



7 October 2015

SERVING BRITAIN'S SHOPPERS A LITTLE BETTER EVERY DAY

Dave Lewis – CEO, Alan Stewart – CFO

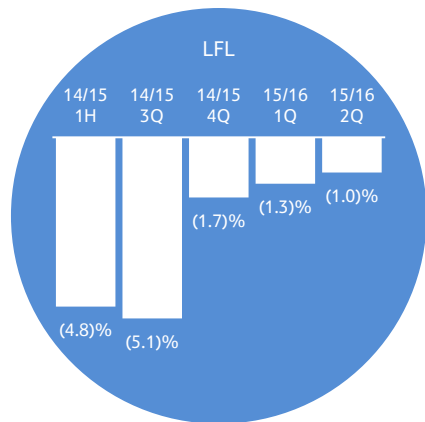
TESCO
Every little helps

Agenda

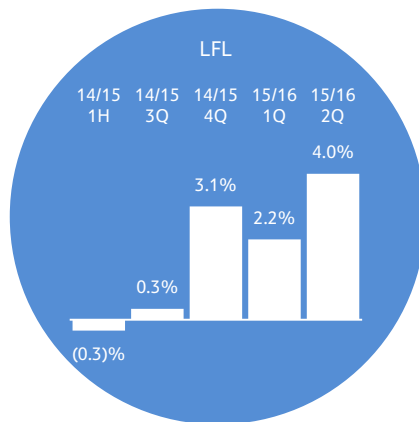
- One year on
- Detailed results
- Three key priorities
- Outlook



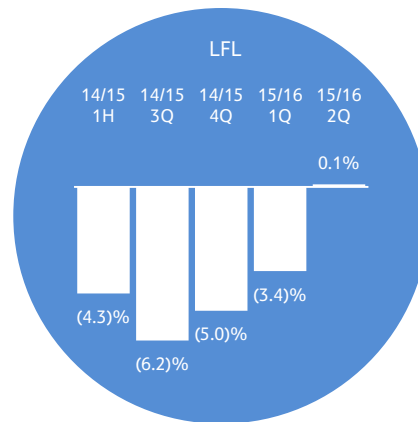
Sales improving



UK



Europe

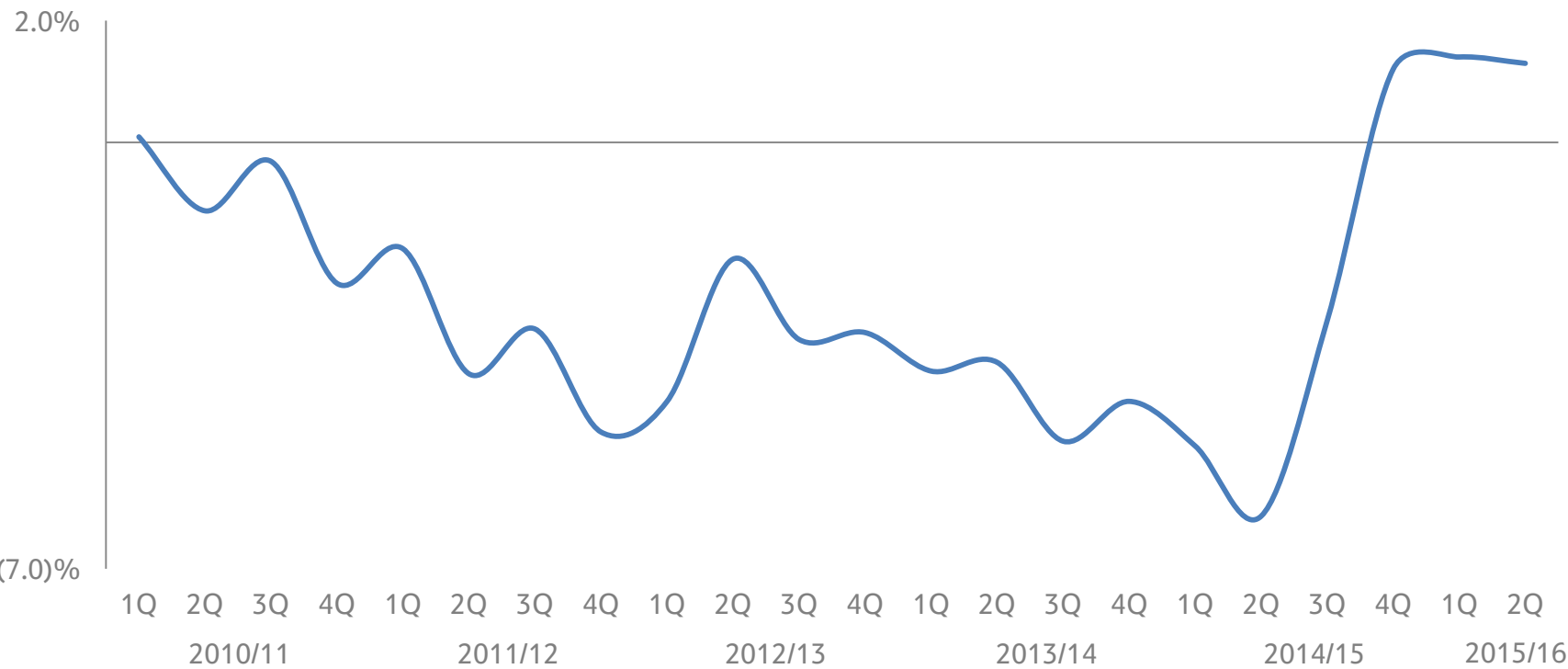


Asia



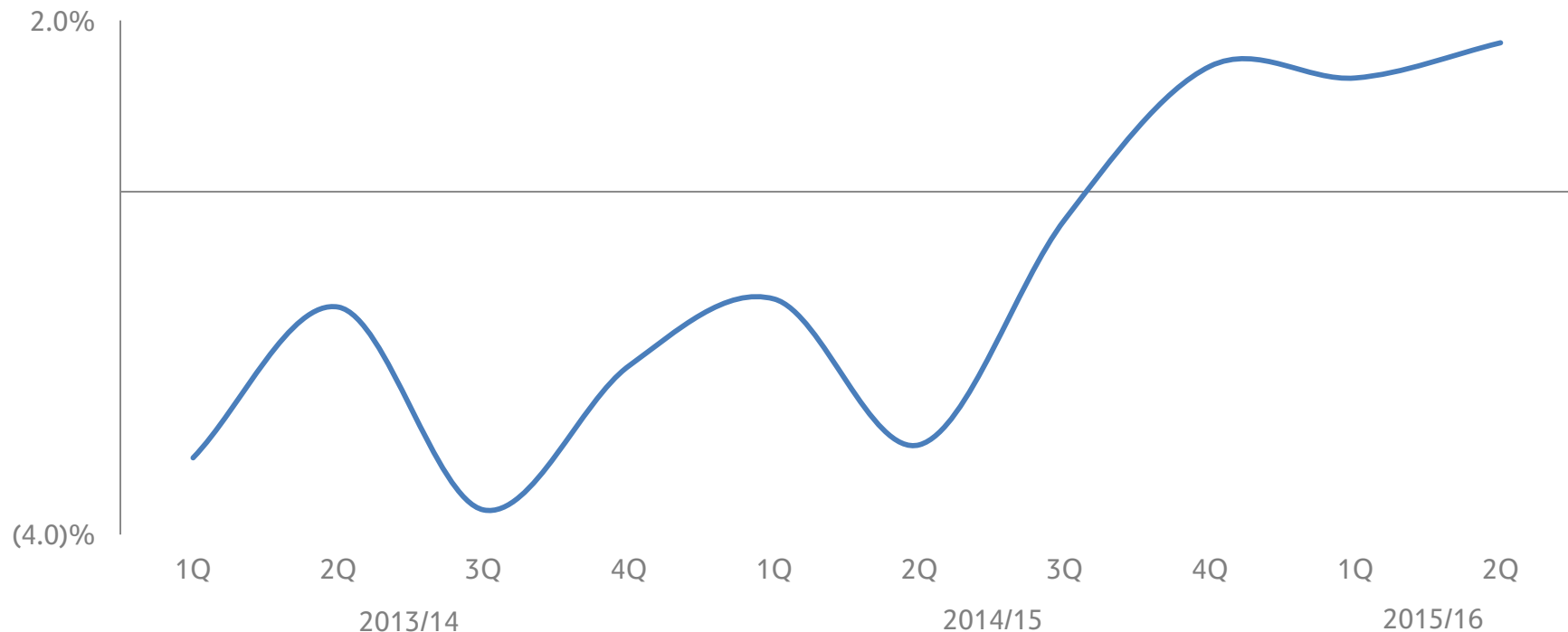
UK volume-based recovery

UK LFL Volume



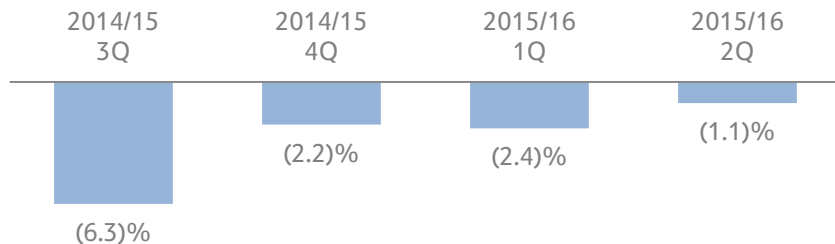
UK transaction growth

Year-on-year change in UK transactions by quarter %

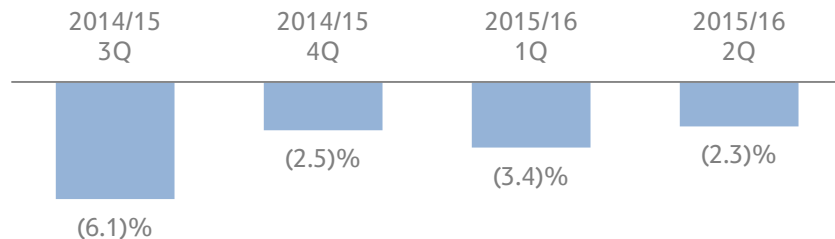


UK formats like-for-like sales performance*

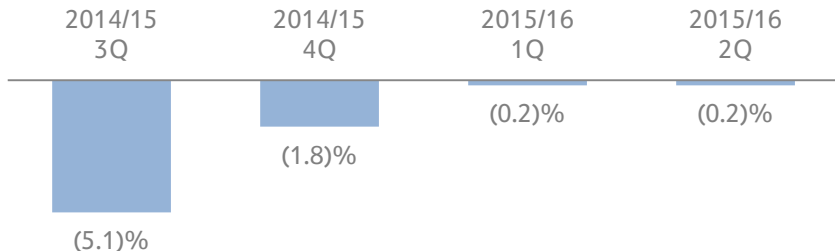
Extra



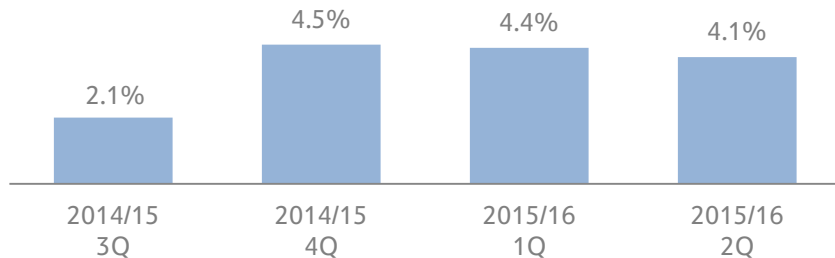
Superstore



Metro



Express



* UK like-for-like sales by format inc. VAT, exc. Fuel and statutory adjustments.

UK online sales



Grocery



General
Merchandise



Clothing



Costs reduced

£400m

Restructuring
benefits

UK: 53
Asia: 8
Europe: 16

Store closures



Decisive action



Rebuilding profit

£354m

Group operating
profit



Creating a virtuous
circle



Reinvesting for
customers



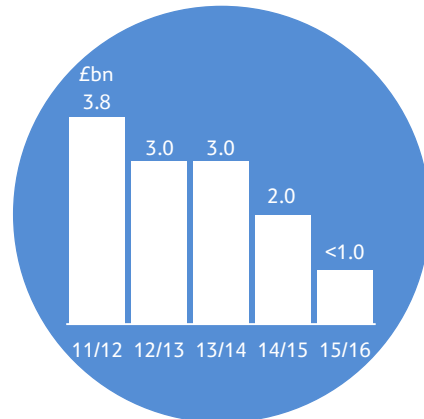
Capital discipline



49 sites exited



Full ownership of
21 superstores
regained



Significant
reduction in capex



Portfolio reviewed



Significant
proceeds



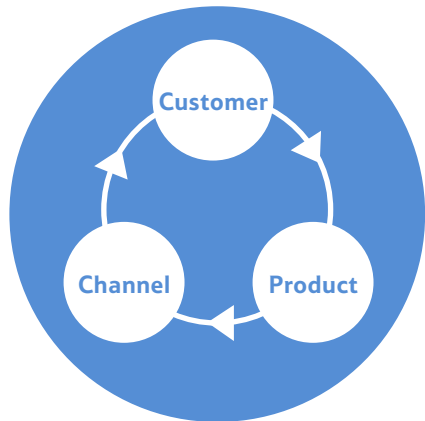
Process concluded



Increasing level of
cash generation



Reinvigorating the team



Simpler structure



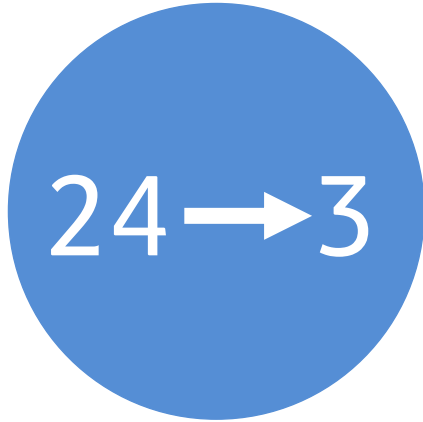
Working together



One purpose



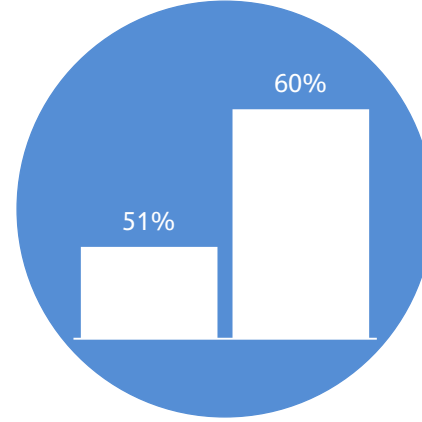
Rejuvenating supplier partnerships



New commercial
approach



Making it easier



Positive response



Price integrity



Leading brands



Lower, more stable prices



Consistency





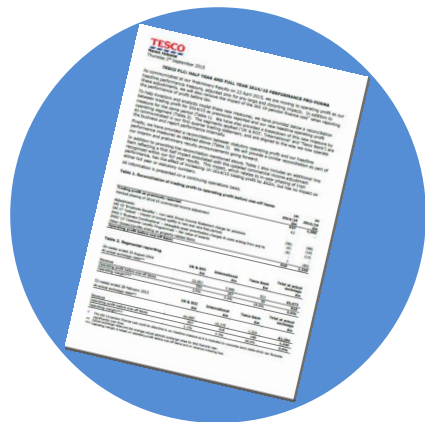
Half year results

Financial summary

Continuing operations	1H 15/16	1H 14/15	Change %
Group sales (exc. VAT, exc. Fuel)	£23.9bn	£24.3bn	(1.9)%*
Group operating profit before exceptional items	£354m	£779m	(54.6)%
Exceptional items	-	£(563)m	n/a
Group statutory operating profit	£354m	£216m	63.9%
Group PBT before exceptional items and net pension finance costs	£158m	£614m	(74.3)%
Diluted EPS before exceptional items and net pension finance costs	1.13p	6.11p	(81.5)%

* Change given at actual exchange rates on a comparable 26 week basis; on a statutory basis sales change of (1.3)%.

Transparent profit measure



	1H 14/15	FY 14/15
Trading profit	£937m	£1,390m
Revised phasing of commercial income adjustment	£42m	-
<i>Adjustments:</i>		
IAS /IFRS Adjustments	£(70)m	£(100)m
Other (losses)/ profits arising on property-related items	£7m	£(60)m
Operating profit before exceptional items	£916m	£1,230m
Effect of Homeplus disposal*	£(137)m	£(290)m
Operating profit before exceptional items adjusted for Homeplus disposal	£779m	£940m

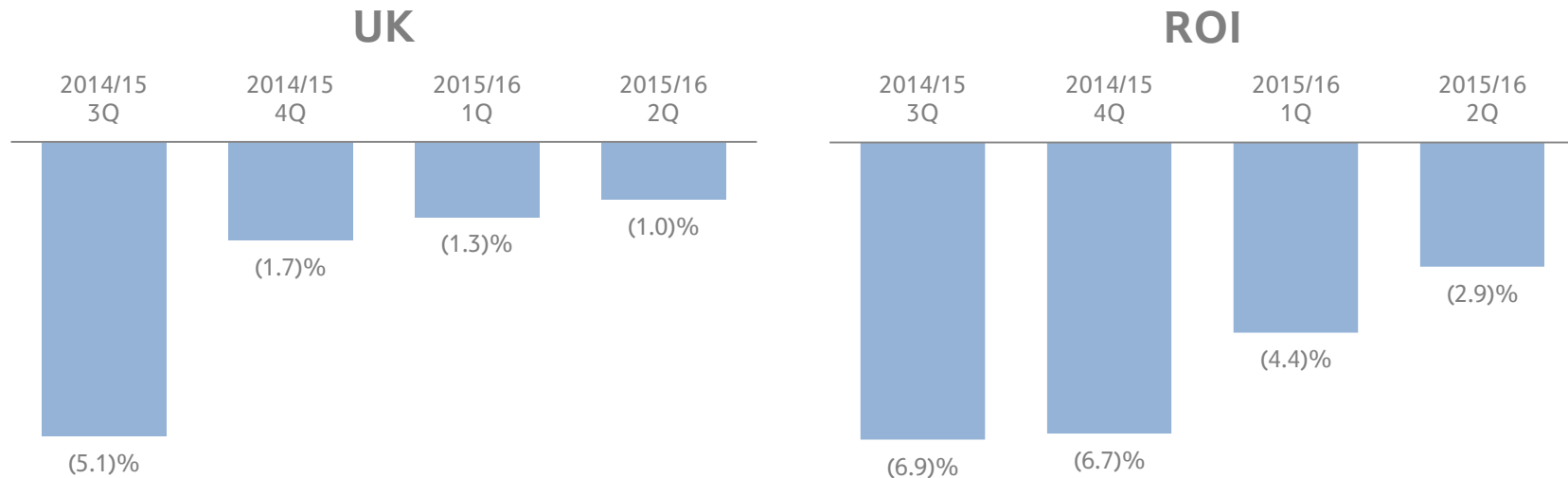
* In addition to Homeplus profit (FY 14/15: £281m), this also includes the impact of the elimination of intercompany transactions between continuing operations and the Korea discontinued operation, as required by IFRS 5 and IFRS 10. This has resulted in an increase to the operating profit of Korea of £9m.

Segmental performance

	Sales				Operating profit before exceptional items			
	1H 15/16	1H 14/15	Change actual rates	Change constant rates	1H 15/16	1H 14/15	Change actual rates	Change constant rates
UK & ROI	£18.4bn	£18.6bn	(1.2)%	(0.6)%	£166m	£543m	(69.4)%	(70.0)%
International	£5.1bn	£5.2bn	(4.6)%	0.8%	£102m	£137m	(25.5)%	(26.3)%
Bank	£0.5bn	£0.5bn	(0.8)%	(0.8)%	£86m	£99m	(13.1)%	(13.1)%
Group	£23.9bn	£24.3bn	(1.9)%	(0.3)%	£354m	£779m	(54.6)%	(55.1)%

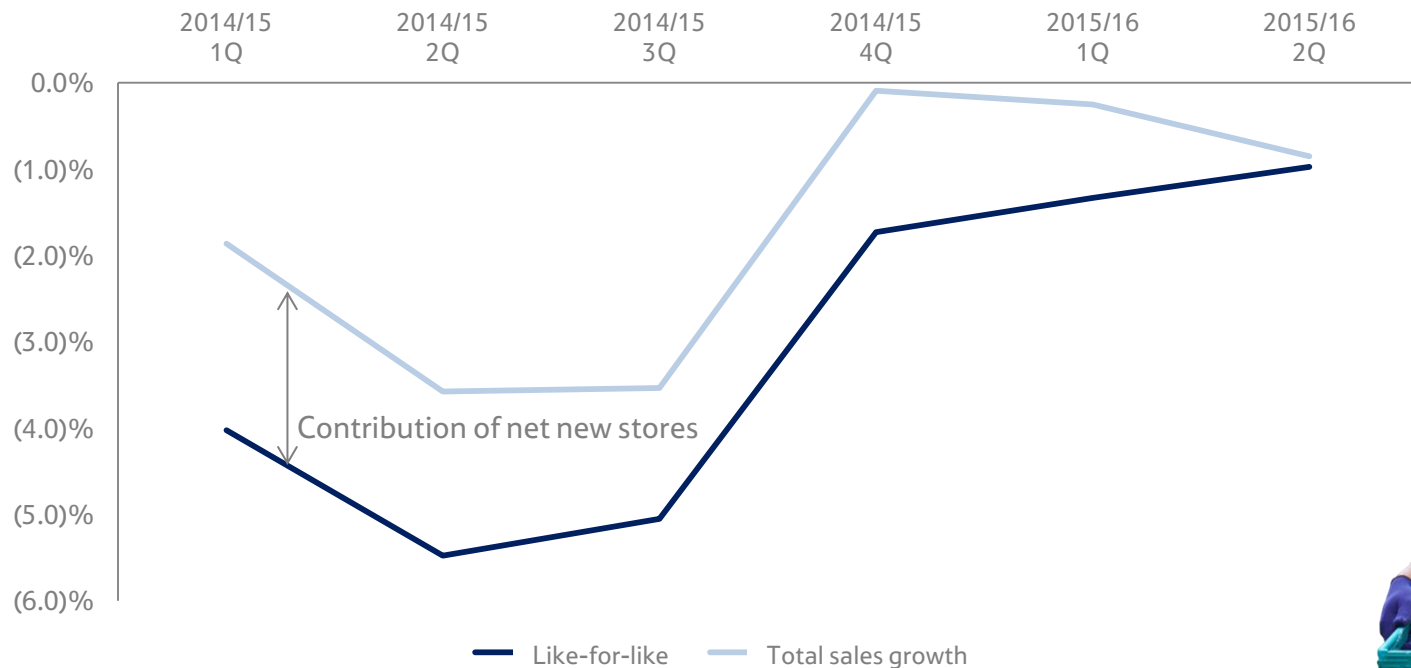
Note: Sales change shown on a comparable 26 week basis.

UK and ROI like-for-like sales performance*

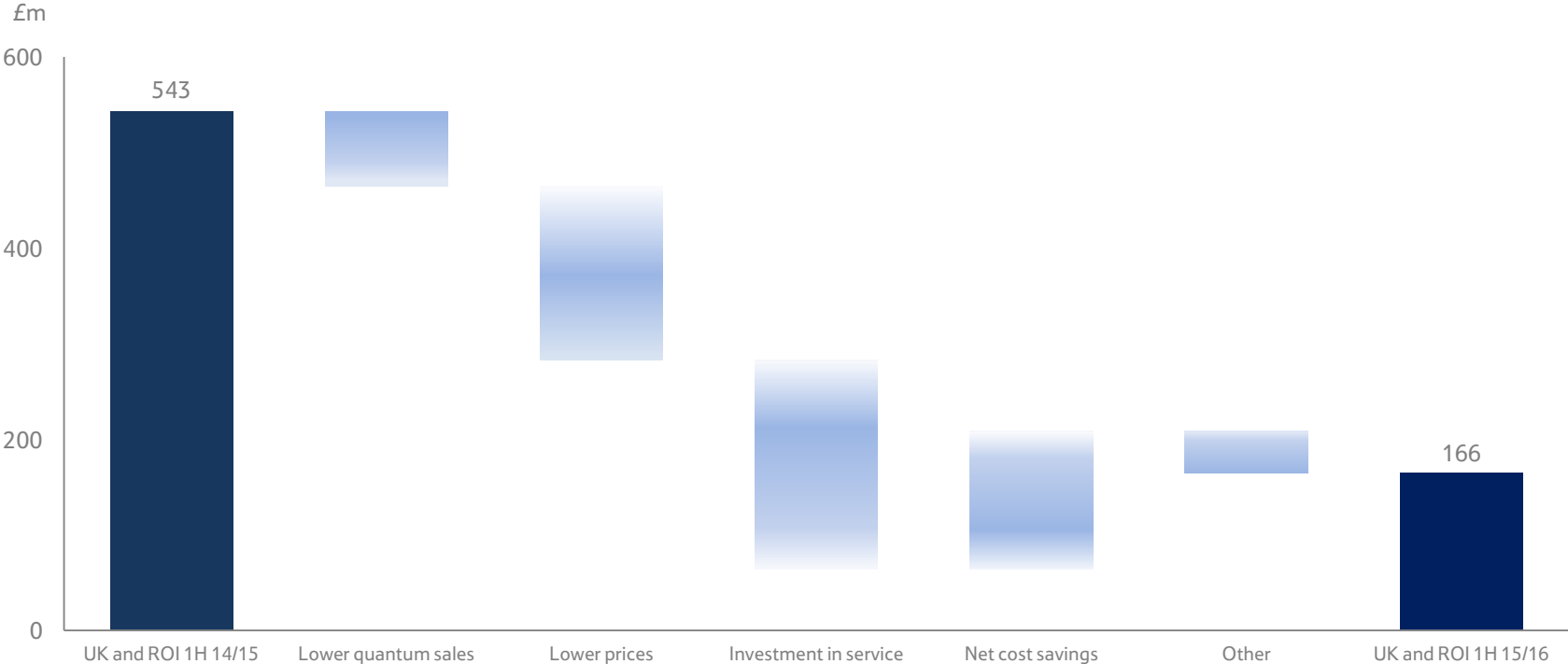


* Exc. VAT, Exc. Fuel.

UK sales breakdown



UK and ROI operating profit



International sales performance*

**International
£5.1bn**

21% of Group
total

**Asia
£2.2bn**

Thailand &
Malaysia

**Europe
£2.8bn**

Central Europe &
Turkey



* Exc. VAT, Exc. Fuel, at actual exchange rates.

International profit performance

- Investment in the customer offer partially offset by positive gearing effect
- Cost saving programme offsetting cost inflation
- Head office restructure complete in Europe
- Legislative impact in Hungary



Tesco Bank

- Bank revenue down (0.8)% to £478m
 - Credit card interchange income
 - Customer accounts +6.2%
 - Customer lending +10.2%
- Operating profit before exceptional items down (13.1)%
 - Impact of interchange
- Capital and liquidity position remains strong
 - Risk asset ratio improved 200bps to 19.1%



JVs, finance costs and tax

- Lower JV income due to increased losses in China
- Increased net finance costs
 - Costs of committed facilities
 - Unwinding of discount on onerous lease provisions
- c.30% expected FY effective rate of tax^{*}

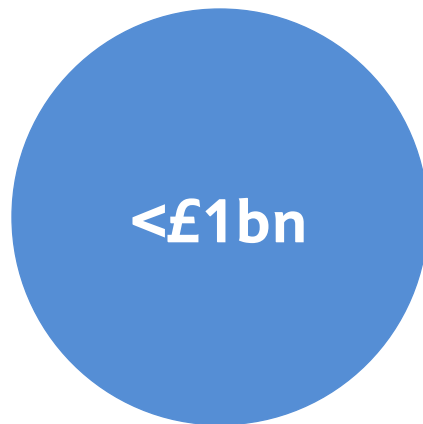
	1H 15/16	1H 14/15
JVs and associates	£13m	£19m
Finance income	£44m	£42m
Finance costs	£(337)m	£(296)m
Tax	£(52)m	£(6)m

^{*} Effective rate of tax includes anticipated effect on deferred tax of further reductions in the main rate of UK corporation tax as proposed in the July 2015 UK Budget Statement.

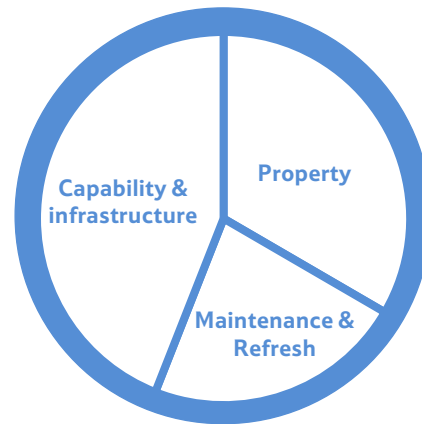
Capex



1H capex



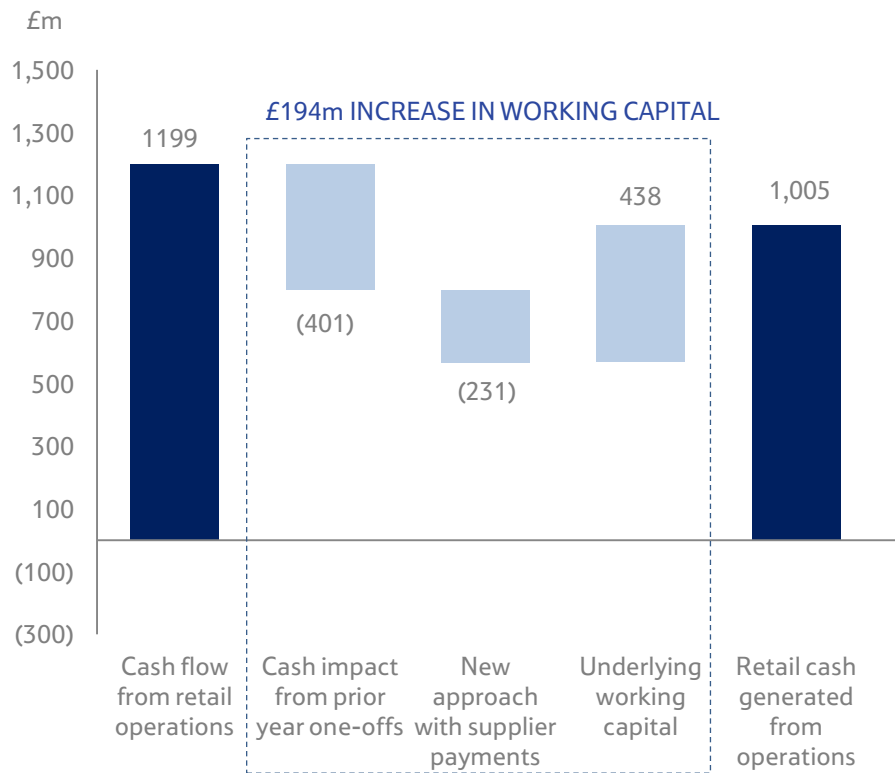
On track



Allocation
in line

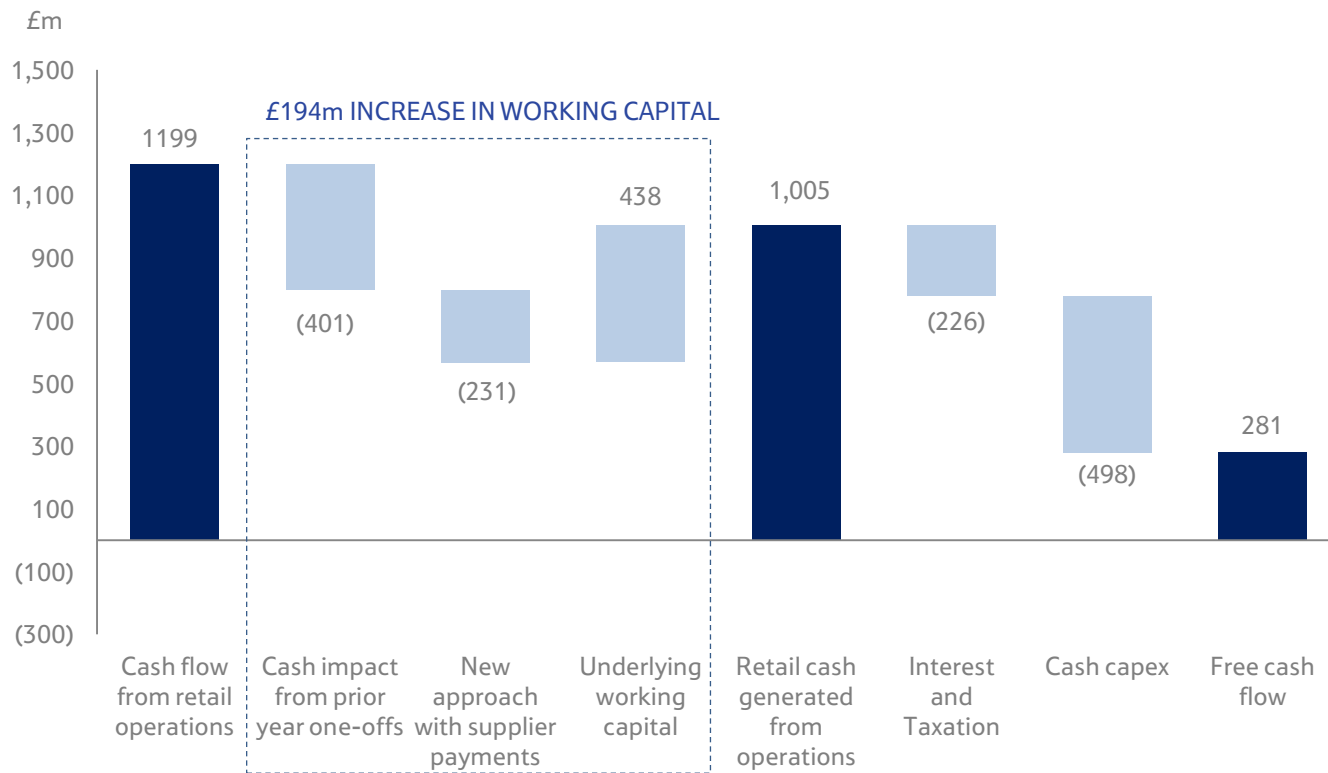


Movement in net debt*



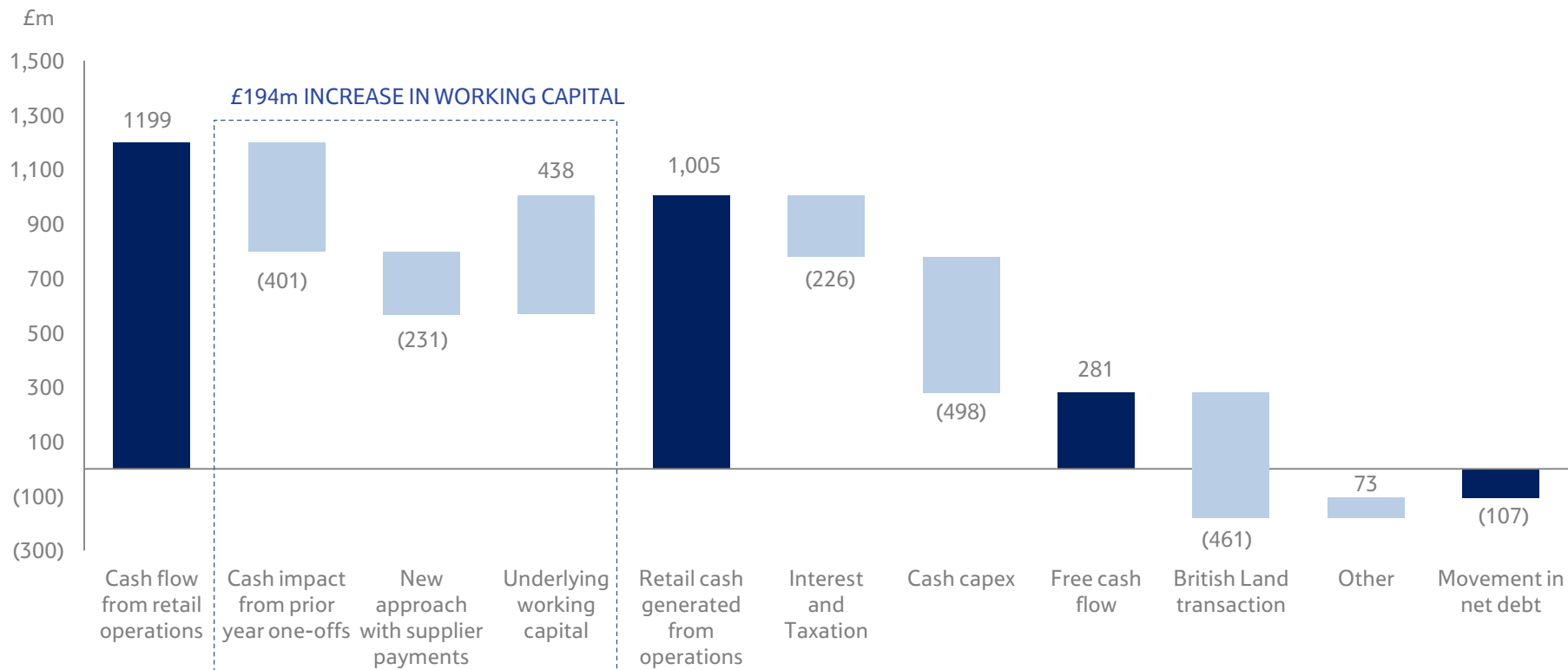
* Includes both continuing and discontinued operations.

Movement in net debt*



* Includes both continuing and discontinued operations.

Movement in net debt*



* Includes both continuing and discontinued operations.

Pensions

- Current UK scheme to be replaced with defined contribution scheme from November 2015
 - Greater certainty on future cash requirements
 - Sustainable benefits for colleagues
- IAS 19 deficit increased from £3.9bn to £4.2bn
 - Asset returns impacted by volatile equity markets
- Deficit funding plan of £270m per annum

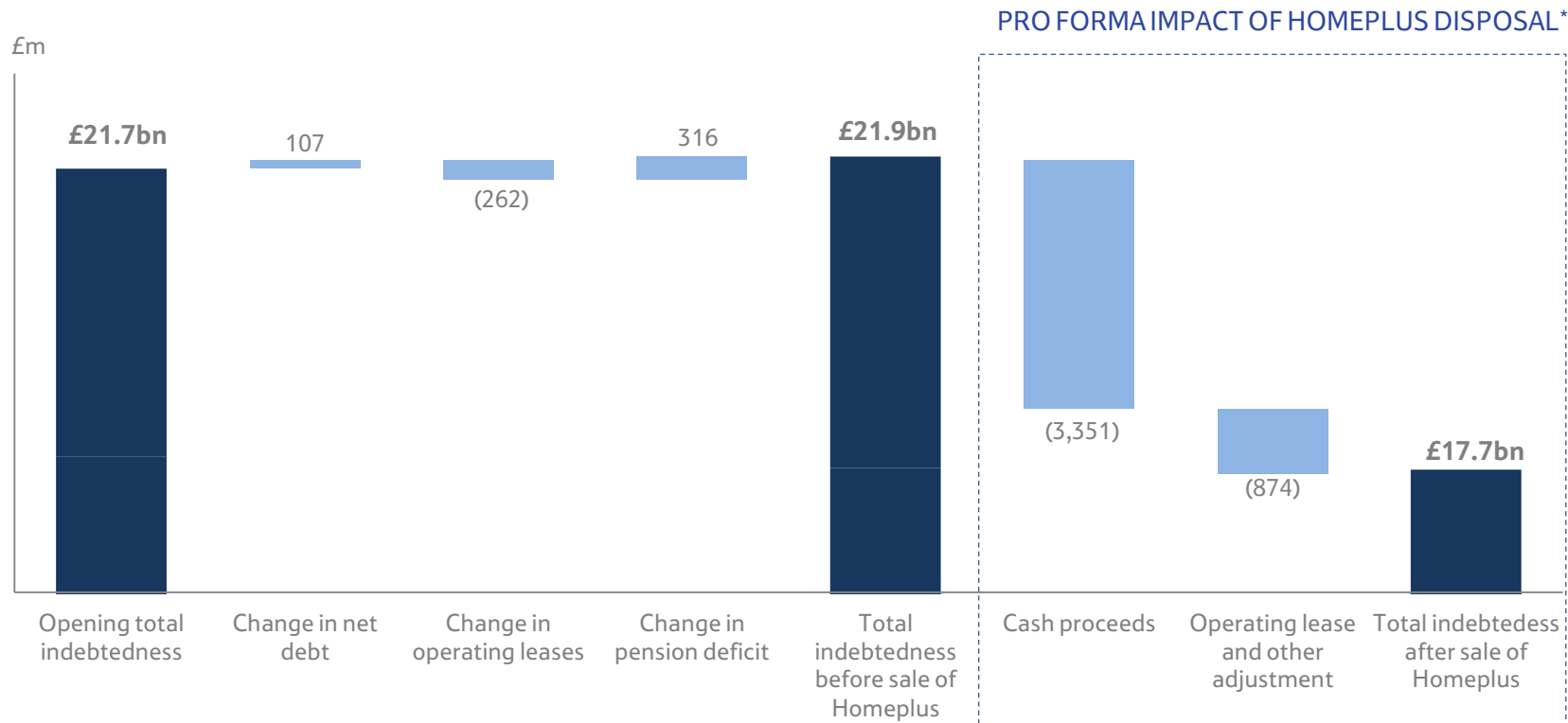


Sale of Homeplus

- Pro-forma expected decrease in Group indebtedness: £4,225m
 - Cash consideration: £4,004m
 - Taxes and transaction costs: £(653)m
 - Capitalised lease and other commitments: £874m
- Shareholder and regulatory approval received
- Expected completion within approximately one month



Total indebtedness



* The proposed sale of Homeplus was announced on 7 September 2015, after the half-year end, and was approved by shareholders on 30 September 2015. The pro-forma effect shown above is illustrative, to show the scale of the reduction in indebtedness that will occur following completion, as if the sale had occurred on 28 February 2015.

Financial summary

- Maintained momentum in UK sales performance
- Improving like-for-like trends across International
- Rebuilding profitability from 2H 14/15
- Significant progress on balance sheet



Priorities

- 1 Regaining competitiveness in our UK business
- 2 Protecting and strengthening the balance sheet
- 3 Rebuilding trust and transparency



Investing in our customer offer



Service



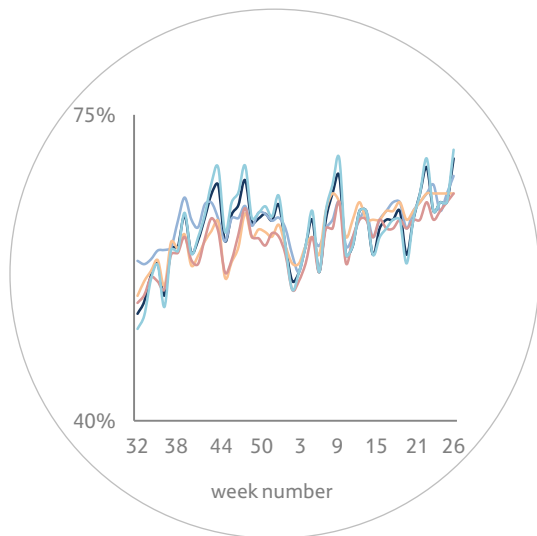
Availability



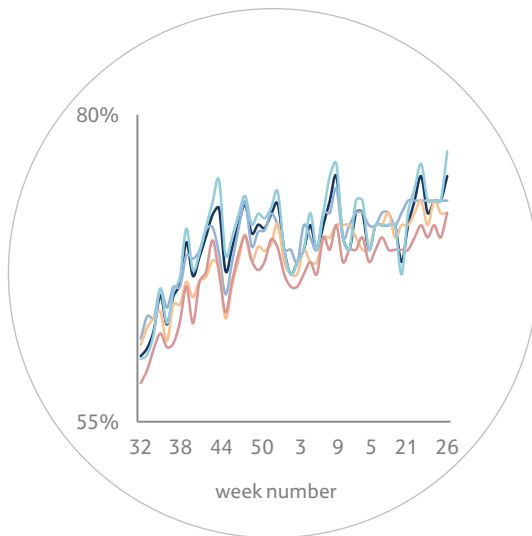
Price



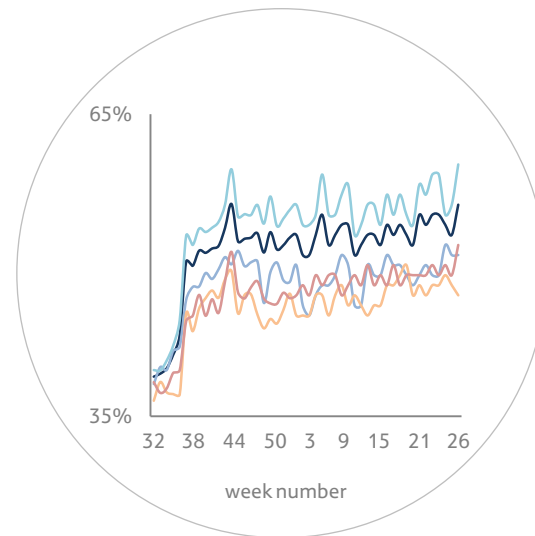
Investing in our customer offer



Service



Availability



Price

Source: Customer Viewpoint Survey

Note: Service chart reflects % customers rating overall service and colleague helpfulness as excellent. Availability chart reflects % customers who were strongly satisfied with overall availability. Price chart reflects % customers very satisfied with prices paid.

Service



Serving customers



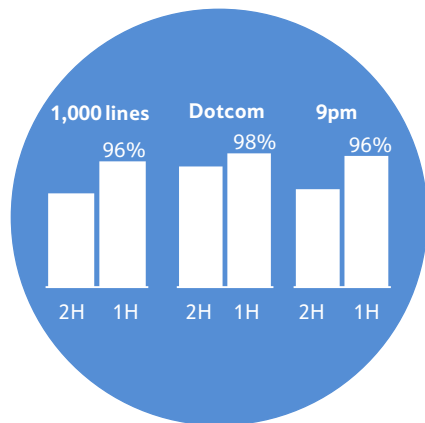
One team



One town



Availability



All time high



Improved technology



Optimising range



Price



Lower, more
stable prices



Leading Brands



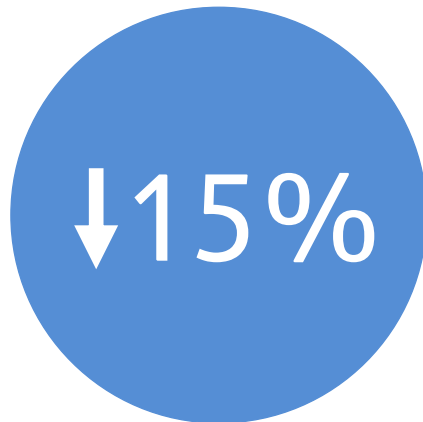
Fewer shelf-edge
label changes



Right range for customers



Categories
reviewed



Average range
reduction



Innovation



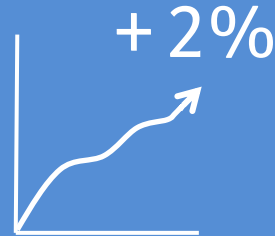
Right range for customers

80% → 92%

Optimum shelf
capacity

10% of
products
13%
cheaper

Price



Initial volumes



Core retailing



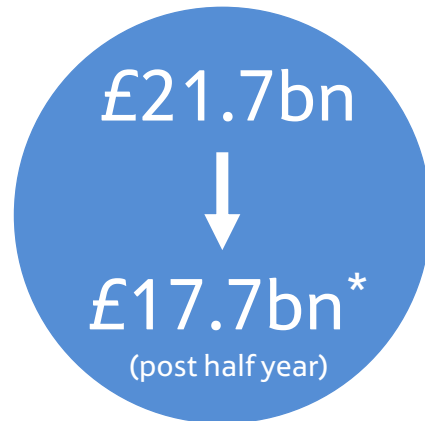
Protecting and strengthening the balance sheet



Pension transition
now underway



Property



Homeplus disposal



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Rebuilding trust and transparency





**Serving Britain's shoppers a
little better every day**

Every little help makes a big difference

Product



Innovation



4.5bn calories



Treats for all



Every little help makes a big difference

Supply chain



Fair price



Small
suppliers



Food at heart
of family



Every little help makes a big difference

Colleagues



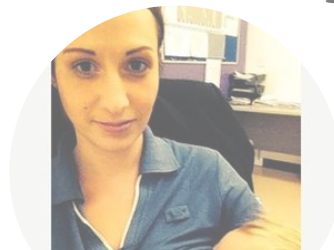
Going the
extra mile



Values-led



Expressing
gratitude



Every little help makes a big difference

Bank and Telecoms



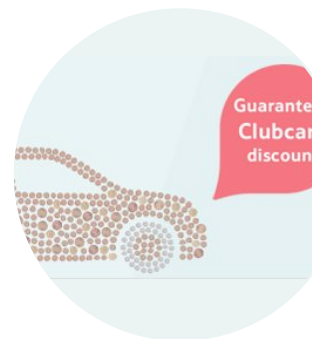
Foregone
interest



Peace of mind



Better deal



Every little help makes a big difference

Values



FareShare
FoodCloud



Farm to fork



Playing our
role



Our Values



- **No one tries harder for customers**
- **We treat people how we like to be treated**
- **We believe every little help can make a big difference**

Priorities

- 1 Regaining competitiveness in our UK business
- 2 Protecting and strengthening the balance sheet
- 3 Rebuilding trust and transparency



Big 6 Half Year Performance – Group



Big 6 Half Year Performance – UK





Outlook

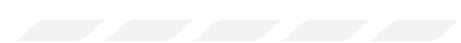
- Tough industry conditions
- Full year expectations remain unchanged
 - Continue to benefit from initiatives already undertaken
 - Reduced cost base
- Focus remains doing the right thing for customers
- If we see additional opportunity or need to invest to enhance long-term competitive position, we will do so



**Serving Britain's shoppers a
little better every day**



Q & A



Disclaimer

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