Financial highlights

Bláthnaid Bergin
Chief Financial Officer

Sainsbury's

Our financial framework

01

Food volume growth
+
SG&A/sales reduction
+
Measured reinvestment in the customer proposition
=
Profit leverage from sales growth

02

Robust profitability
+
Disciplined capital investment
=
Strong sustained cash flows
and
higher return on capital

03

Strong sustained cash flows
+
Focused capital allocation
=
Enhanced shareholder returns

Retail sales growth by category

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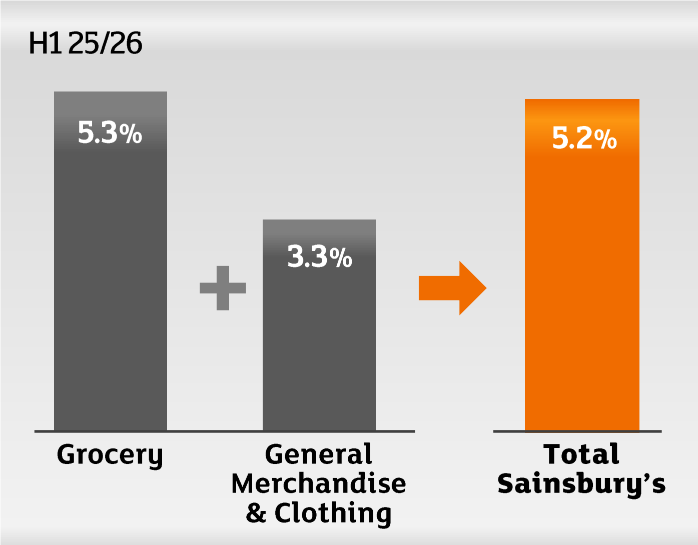
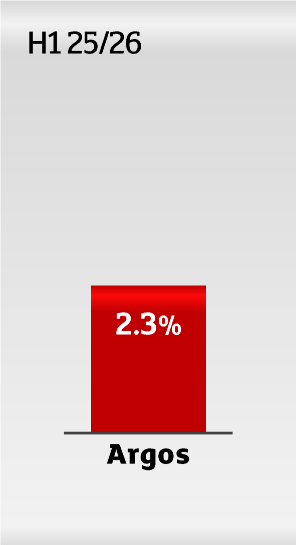
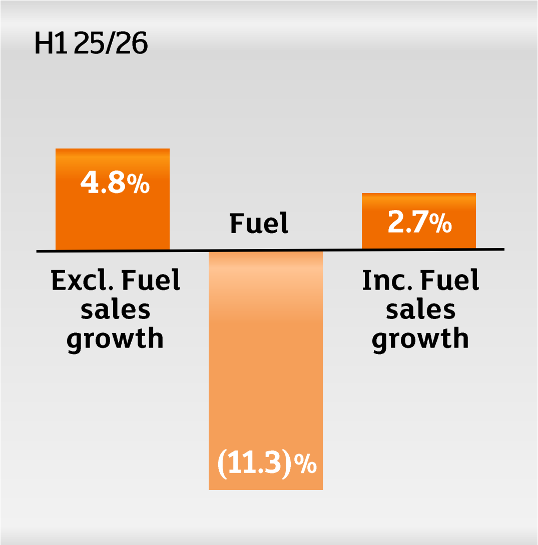
sales growth[1]



Argos
sales growth[2]



Total Retail
sales growth[2]



1. Excl. Fuel, excl. VAT
2. Excl. VAT

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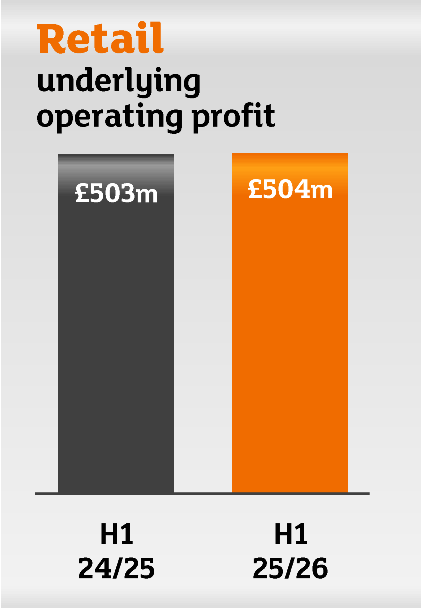
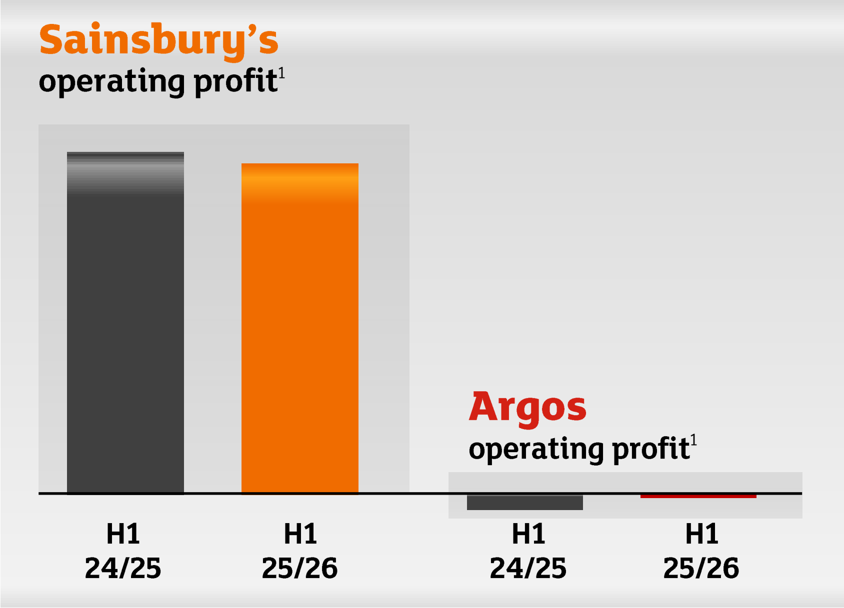
Retail underlying operating profit





2025/26 Guidance

We expect to deliver Retail underlying operating profit of **more than £1 billion**

1. Operating profit post-allocation of group costs, pre-allocation of store-in-store concession rent costs to Argos

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Financial Services

Successful withdrawal from Financial Services

- Completed the sale of Sainsbury's Bank personal loan, credit card and retail deposit portfolios to NatWest Group in May
- NewDay Group acquired beneficial title to Argos Financial Services – partnering to create new Argos-branded digital credit proposition
- Agreement with Allianz UK on car and home insurance
- Commission income stream deals with:
  - NoteMachine for ATM managed services
  - Fexco Group for Travel Money

Financial Services[1]	H1 2025/26	H1 2024/25
Underlying revenue	£65m	£57m
Underlying operating profit	£2m	£(29)m

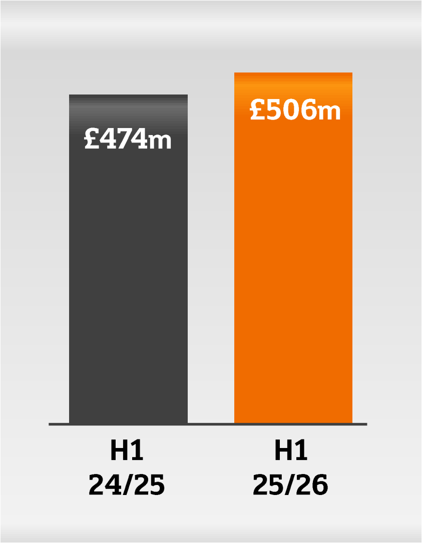
Guidance

- Core Banking, ATM, Travel Money, Argos Financial Services and Mortgage businesses now all classified as discontinued operations and are accounted for within items excluded from underlying results
- Therefore, we now expect Financial Services underlying operating profit contribution to be **broadly breakeven in 2025/26**
- We continue to expect Argos Financial Services income, together with commission income from ongoing Care, insurance, travel money and ATM arrangements to deliver sustainable annual profit of **at least £40 million by February 2028**

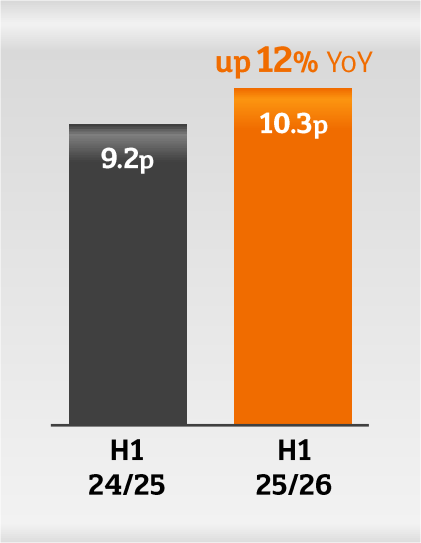
1. Prior year restatement: Discontinued operations were previously included in underlying measures whilst the associated trading activities remained ongoing. Following completion of the NatWest, NewDay and NoteMachine disposals, these activities are substantially ceased, and have therefore been reclassified to non-underlying so as to only reflect ongoing trading performance within underlying results

Underlying profits and dividend per share

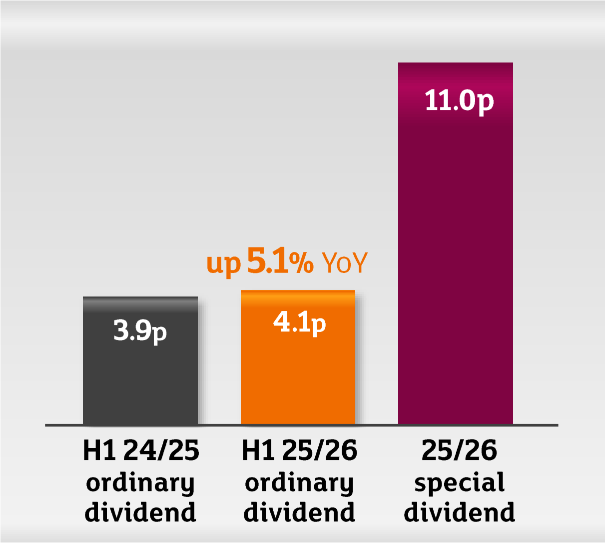
Total underlying operating profit[1]



Underlying earnings per share[1]



Dividend per share



1. Prior year restatement: Discontinued operations were previously included in underlying measures whilst the associated trading activities remained ongoing. Following completion of the NatWest, NewDay and NoteMachine disposals, these activities are substantially ceased, and have therefore been reclassified to non-underlying so as to only reflect ongoing trading performance within underlying results

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Items excluded from underlying results

£m	H1 2025/26	H1 2024/25
Retail restructuring programme	(58)	(37)
IAS 19 pension income	16	14
Property, finance and acquisition adjustments	(16)	(6)
Other	(9)	(12)
Retail items excluded from underlying results	**(67)**	**(41)**
Financial Services phased withdrawal – continuing operations	(2)	(10)
Financial Services phased withdrawal – discontinued operations	(26)	(127)
Financial Services items excluded from underlying results[1]	**(28)**	**(137)**
Total items excluded from underlying results	**(95)**	**(178)**

Guidance

We expect to incur non-underlying cash costs relating to Retail restructuring programmes of **around £100m** in 2025/26

We expect to incur total non-underlying cash costs relating to our Next Level Sainsbury's strategy implementation of **around £150m** over the three-year programme

1. Discontinued operations were previously included in underlying measures whilst the associated trading activities remained ongoing. Following completion of the NatWest, NewDay and NoteMachine disposals, these activities are substantially ceased, and have therefore been reclassified to non-underlying so as to only reflect ongoing trading performance within underlying results

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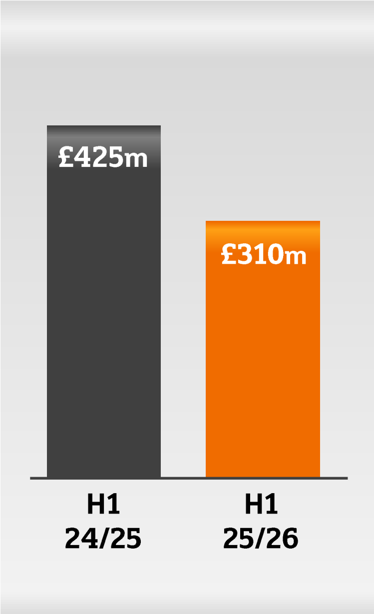
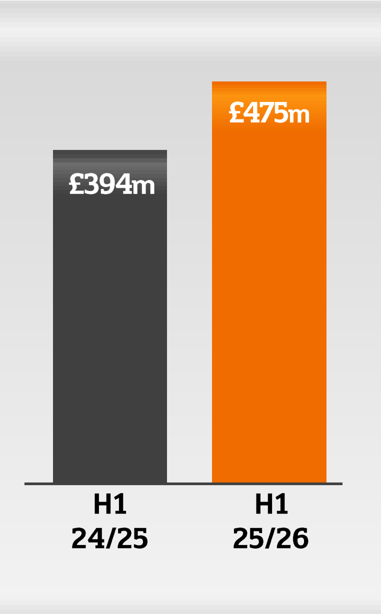
Cash flow metrics

Retail Free Cash Flow

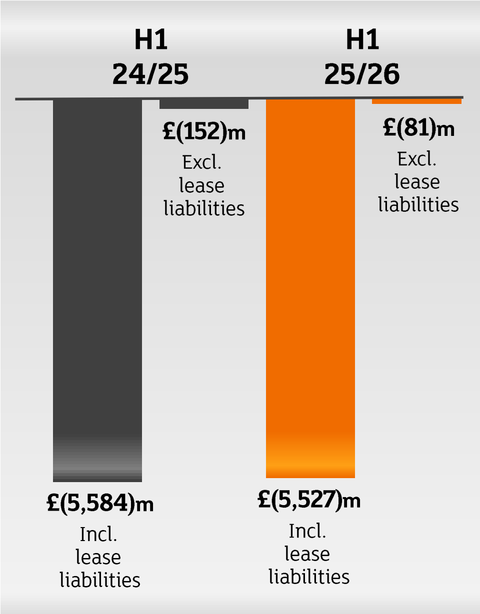


Working Capital movement

Capital expenditure



Net debt



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Net debt and Retail free cash flow

£m	H1 2025/26	H1 2024/25
Net cash from operating activities	**1,020**	**1,074**
of which working capital movements	*141*	*179*
of which pension cash contributions	*(13)*	*(23)*
Capital expenditure	(475)	(394)
Disposal proceeds, Interest income	13	22
Lease repayments[1]	(248)	(277)
Retail free cash flow	**310**	**425**
Dividends paid on ordinary shares	(223)	(217)
Share buyback	(158)	(136)
Proceeds from Financial Services phased withdrawal	300	-
Financial Services strategic review	(50)	(10)
Other[2]	52	(92)
Movement in net debt	**231**	**(30)**
Opening net debt[3]	**(5,758)**	**(5,554)**
Closing net debt[3]	**(5,527)**	**(5,584)**
of which **Lease liabilities**	***(5,446)***	***(5,432)***
of which **Net debt exc. lease liabilities[3]**	***(81)***	***(152)***

2025/26 Guidance

- We expect to generate **more than £500 million** of retail free cash flow in 2025/26, in line with our commitment of generating at least £1.6 billion of retail free cash flow over the three years to 2026/27
- We expect total pension scheme cash contributions to be **around £26 million**
- We expect core retail cash capital expenditure (excluding Financial Services) in 2025/26 of **£800 million to £850 million**

1. Includes initial direct costs on right-of-use assets
2. Includes the net movement to lease liabilities, reflecting non-cash additions in the period offset by payments made. Also includes cash impact of share purchases (excluding share buyback) and proceeds from issuance of shares
3. Net debt definition excludes derivatives not linked to borrowings

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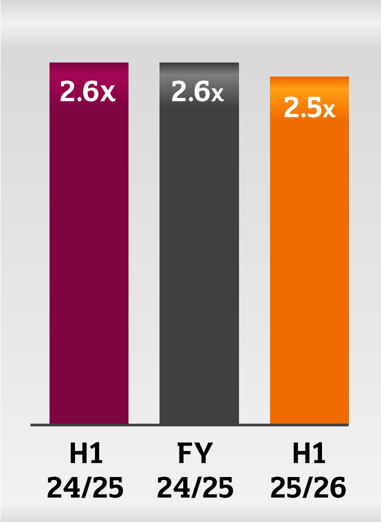
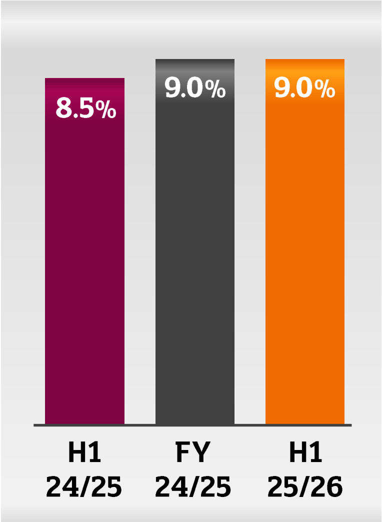
Balance sheet metrics

Net debt / EBITDA[1,2]



Return on capital Employed[2,3]



Guidance

We continue to target leverage of net debt to EBITDA of **3.0x to 2.4x**

1. Net debt including leases of £5,527 million divided by Group underlying EBITDA of £2,218 million based on a 52 week rolling basis
2. H1 25/26 is now stated exclusive of discontinued operations, whereas no adjustment has been made to 2024/25, which remains as previously presented (on an inclusive of discontinued operations basis)
3. Return is defined as a 52 week rolling underlying profit. Capital employed is defined as Group net assets excluding pension surplus, less net debt. The average is calculated on a 14-point basis which uses the average of 14 data points, representing the previous 13 period ends and the opening position

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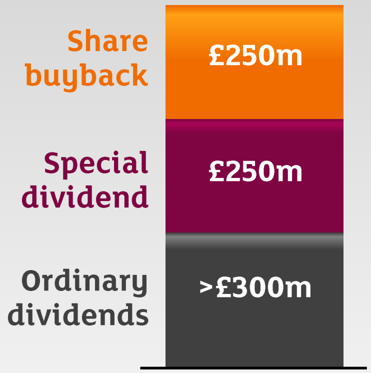
Enhanced cash returns to shareholders:

Total cash returns to shareholders in 2025/26 to exceed £800m

Bank disposal net proceeds will now exceed £400m

- Bank disposal net proceeds will now exceed £400m, higher than originally expected
- **£400m will be returned to shareholders**:
  - £250m via special dividend in 2025/26
  - £50m addition to core £200m buyback in 2025/26
  - £100m addition to core buyback in 2026/27

Total cash returns to shareholders in 2025/26



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Summary

What we've delivered in H1 25/26

- Strong trading and continued cost savings
- Offsetting investments in customer proposition, higher costs and disruption from space reallocation activity
- Retail underlying operating profit ahead of expectations
- Strong execution of Financial Services phased withdrawal supporting enhanced shareholder returns

Looking ahead

- Retail operating profit of more than £1bn
- £500m+ Retail free cash flow
- Total cash returns to shareholders in 2025/26 to exceed £800m