

## Operator

As you're aware, there is a court order placing reporting restrictions on what can be said and published in respect of this matter. Now I'm pleased to present our host, Dave Lewis, Tesco Chief Executive. Please begin.

## Dave Lewis

Thank you, Mark. Good morning everybody, and thank you for joining us at such short notice. I'm joined in the room by Adrian Morris, the General Counsel for Tesco; and Jane Lawrie, who's the Head of Corporate Communications. As you know, in 2014 we had to face into a very difficult situation. In September of that year, we discovered that there had been a mis-statement in our profit forecast. That situation led to an investigation by the Serious Fraud Office that started in October 2014. And over the last two and a half years, we've been co-operating with the SFO's investigation by allowing access to company information. This morning, we're now able to update you on the status of that investigation.

As you will have seen from the statement we shared at 07.00, we've today announced that our subsidiary, Tesco Stores Ltd, has reached a deferred prosecution agreement in principle with the Serious Fraud Office. Under the terms of that agreement, Tesco Stores Ltd will not be prosecuted but will pay a financial penalty of £129m. At the same time, we've announced that Tesco plc has agreed to a finding of market abuse with the Financial Conduct Authority in relation to the trading statement of 29<sup>th</sup> August 2014. Let me be clear: there's no suggestion from the regulator that the Board of Tesco were aware of the inaccuracy in the August 2014 trading statement. But Tesco and the FCA have agreed to establish a compensation scheme for people who were net purchasers of shares and bonds between 29<sup>th</sup> August 2014 and 19<sup>th</sup> September 2014 inclusive. Each net purchaser of shares will be entitled to compensation of 24.5p per share purchase plus interest. The total cost of the compensation to Tesco will be in the region of £85m excluding interest, and the FCA will not levy any penalty.

Over the last two and a half years, we've given our full, open, straightforward co-operation to this investigation. The SFO and the FCA have themselves recognised this co-operation. And at the same time, we've taken steps to fundamentally transform Tesco. We said at the outset when we first discovered these issues in September 2014 that we would do everything we could to get to the bottom of what had happened. And on behalf of everybody associated with Tesco, I want to apologise to all those who have been affected. Our business was operating in a very challenging situation back in 2014, and the mis-statement of profit forecast was hugely regrettable. But we faced into that situation openly and transparently. Today we are paying the penalty due and the compensation necessary.

But I also want to emphasise that these issues are historic, and over the last two and a half years we've undertaken a comprehensive programme of change right through our business. Although there's still more to do, we've made significant progress. Since 2014 we've made extensive changes across our leadership, our structures, to our financial controls inside the business, and underpinning all this, we've changed the way that Tesco buys and sells, to focus on the cost price of products whenever possible rather than commercial income. This has helped us deliver a fundamentally different approach to our supplier partnerships, which today are all focused on the goal of serving shoppers a little better every day.

What happened is a huge source of regret to all of us at Tesco, but we are a different business now. The actions of colleagues over the last two and a half years are evident to all, and all key stakeholders are feeding back that they see and feel our progress. Our job now is to keep this momentum. I'm happy to take questions, but I also ask you to be aware that the public hearing before the judge will take place on 10<sup>th</sup> April, and there are also ongoing criminal proceedings. So, there's some legal restrictions on what we can communicate. Thank you.