



8 October 2015

INTERIM RESULTS – Fixed Income Investor Call

Alan Stewart – CFO, Shubhi Rao – Group Treasurer

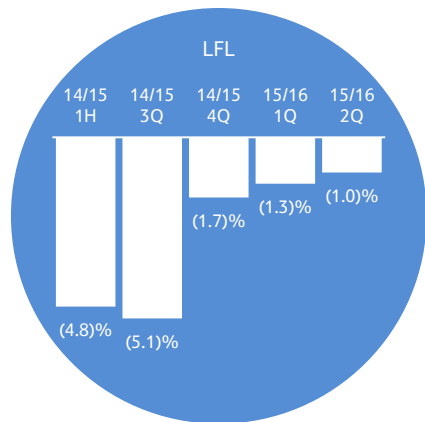
TESCO
Every little helps

Agenda

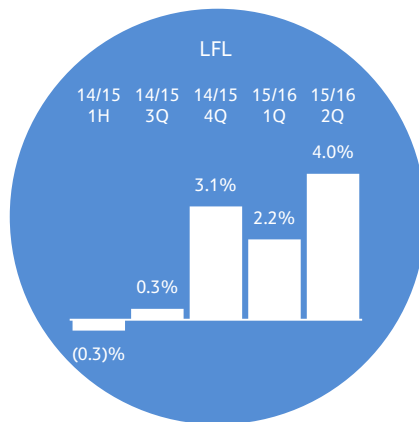
- One year on
- Detailed results
- Three key priorities



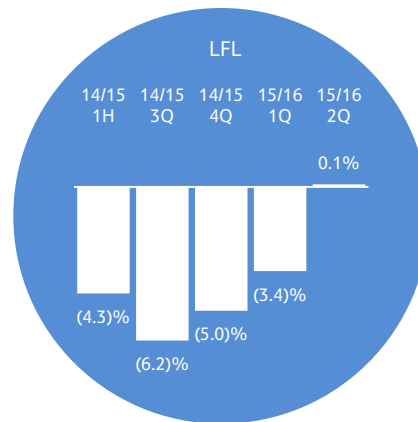
Sales improving



UK



Europe

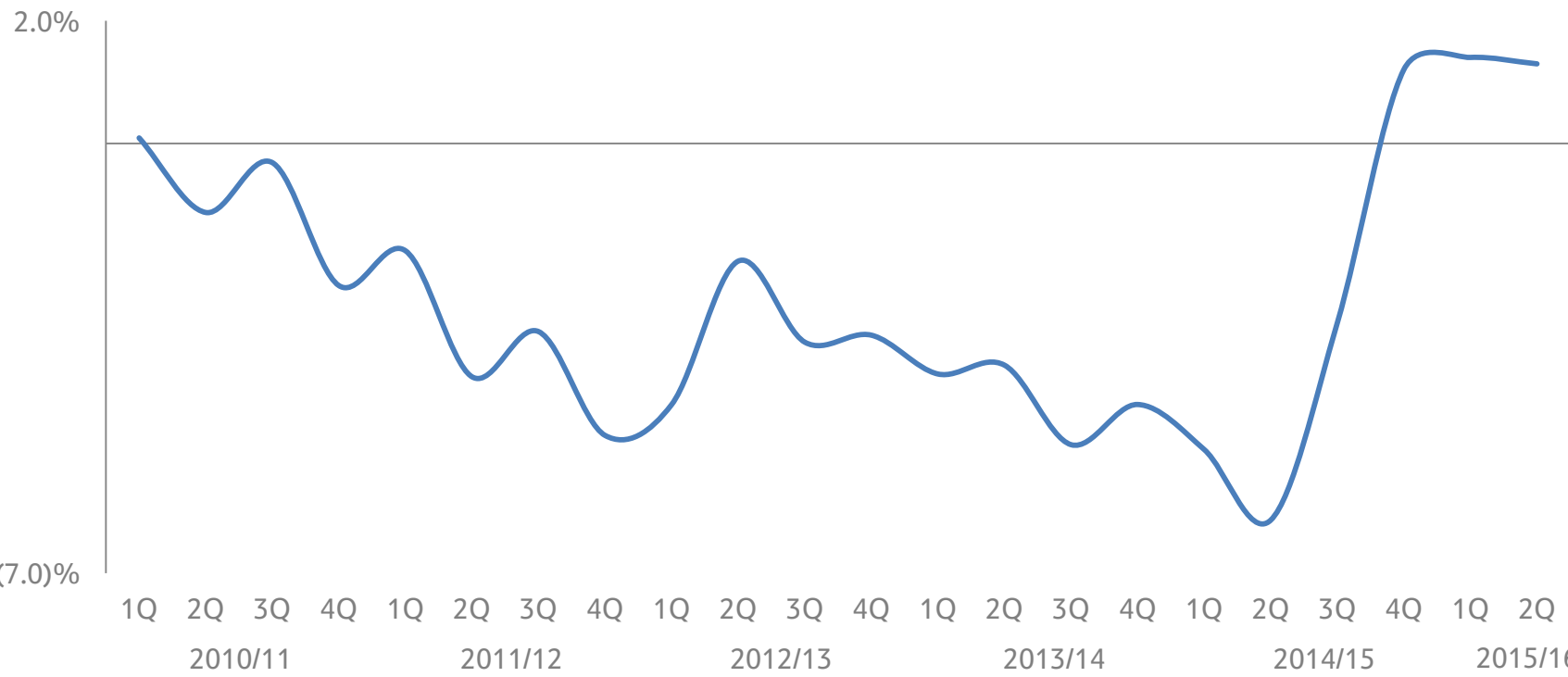


Asia



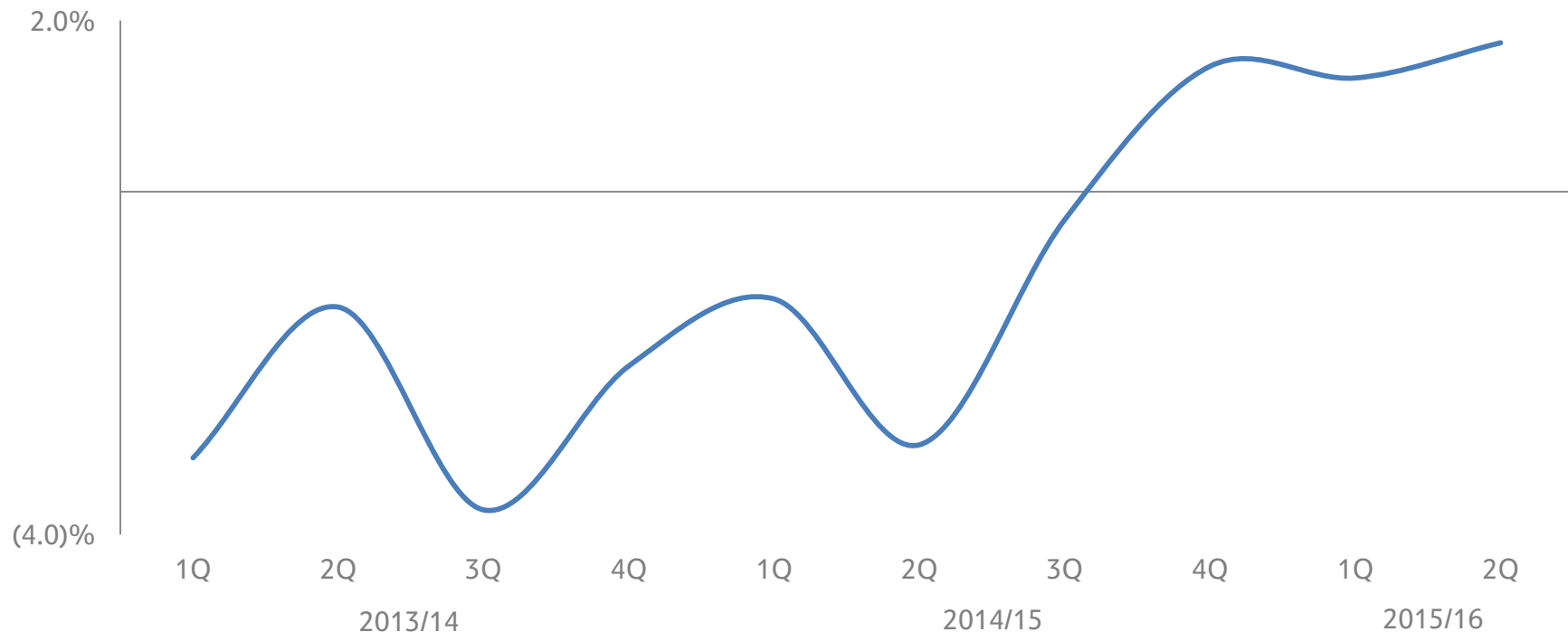
UK volume-based recovery

UK LFL Volume



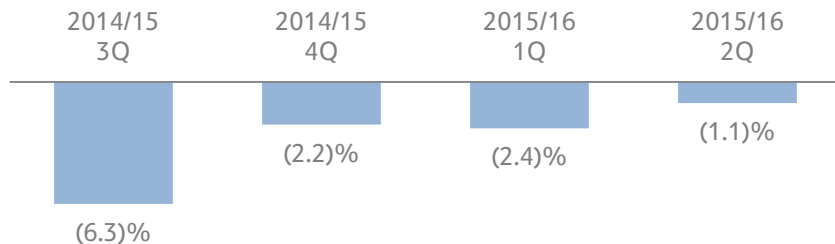
UK transaction growth

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

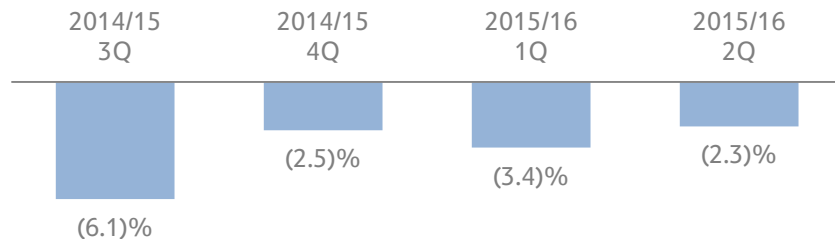


UK formats like-for-like sales performance*

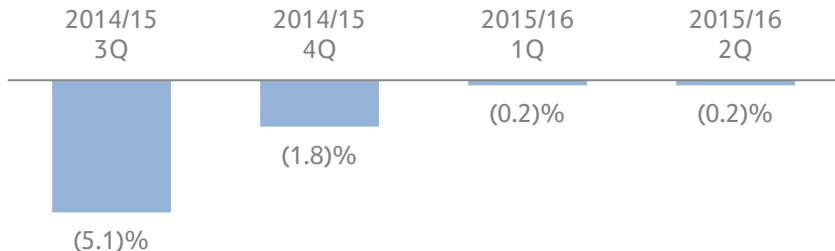
Extra



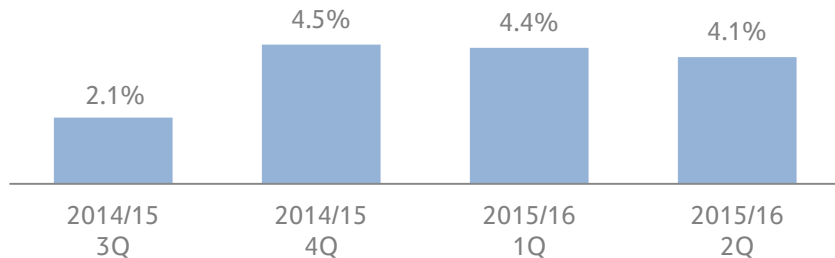
Superstore



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



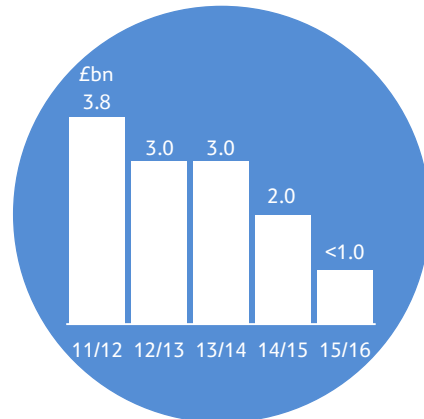
Capital discipline



49 sites exited



Full ownership of
21 superstores
regained



Significant
reduction in capex



Portfolio reviewed



Significant
proceeds



Process concluded



Increasing level of
cash generation

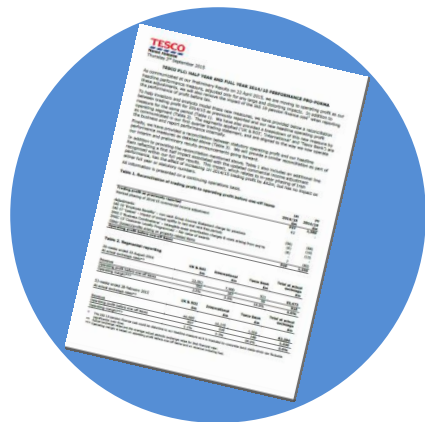


Financial summary

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

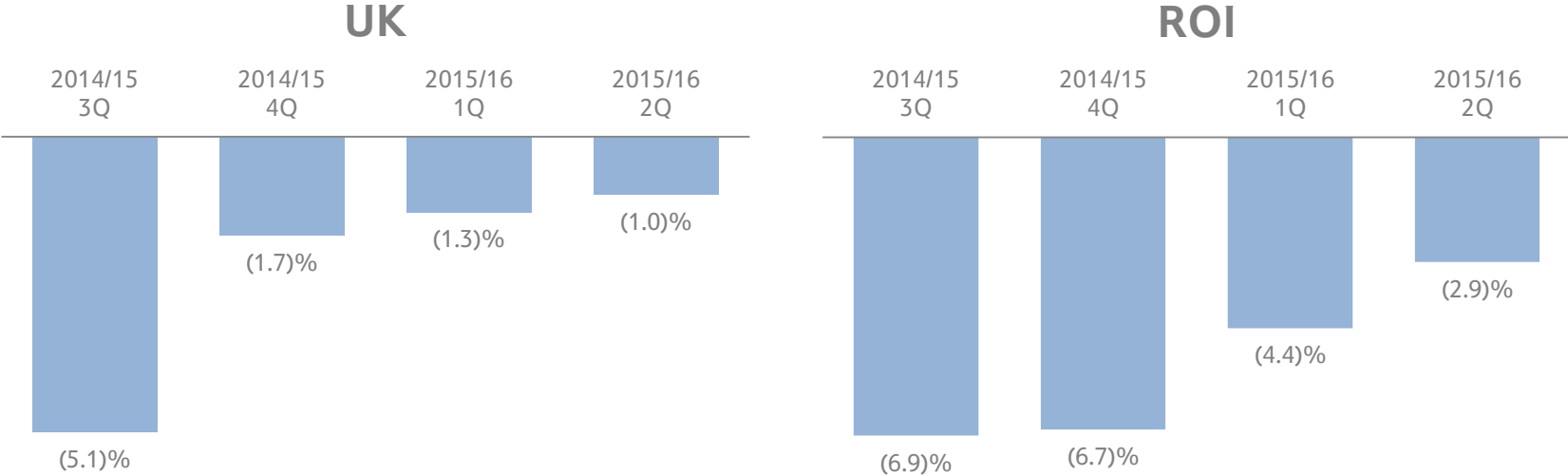
* In addition to Homeplus profit (FY 14/15: £281m), this also includes the impact of the elimination of intercompany transactions between continuing operations and the Korea discontinued operation, as required by IFRS 5 and IFRS 10. This has resulted in an increase to the operating profit of Korea of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

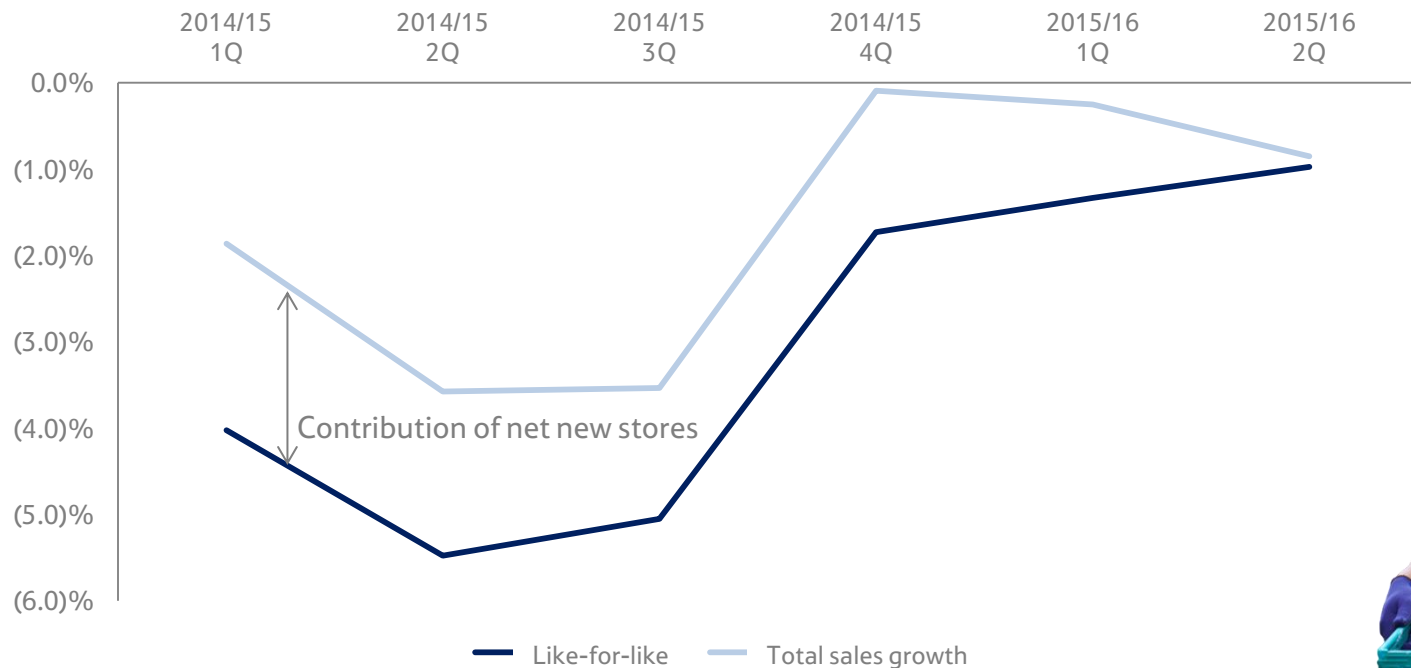
Note: Sales change shown on a comparable 26 week basis.

UK and ROI like-for-like sales performance*

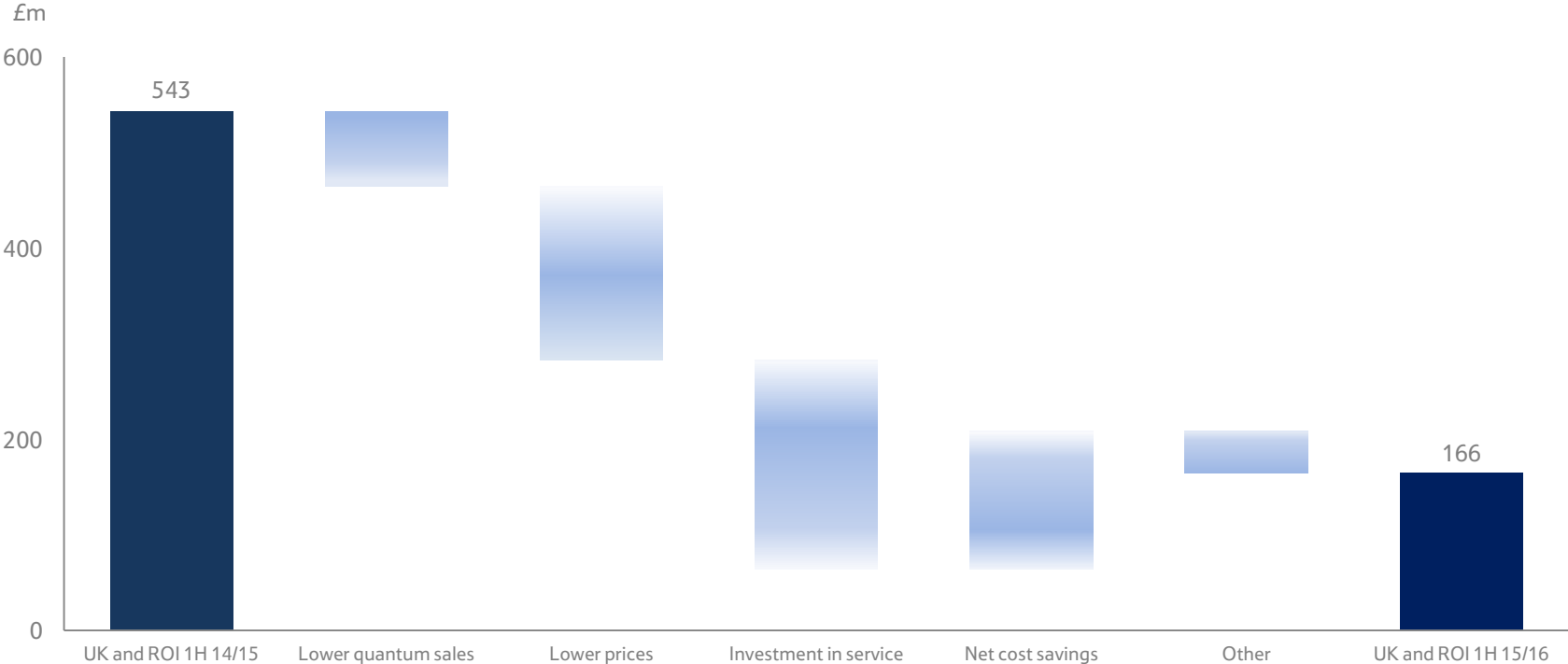


* Exc. VAT, Exc. Fuel.

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.

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%



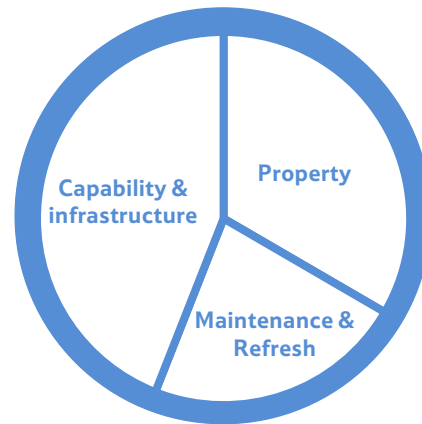
Capex



1H capex



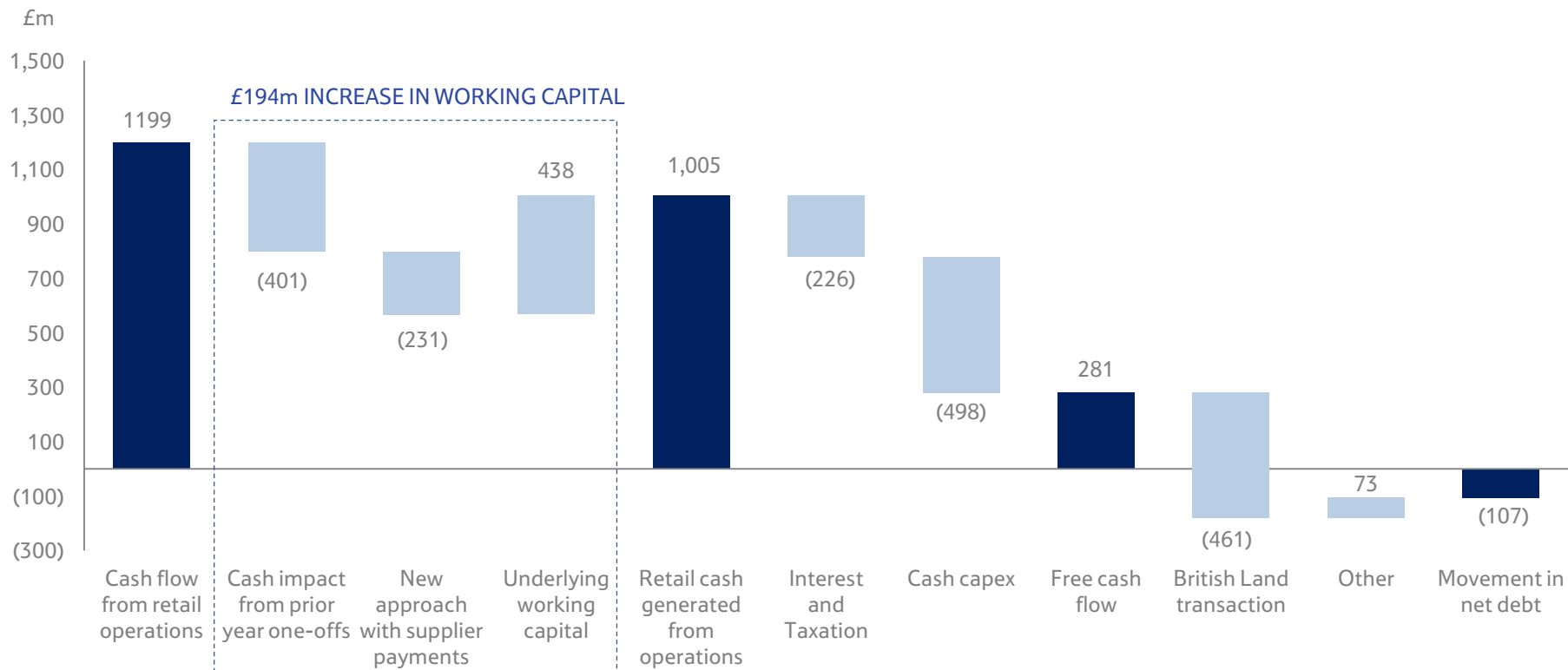
On track



Allocation
in line



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

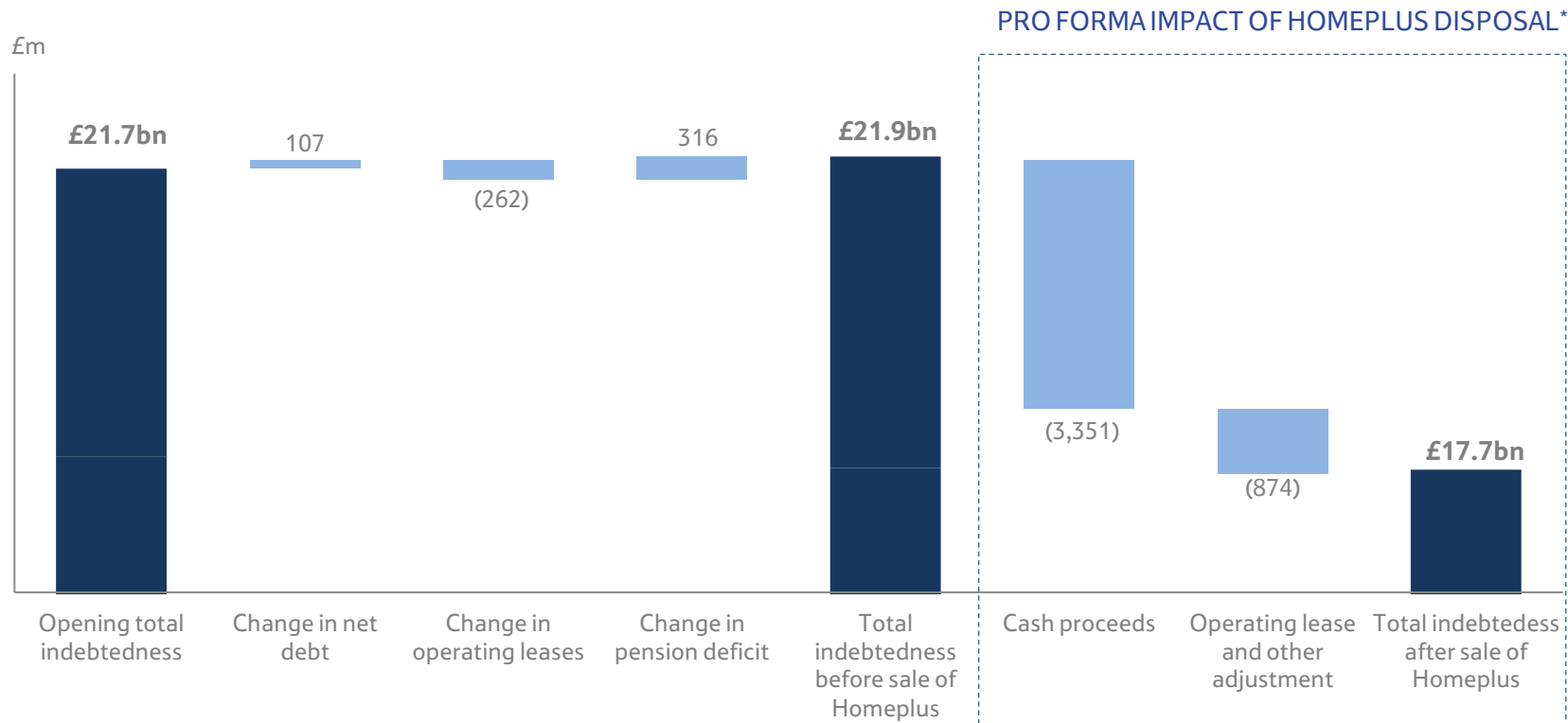


Sale of Homeplus

- 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



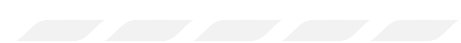
Priorities

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





Q & A



Disclaimer

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