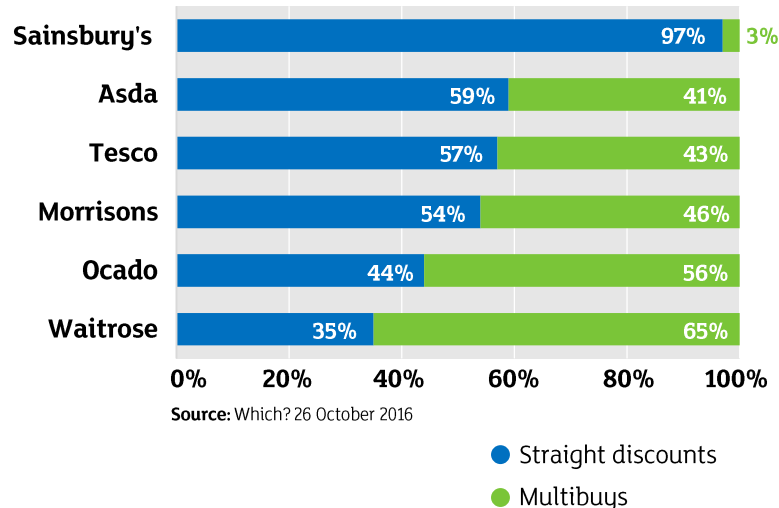
Positive customer feedback on value simplicity

- Simplification of pricing strategy
 - Promotional participation down to 24%¹
 - Removal of Brand Match
 - Multi-buys now phased out
- Customer satisfaction scores at their highest²
- LFL transaction growth across all channels and total volume growth



Supermarket food offers

Discounts vs multibuys



¹ Nielsen Homescan, % Spend on deal (Total Business, four week data up to 24 September 2016)

² CSI Data – Customer Satisfaction Tracking Q1 and Q2 2016

Further enhance our differentiated food proposition

Value

Investing in lower regular prices

- Further price investments in the spring and summer
- We have never been more competitive on price¹



*Based on comparable baskets calculated on 26th of October 2016
Full list of products included in the basket above is set out in the appendix



Which? Cheapest places to buy toiletries – Sainsbury's #1

Which? Survey for the six months to July 2016



¹ Exane BNP Paribas research 6.10.16 – Sainsbury's pricing vs Tesco, Asda, Morrisons over last 5 years



Service

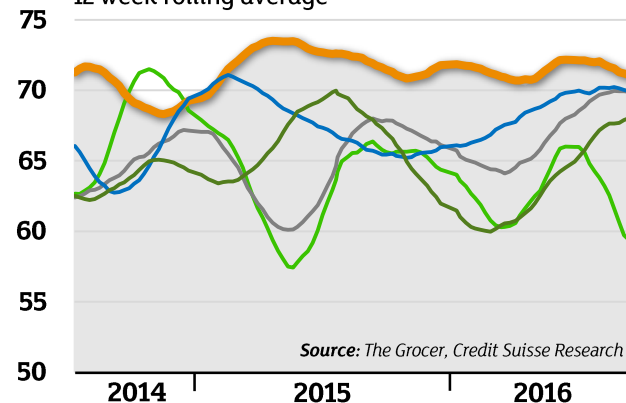
Colleagues making the difference

- Grocer Gold Best for Service and Best for Availability for the 4th consecutive year
- 4% pay increase for Sainsbury's store retail colleagues
- Investors in People Gold Accreditation for the 3rd consecutive time



Service and availability

12 week rolling average



- Sainsbury's
- Morrisons
- Waitrose
- Asda
- Tesco



Values

Our values make us different

- Active Kids Paralympic Challenge
 - 2.5 million children engaged in Paralympic sports
- Recognised for sustainable sourcing
 - Highest possible score from the World Wildlife Fund's Palm Oil Buyers' Scorecard
- Commitment to cutting food waste
 - *Waste less Save more* initiative
 - Over 1,100 charitable food donation partnerships
 - Corporate food waste reduction of 9.4% YoY
- Local charity campaign
 - Over 1,200 of our stores support a local charity





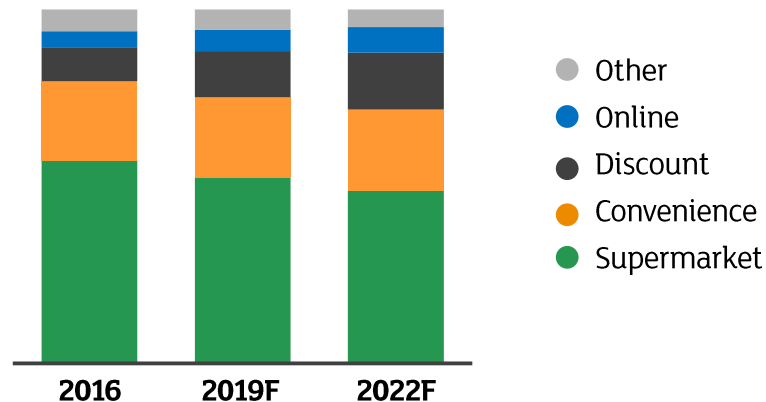
Channels

Supermarket remains key channel for groceries

- Adapting our space and layouts to reflect changing customer needs
- Structurally advantaged store portfolio
- 30 Argos Digital stores in our supermarkets by Christmas
- 200 digital collection points across our supermarkets by the end of the calendar year
- 7 Habitats in our supermarkets over the next few months
- Roll-out of future format trials successes

Grocery market channel share

2016-22 % of market



Source: Company estimates



Channels

Convenience growth of over 6%

- Convenience now around £2.4bn annualised sales
- Disciplined new store opening programme
- Opened 16 stores during H1
 - 783 Locals at half-year end
- Trial of 6 Locals in forecourt petrol stations with Euro Garages



Channels

Groceries Online continues good growth

- Around £1.3bn annualised sales
- Sales growth of 8% and order growth of over 12%
- 185k sq ft Online Fulfilment Centre in East London
- Groceries Online app
- Same day and one hour delivery trials



Grow Clothing
and General
Merchandise and
deliver synergies



Grow Clothing and General Merchandise and deliver synergies



Combining Sainsbury's Clothing and GM with Argos

A £6bn multi-channel, multi-product business

Sainsbury's
General
Merchandise



Tu
Clothing



Argos



Habitat



One of the UK's largest Clothing and General Merchandise retailers



Clothing and General Merchandise continues to grow

- General Merchandise growth of nearly 5%
- Clothing growth of nearly 1%
- Continuing to gain market share¹, 6th largest by volume¹
 - Investment in our ranges with launch of Tu Premium and Admiral Performance
- Tu Clothing opportunity on Argos platform



¹ Kantar Worldpanel (24 weeks ended 28 August 2016)

New management team in place

- New management team led by John Rogers
- Combining best of Sainsbury's and Argos
- Cultural alignment
- Working well to combine the businesses





Argos

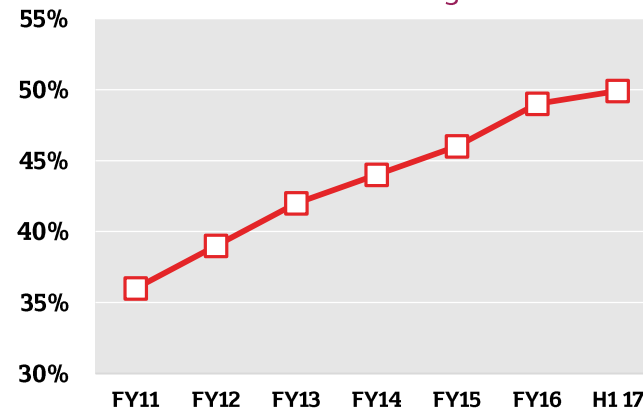
Leading UK general merchandise retailer with strong multi-channel capabilities

- Leading positions in key categories
 - # 1 in toys¹
 - # 2 in electricals²
- #2 most visited retail website in the UK³
 - Nearly 1bn website visits per year
- 50% online, 75% fulfilled through store
- 1st UK multi-channel retailer to generate £1bn annual m-commerce sales
- Argos digital stores now 20% of the estate
- eBay partnership
 - 10 millionth eBay parcel delivered through Argos

Most visited UK retail websites



Argos: Internet sales as proportion of total sales over the last 5 years



¹ NPD

² Verdict with Conlumino Report, May 2016

³ Hitwise six month data to October 2016, excluding eBay as a significant proportion of traffic generated by auction visits



Argos

Leading UK general merchandise retailer with strong multi-channel capabilities

- Multi-channel capabilities and infrastructure
 - Online and mobile, home delivery and Click & Collect
- Fast Track: unrivalled national proposition
 - 20,000 products
 - Same day delivery - 4 time slots, 7 days a week, £3.95 within 4 hours
 - Store collection in 60 seconds
- Facilitated by unique hub and spoke distribution and delivery network
- Leading express two-man home delivery service providing large item delivery across broad range of products



**GET WHAT YOU WANT TODAY. BUY ONLINE
BEFORE 6PM, WE'LL DELIVER BY 10PM.**





Argos

Leading UK general merchandise retailer with strong multi-channel capabilities

Introducing Argos latest Fast Track adverts



Argos

£160m of synergies identified



- c.250 Argos digital stores in supermarkets over three years
- Cross-selling opportunities across portfolio
- Argos point of presence across all Sainsbury's stores



- Removing duplication from central and support functions
- Product purchasing benefits
- Goods not for resale buying benefits



- Sainsbury's products through Argos network
- Clothing
- Homeware and seasonal



Argos

'Infill' Argos stores in supermarkets – 28 open by Christmas

- Revenue synergies through more points of presence
 - Leveraging Sainsbury's footfall, space, customer base
- First ten stores performing well
 - Strong sales densities
 - Significant LFL sales growth as customer awareness grows
 - 'Halo' sales uplift benefit to Sainsbury's of 1-2%
 - Very positive customer response
 - Complementary to existing general merchandise offer
- Sales mix:
 - 60% online click and collect and 40% walk in

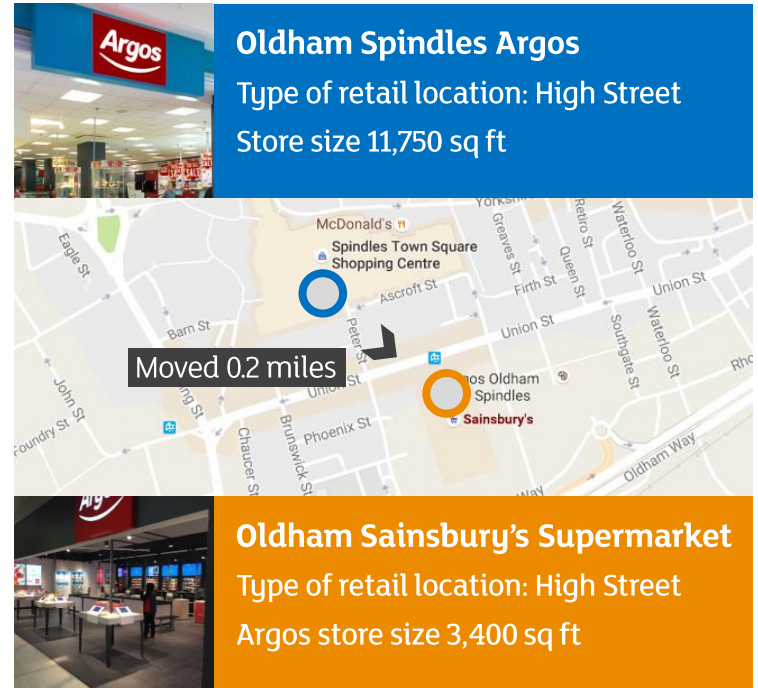




Argos

'Relocation' Argos stores in supermarkets – 2 open by Christmas

- Closure of Argos store and relocation into nearby Sainsbury's supermarket
 - Retaining sales
 - Realising cost savings on occupancy costs
 - Sainsbury's customer opportunity
- Cost synergies through lower operating costs
- First 'relocation' at Oldham
 - Opened in September
 - Early promising signs on performance
 - Total Argos sales in Oldham higher post relocation



Diversify and grow Sainsbury's Bank



Successful migration to new platform



- New, more flexible, banking platform now operational
 - Migration of Savings customers and ATMs
- New Loans platform
 - Expected by the end of 2017
- Migration of Card customers
 - Assessing options following the acquisition of Argos Financial Services and the opportunity to create a common cards operating model
- Argos Financial Services Loan Book transferred to Bank
- Over 220 Travel money bureaux
- Nearly 1,700 ATMs
 - Among the busiest in the UK, 9% of cash withdrawn via LINK ATMs is from a Sainsbury's Bank ATM
- Record sales in credit cards



Opportunities for growth



- Product expansion next year
 - Launch of mortgages
 - Home and car insurance expansion
- Addition of Argos Financial Services - potential for further growth
 - c.1.6m active store card holders purchasing Argos products
 - ATMs in Argos locations
- Sainsbury's customers who hold a Bank product spend more with us on their Food, Clothing and General Merchandise

Sainsbury's Bank



Continue cost savings and maintain balance sheet strength





New three-year £500m cost saving programme from 2018/19

- Delivered £65m cost savings in H1
 - Inventory replenishment at the most efficient times in the day
 - Better use of warehouse capacity
 - Optimised packing of deliveries across our network
 - Logistics Management restructures
 - Continuing to review our 3rd party contracts
- On track to deliver three year £500m cost savings in 2017/18
- New three-year £500m cost savings target from 2018/19



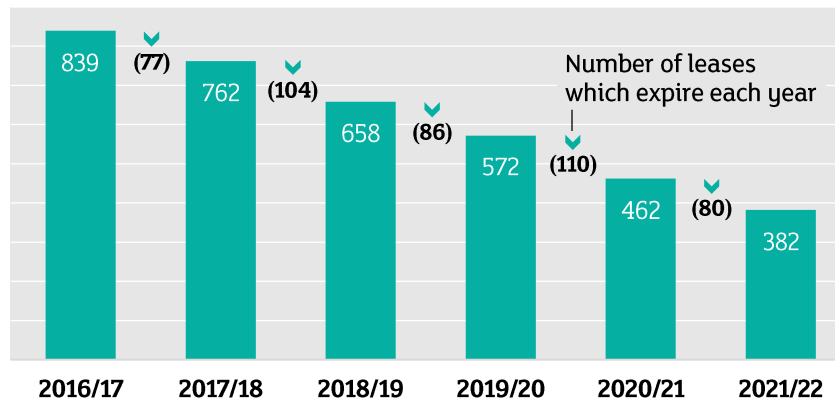


Balance sheet strength remains a key priority

- Core retail capex (including business as usual Argos capex) to be around £600m per annum over medium term
- Net debt reduction over medium term
- Opportunity to optimise store portfolio
 - Over half of Argos leases expire within five years
 - Average remaining 3.3 years
- Stable balance sheet metrics
- Interim dividend of 3.6p, maintaining full year dividend cover of 2.0x underlying earnings

Argos expiring leases provide opportunity to optimise store portfolio

Lease expiry profile as at HY 2016/17



Realising the potential of the Group



Sainsbury's *live well for less*



Sainsbury's Bank

Over
90,000
Products

>26m
weekly
Sainsbury's
customer
transactions

Knowing
our
customers

Faster
delivery
networks

Right size
stores in
right
location

Over
2,000
shops

Nearly
195,000
colleagues

Realising the potential of the Group

Introducing Nine Elms



Realising the potential of the Group

Introducing Nine Elms



Nine Elms video

Summary

- Our strategy implementation is ahead of plan
- Market will remain competitive
- HRG acquisition accelerates our strategy
- Differentiated position
- Strong platform for growth



Q & A

