



13 April 2016

Serving Britain's shoppers a little better every day

Dave Lewis – CEO, Alan Stewart – CFO

TESCO
Every little helps

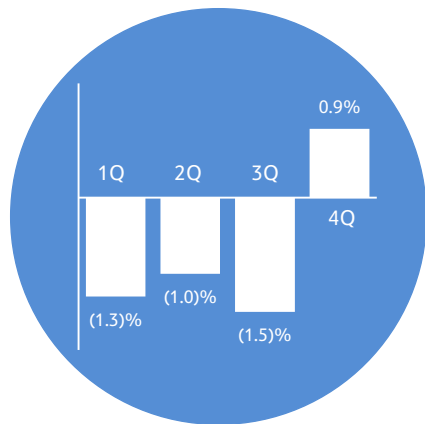
Agenda

- Significant progress
- Detailed results
- The next step

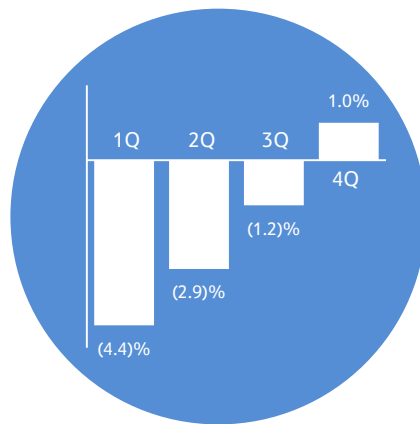


Broad-based improvement

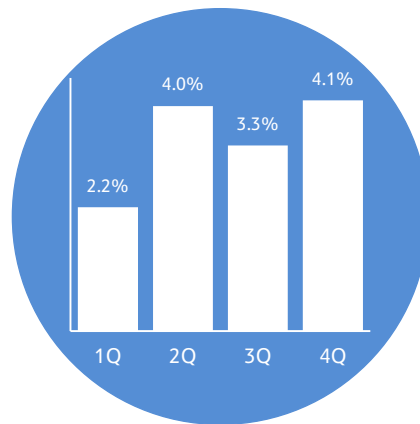
Improving like-for-like sales



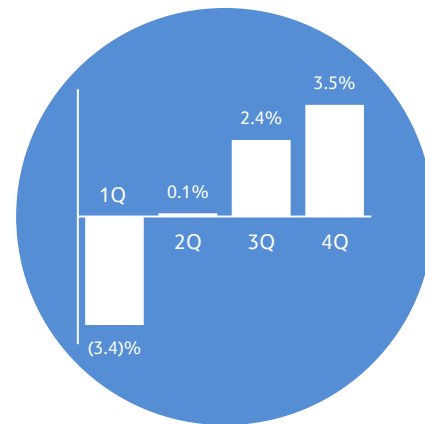
UK



ROI

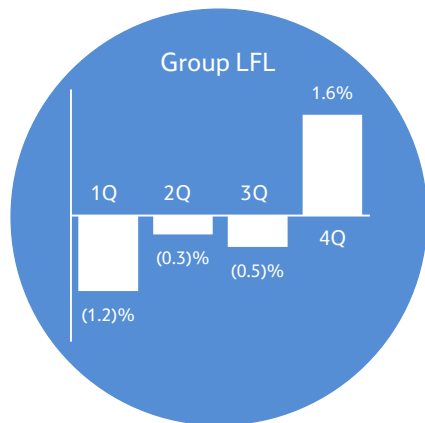


Europe

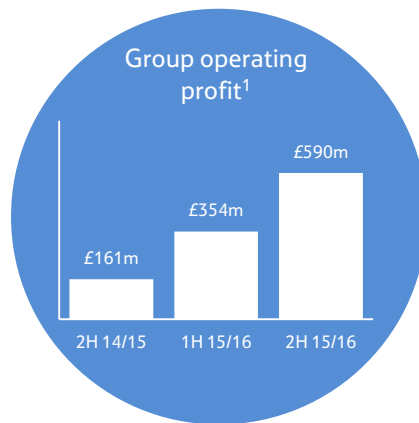


Asia

Broad-based improvement



Sales momentum



Improving profitability

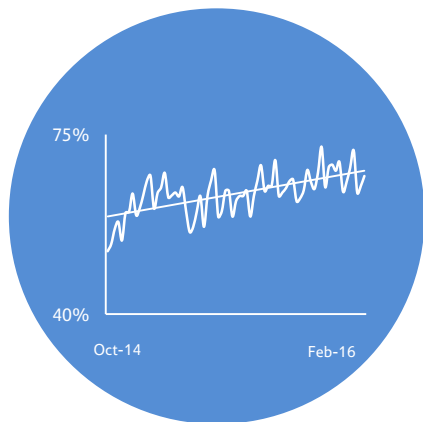


Retail operating cash generation

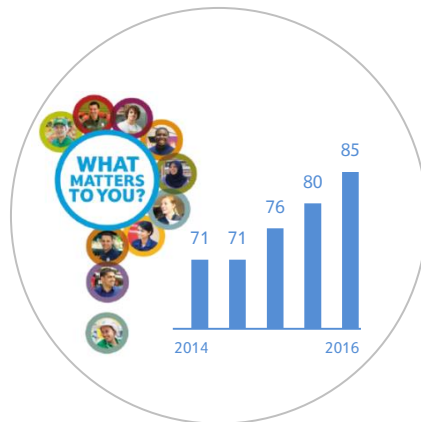
1. Group operating profit before exceptional items.



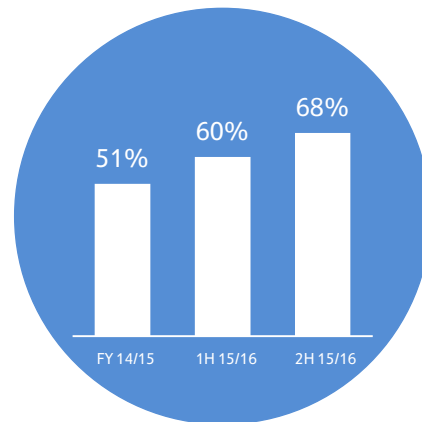
Broad-based improvement



Customer
satisfaction¹



Colleague
engagement²



Supplier
viewpoint³

1. Reflects % of customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
2. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.
3. Reflects % of UK suppliers responding positively when asked “overall how satisfied are you with your experience of working with Tesco” as part of the Supplier Viewpoint survey.



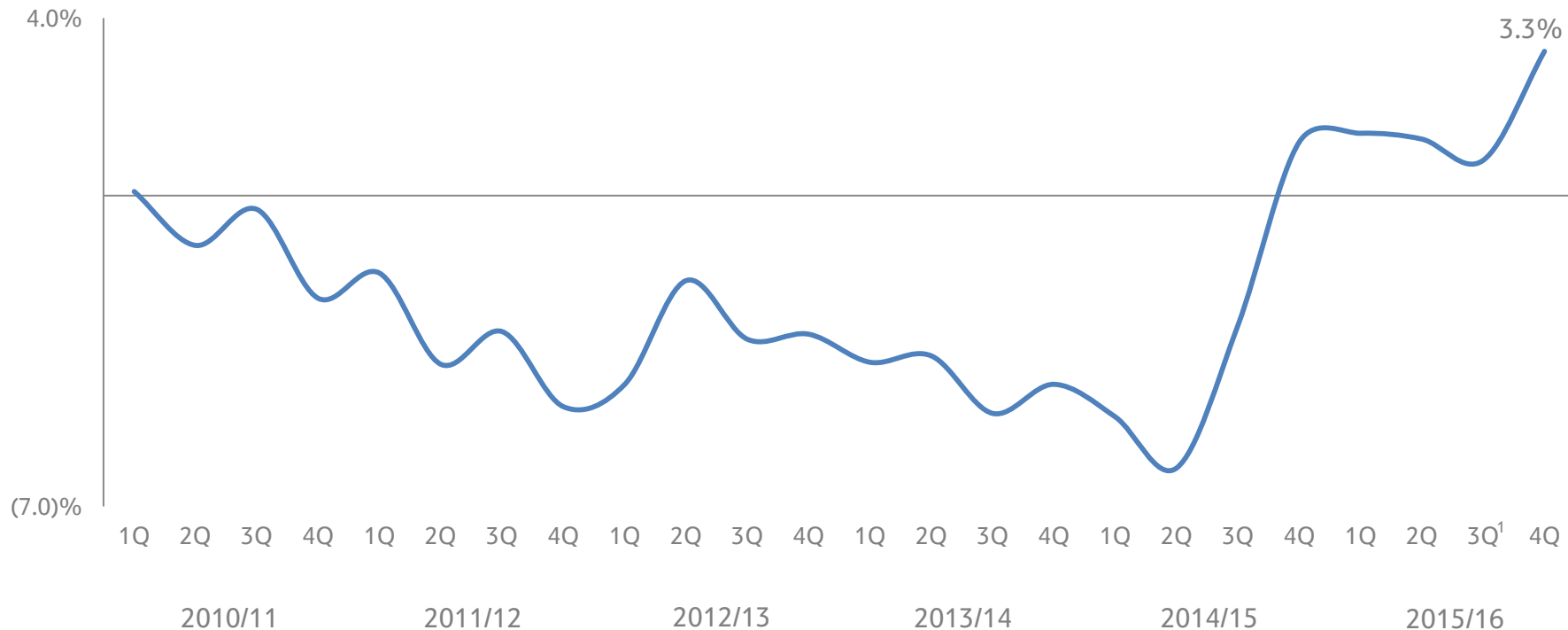
Three priorities

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



UK volume-based recovery

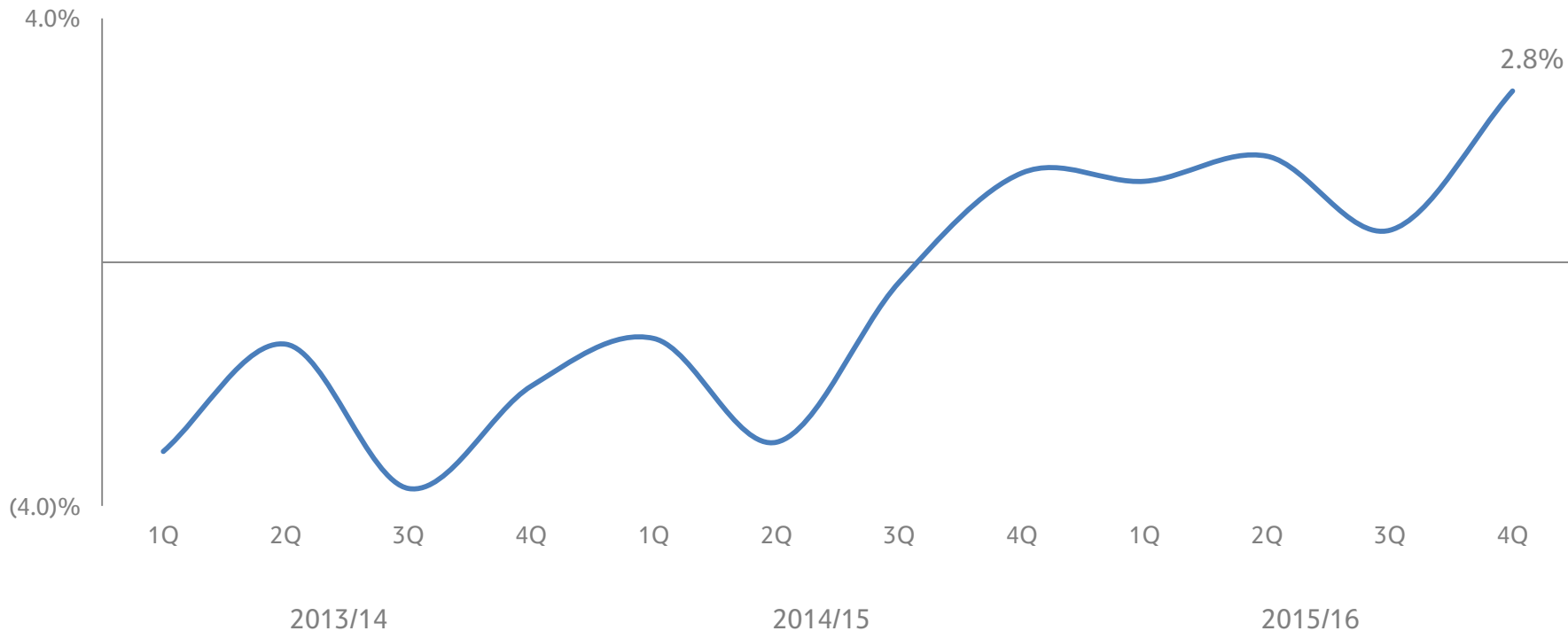
UK like-for-like volume



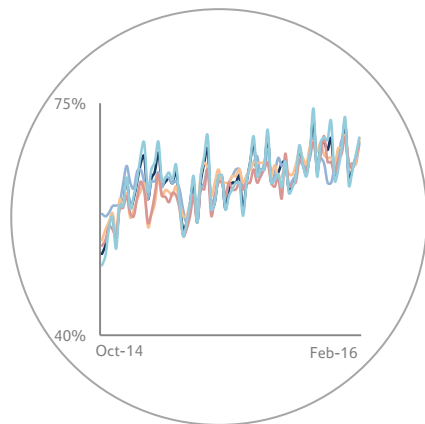
1. 3Q 15/16 adjusted for the impact of non-repeated coupons in the prior year.

UK transaction growth

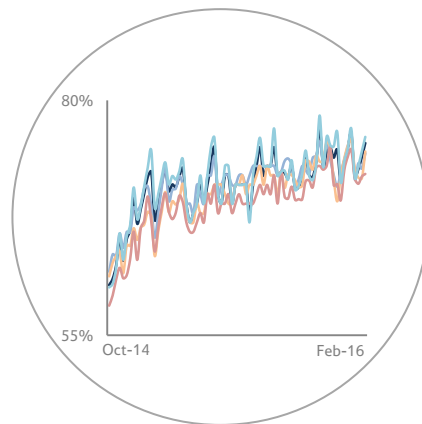
Year-on-year change in UK transactions by quarter %



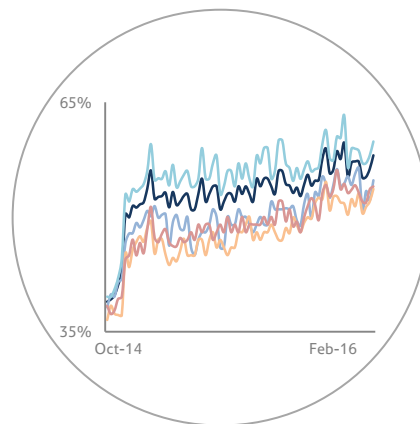
Improved customer offer



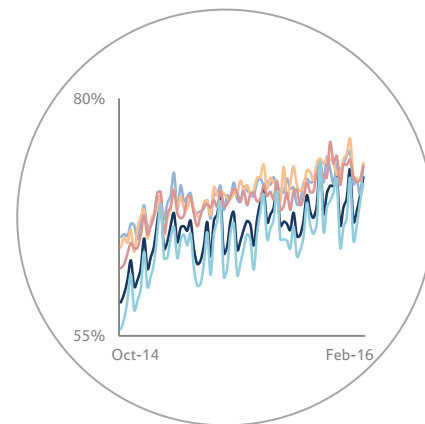
Service¹



Availability²



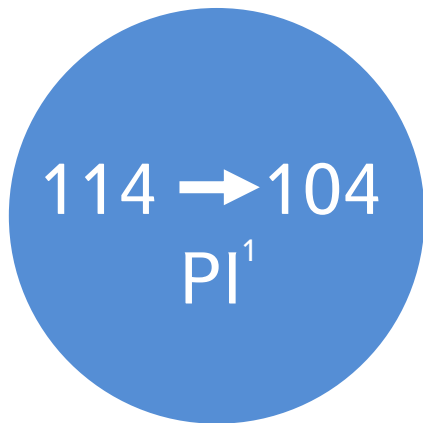
Price³



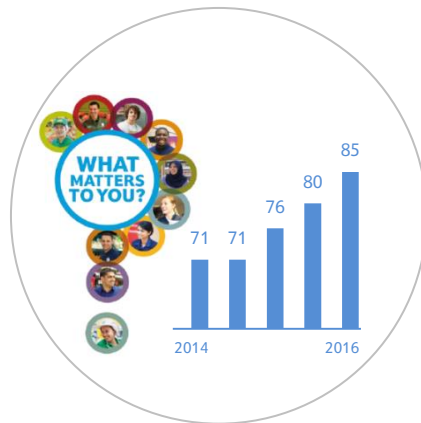
Range⁴

1. Reflects % of customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
2. Reflects % of customers who were strongly satisfied with overall availability as part of the weekly Customer Viewpoint survey.
3. Reflects % of customers very satisfied with prices paid as part of the weekly Customer Viewpoint survey.
4. Reflects % of customers rating overall range of food as part of the weekly Customer Viewpoint survey.

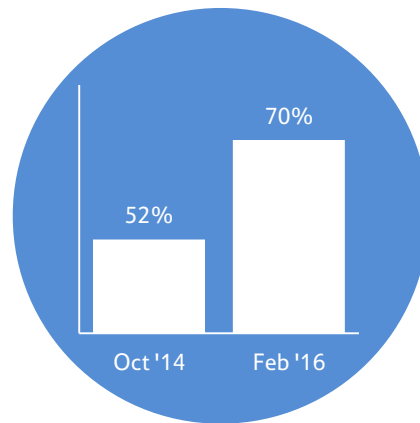
Better service



More hours



Colleague
engagement²



Customer
feedback³

1. Productivity Index.

2. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.

3. Reflects % of customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.



Record availability

96%

Sales-based
availability



Clearer backrooms

82% → 94%

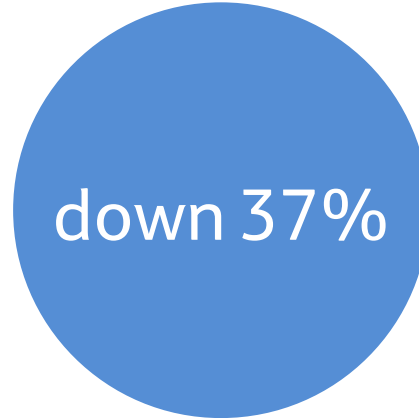
Optimum shelf
capacity



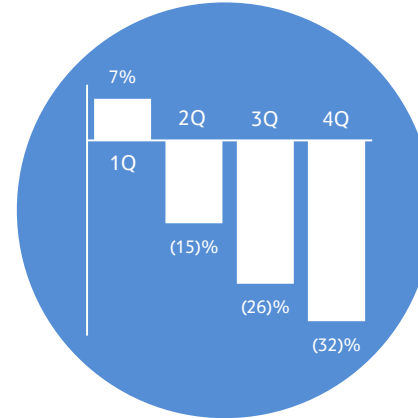
Lower, more stable prices



Price investment¹



Fewer coupons



Multibuy promotions²



1. Price data shows the price paid for a typical basket of products as at August 2014, August 2015 and February 2016.

2. Reflects the year-on-year movement in products on multibuy promotion.

Brand Guarantee



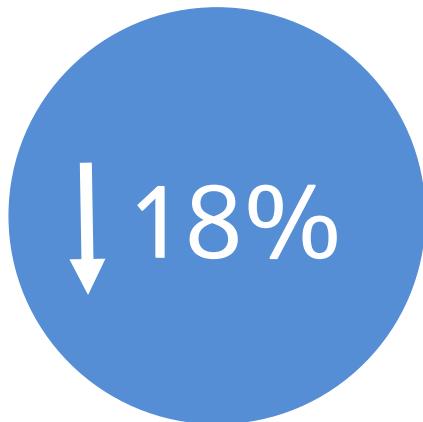
Money off your bill at the till

If your branded shop of 10 or more different products is cheaper at Asda, Morrisons or Sainsbury's, we'll give you the money back instantly

Right range for customers



All food categories
reviewed



Average range
reduction



Innovation





TESCO
Every little helps

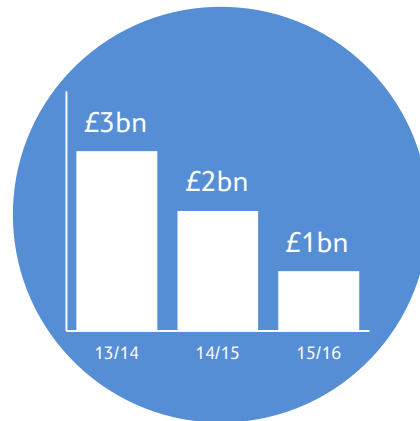
Protecting and strengthening the balance sheet



Pension transition
complete



Sale of Homeplus



Capital discipline



Protecting and strengthening the balance sheet

Acquired
freehold:
21 superstores

March 2015

Agreed sale
of 14 sites
for £250m

October 2015

Acquired
freehold:
36 superstores
13 Extras

February 2016



Rebuilding trust and transparency

<£100k = 14 days

Standardised
payment terms

98.0%

On-time payment

24 → 3

New commercial
approach



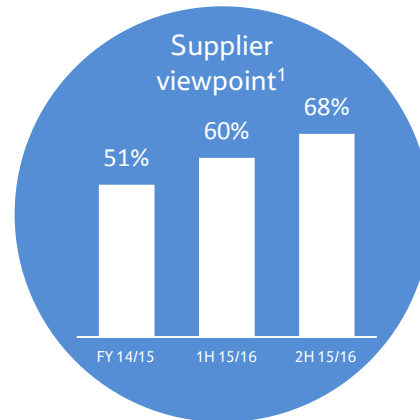
Rebuilding trust and transparency



Supplier network



Supplier training



Encouraging
progress

1. Reflects % of UK suppliers responding positively when asked “overall how satisfied are you with your experience of working with Tesco” as part of the Supplier Viewpoint survey.



Rebuilding trust and transparency



Charity
partnership



Community Food
Connection

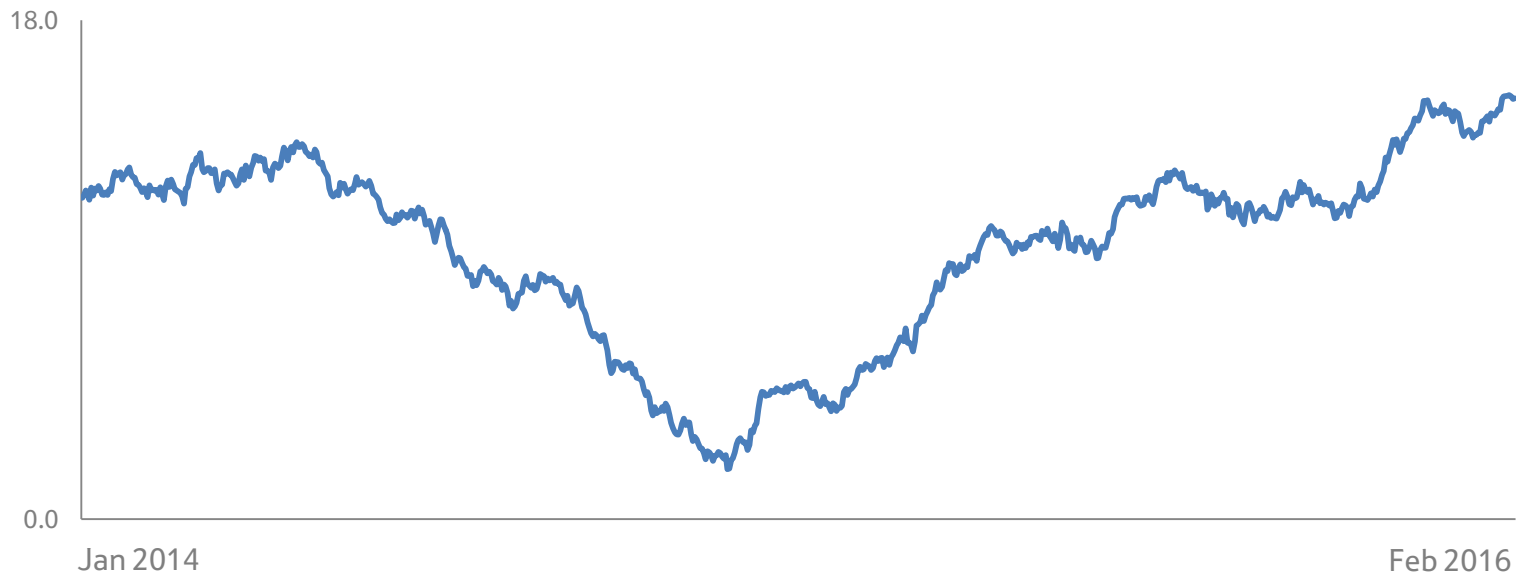


Local community
grant scheme



Rebuilding trust and transparency

BrandIndex Index Score – an overall measure of brand health



Three priorities

- 1 Regaining competitiveness in core UK business
 - ✓ UK transactions up 2.8% in 4Q
- 2 Protecting and strengthening the balance sheet
 - ✓ Total indebtedness £6.2bn lower
- 3 Rebuilding trust and transparency
 - ✓ Customer, colleague, supplier measures all improved





Full year results

Group performance

Continuing operations	FY 15/16	Change constant rates	Change actual rates
Group sales (exc. VAT, exc. Fuel)	£48.4bn	0.1%	(1.6)%
Group operating profit before exceptional items	£944m	1.1%	0.0%
Exceptional items	£102m	n/m	n/m
Group statutory operating profit	£1,046m	n/m	n/m
Group PBT before exceptional items and net pension finance costs	£435m	-	(11.9)%
Diluted EPS before exceptional items and net pension finance costs	4.97p	-	-

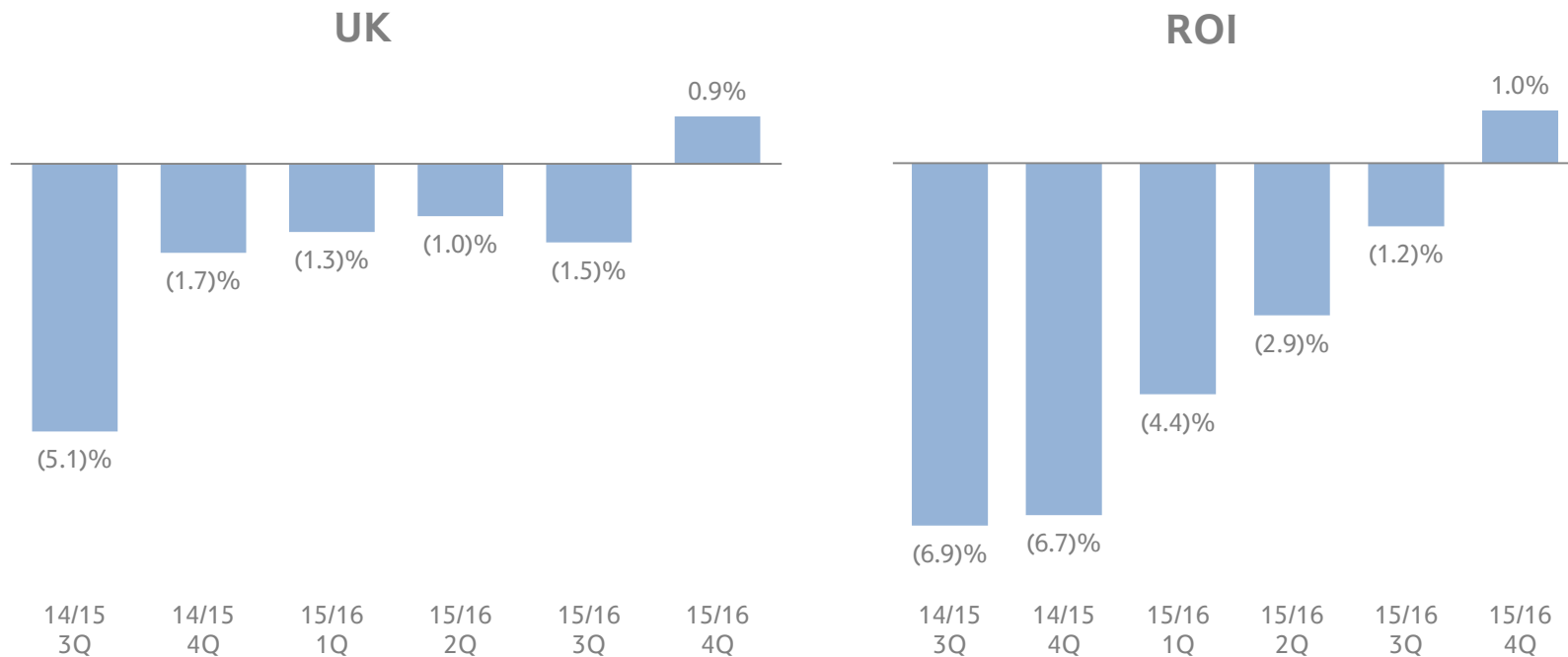
Note: Change shown on a comparable 52 week basis.

Segmental performance

	Sales				Operating profit before exceptional items			
	FY 15/16	FY 14/15	Change constant rates	Change actual rates	FY 15/16	FY 14/15	Change constant rates	Change actual rates
UK & ROI	£37.2bn	£38.2bn	(0.5)%	(0.9)%	£505m	£498m	1.4%	0.6%
International	£10.2bn	£10.7bn	1.8%	(4.3)%	£277m	£254m	11.4%	9.1%
Bank	£1.0bn	£0.9bn	0.8%	0.8%	£162m	£188m	(13.8)%	(13.8)%
Group	£48.4bn	£49.9bn	0.1%	(1.6)%	£944m	£940m	1.1%	0.0%

Note: Change shown on a comparable 52 week basis.

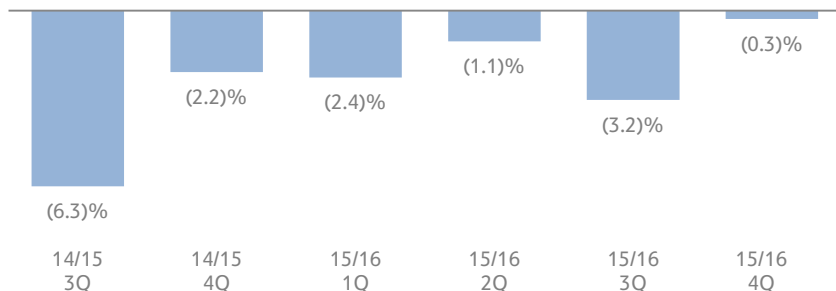
UK and ROI like-for-like sales performance¹



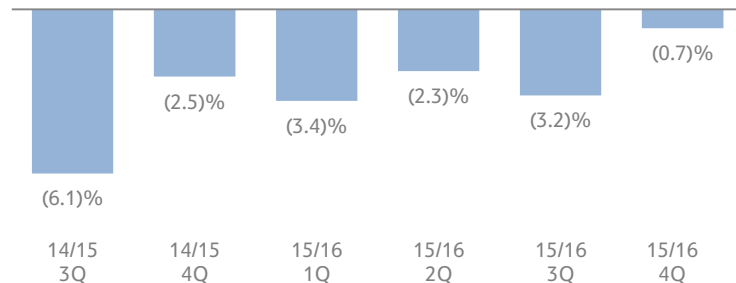
1. Exc. VAT, exc. Fuel.

UK like-for-like sales performance

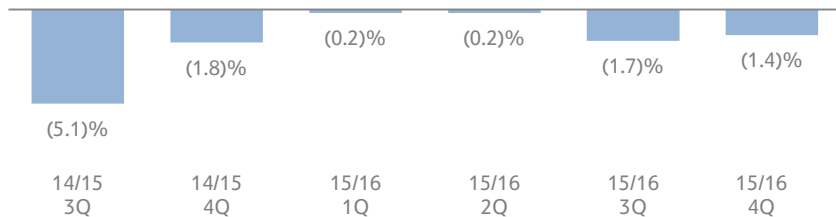
Extra



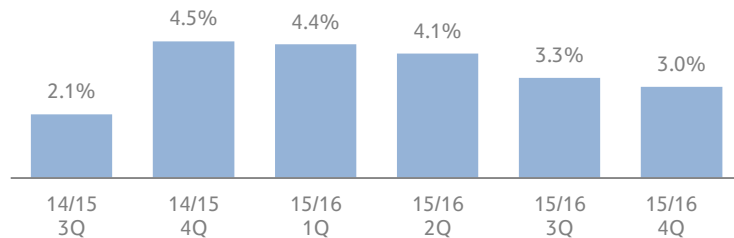
Superstore



Metro



Express



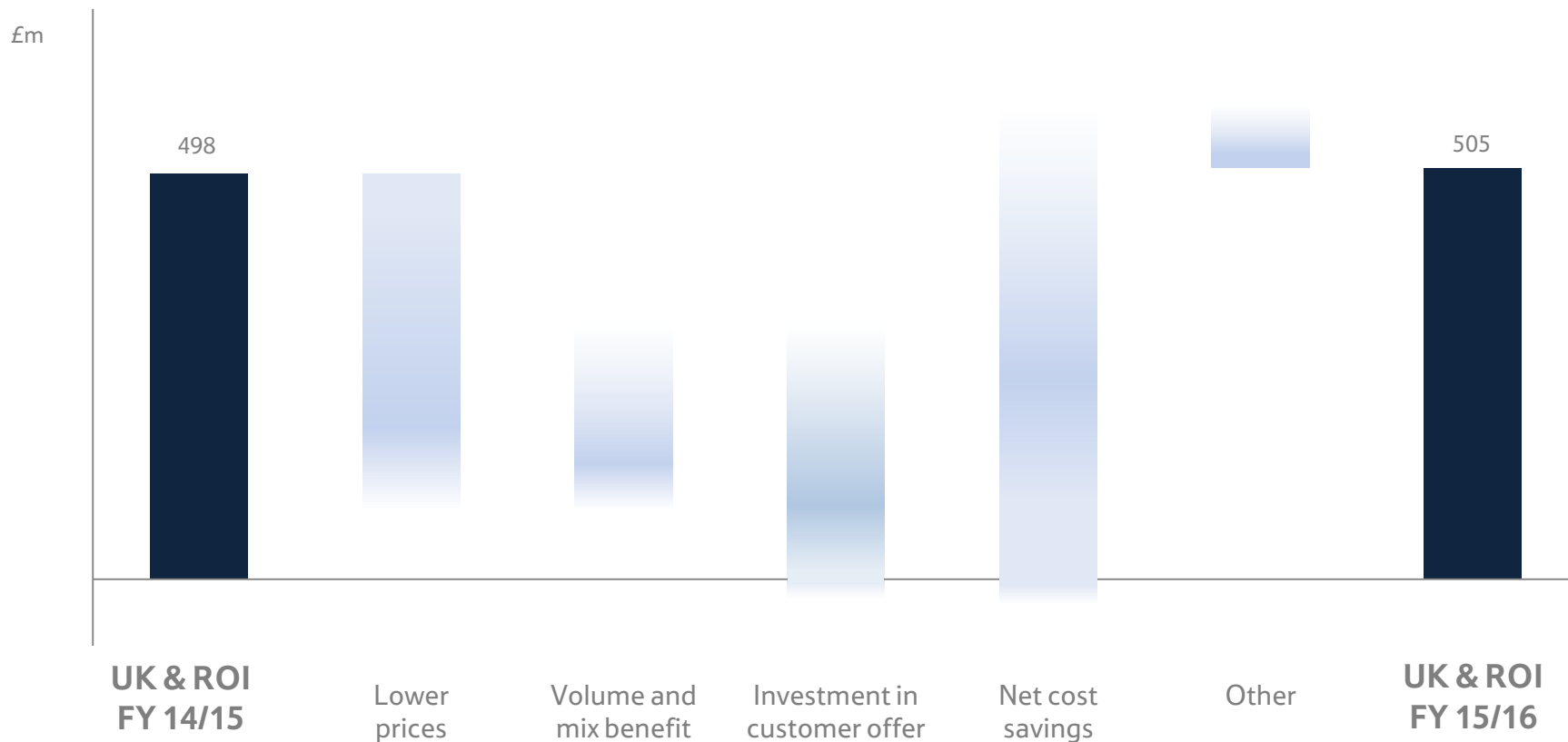
Online FY 15/16:

Grocery 8.8%

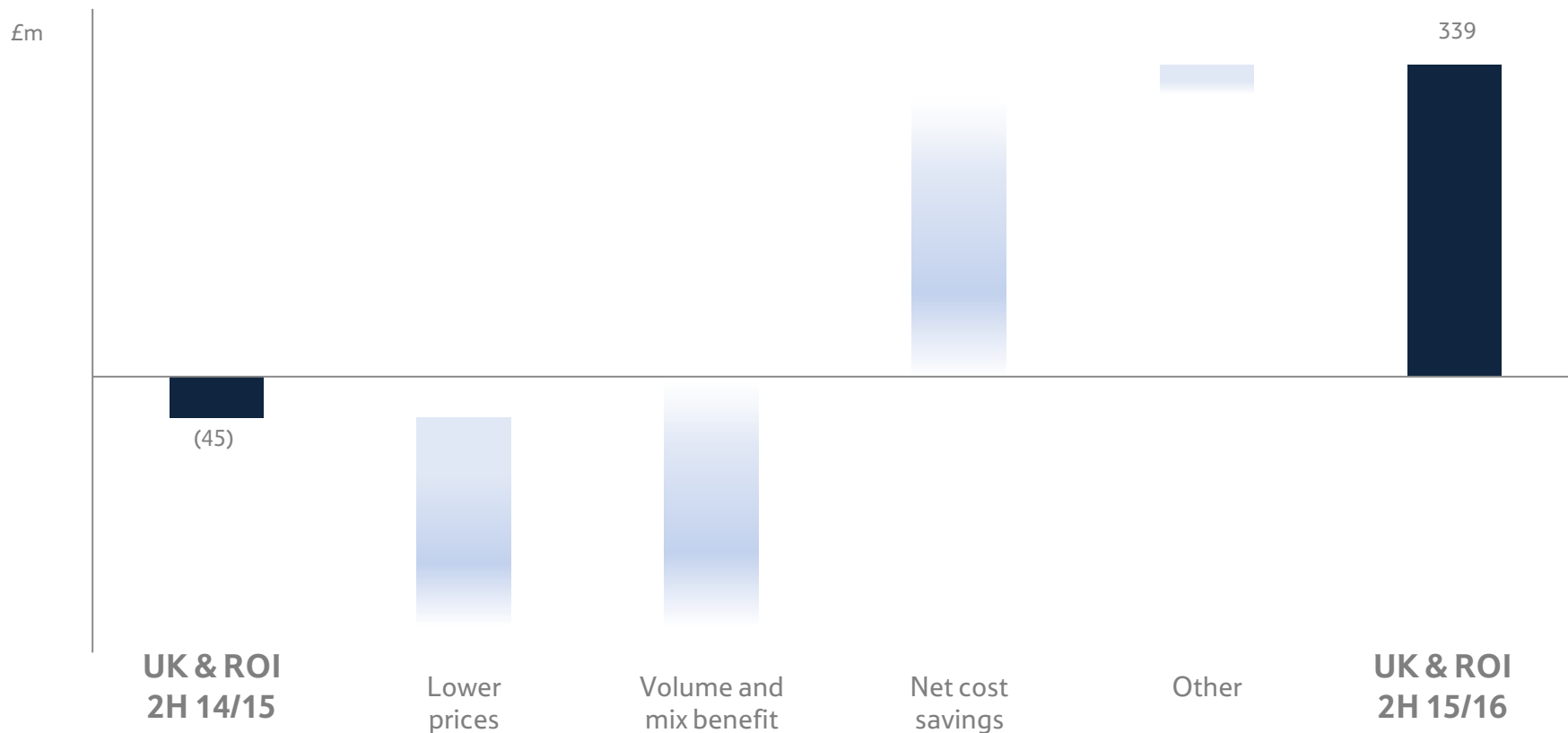
General Merchandise (2.1)%

Clothing 6.7%

Rebuilding operating profit



Rebuilding operating profit - 2H

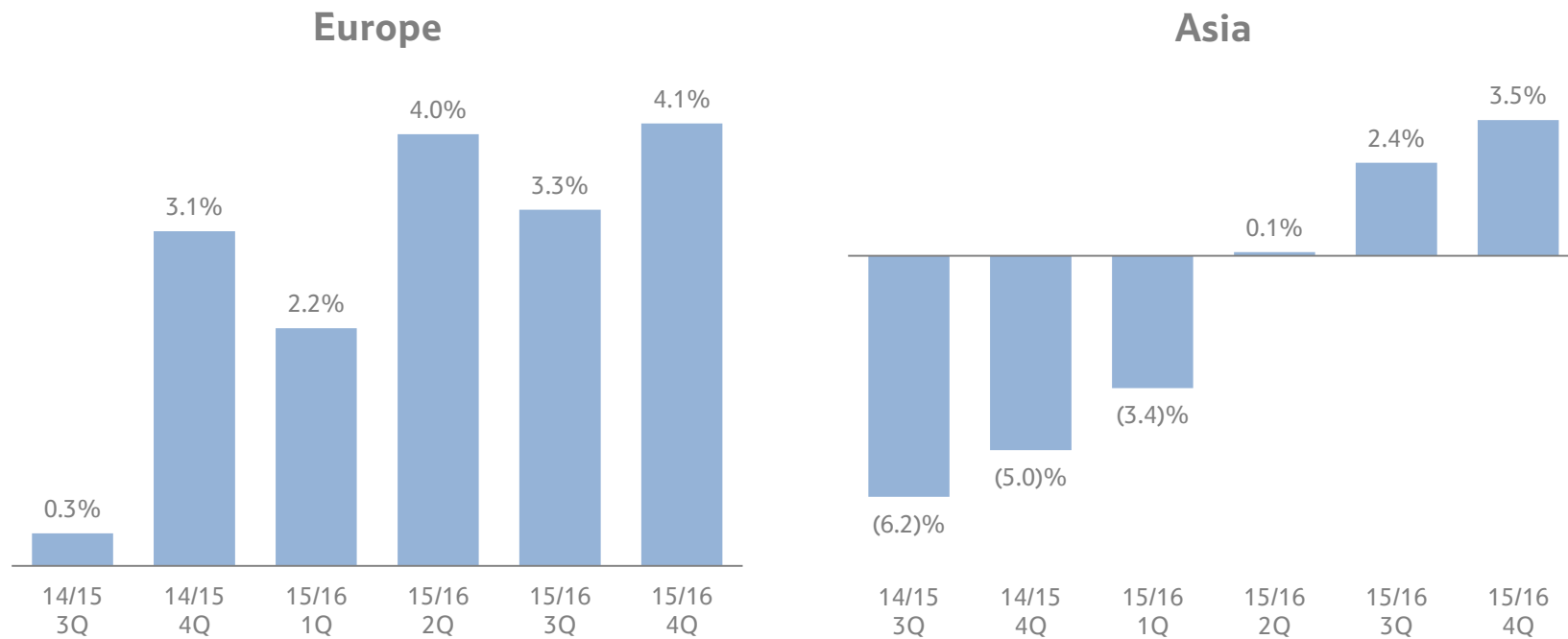




International performance

- Market share gains in 5 of 7 markets
- Strong volume growth
- Strong cash generation
 - Operating cash up 87%
 - Stock days reduced by 6 days

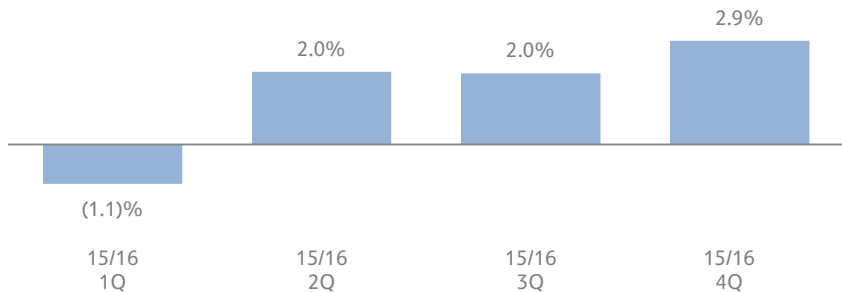
International like-for-like sales performance¹



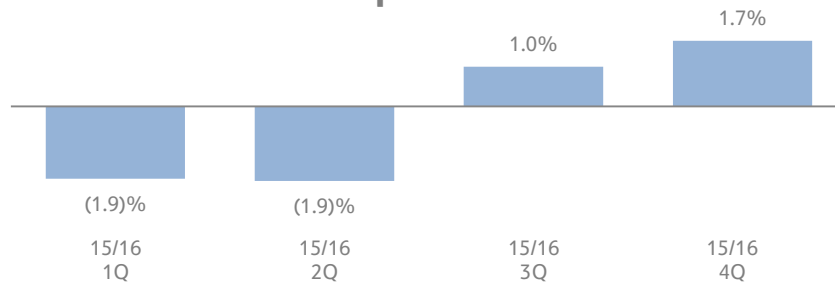
1. Exc. VAT, exc. Fuel.

International like-for-like sales performance

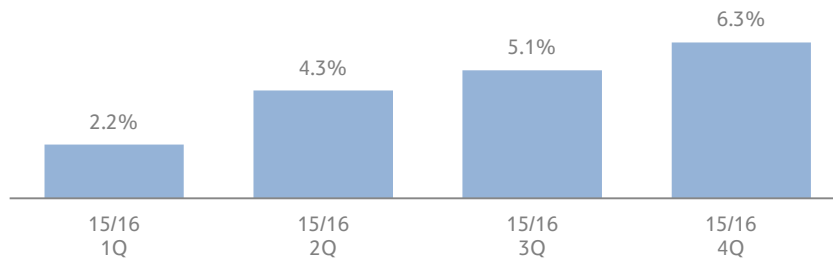
Hypermarket



Superstore

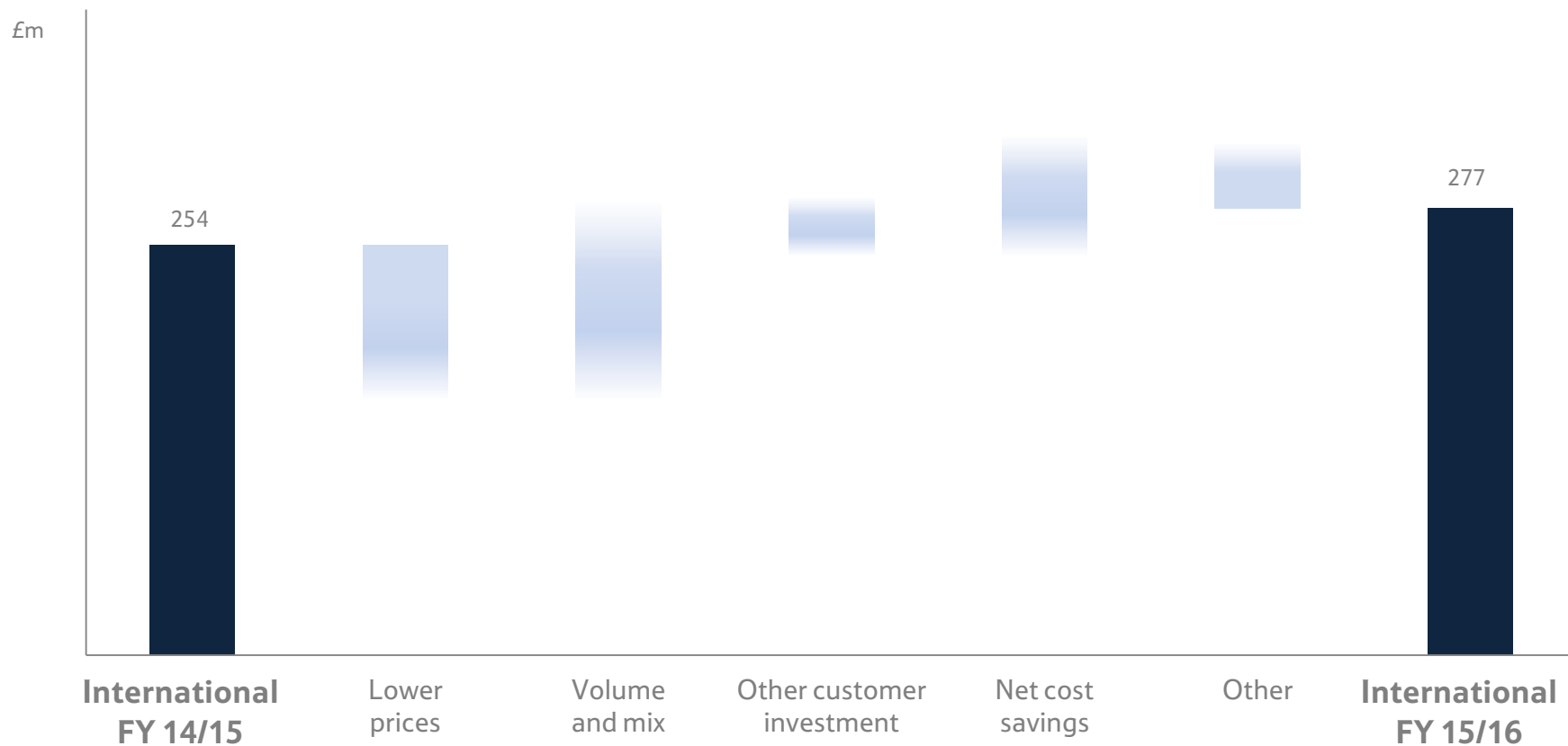


Convenience



Online FY 15/16: 23.7%

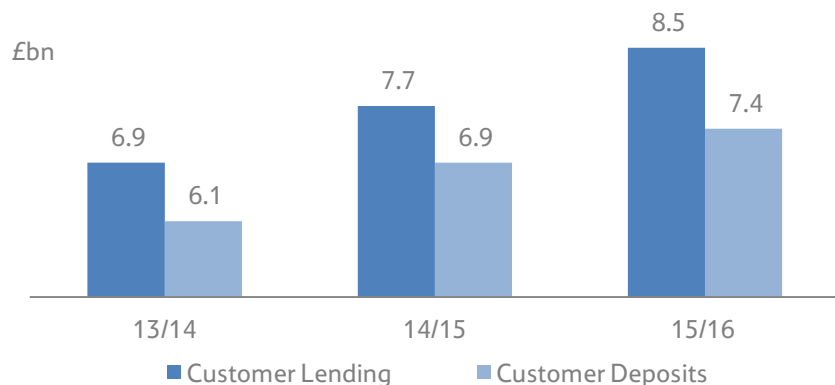
International profit performance



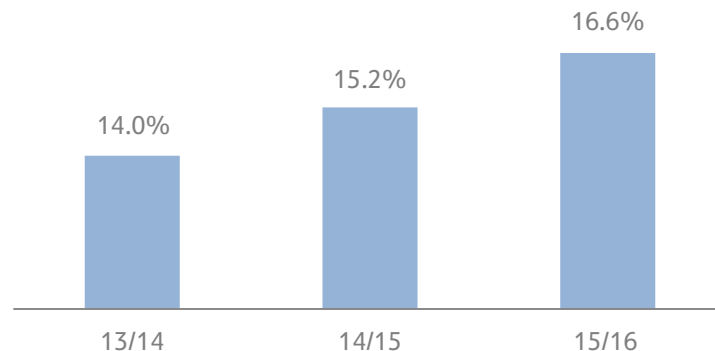
Tesco Bank

- More value delivered to Tesco customers
- Outstanding customer service recognised
- Strong growth in customer metrics
- Capital and liquidity position remains strong

Customer Lending/Deposits



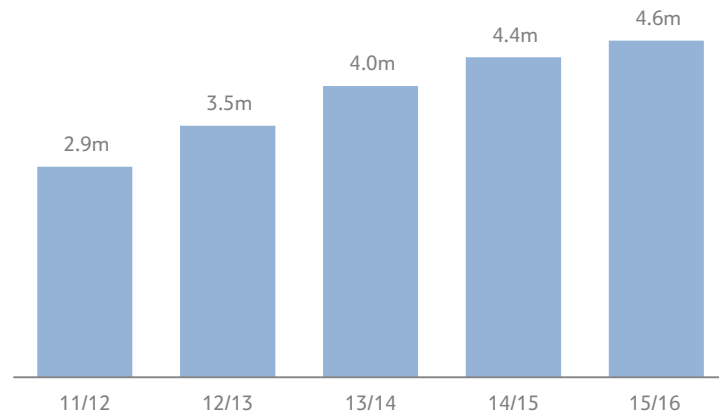
Core Tier 1 ratio



Tesco Mobile

- Valuable asset
- JV with O₂
- UK's largest MVNO and 5th largest mobile operator
- National footprint in 400+ stores
- Attractive sector fundamentals
- Industry change creates options

Customer Numbers



Finance income and costs

	FY 15/16	FY 14/15
Interest payable	£(504)m	£(535)m
Capitalised interest	£6m	£44m
IAS 32 and 39 'Financial instruments' – fair value measurements	£(19)m	£(26)m
IAS 19 net pension finance costs	£(155)m	£(134)m
Finance income	£29m	£80m
Net finance costs¹	£(643)m	£(571)m

1. Statutory net finance costs include a £(220)m impact from FX losses on translation of sterling balances received from Korea disposal being held in a Euro subsidiary.

Tax

	Before exceptional items	Statutory
Profit before tax	£280m	£162m
Tax (charge) / credit	£(8)m	£54m
Effective tax rate	2.7%	(33.2)%

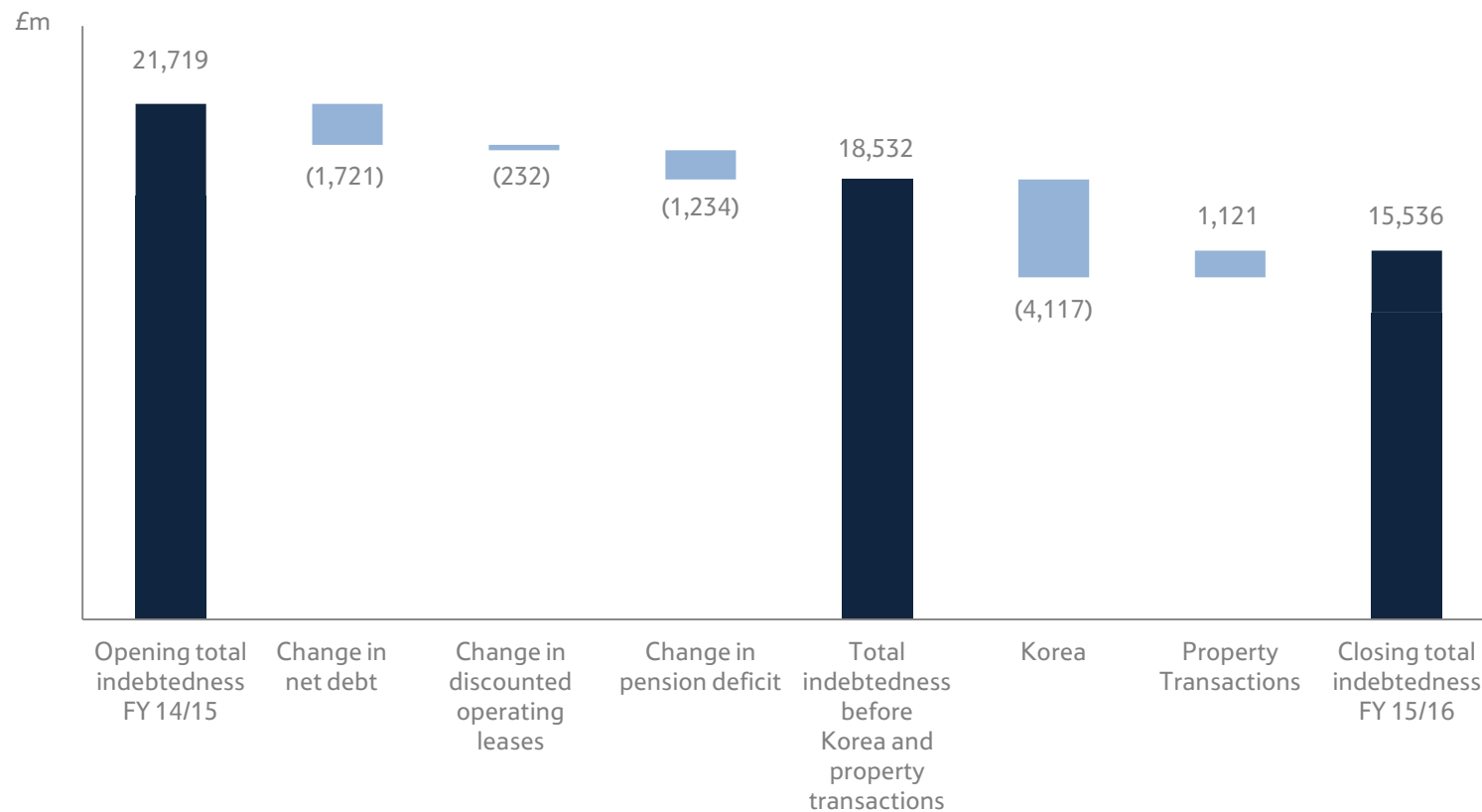
- Effective tax rate affected by:
 - Lower book value than tax value of properties disposed of in year
 - Change in tax rate on deferred tax balances
 - Unrecognised tax losses

Exceptional items

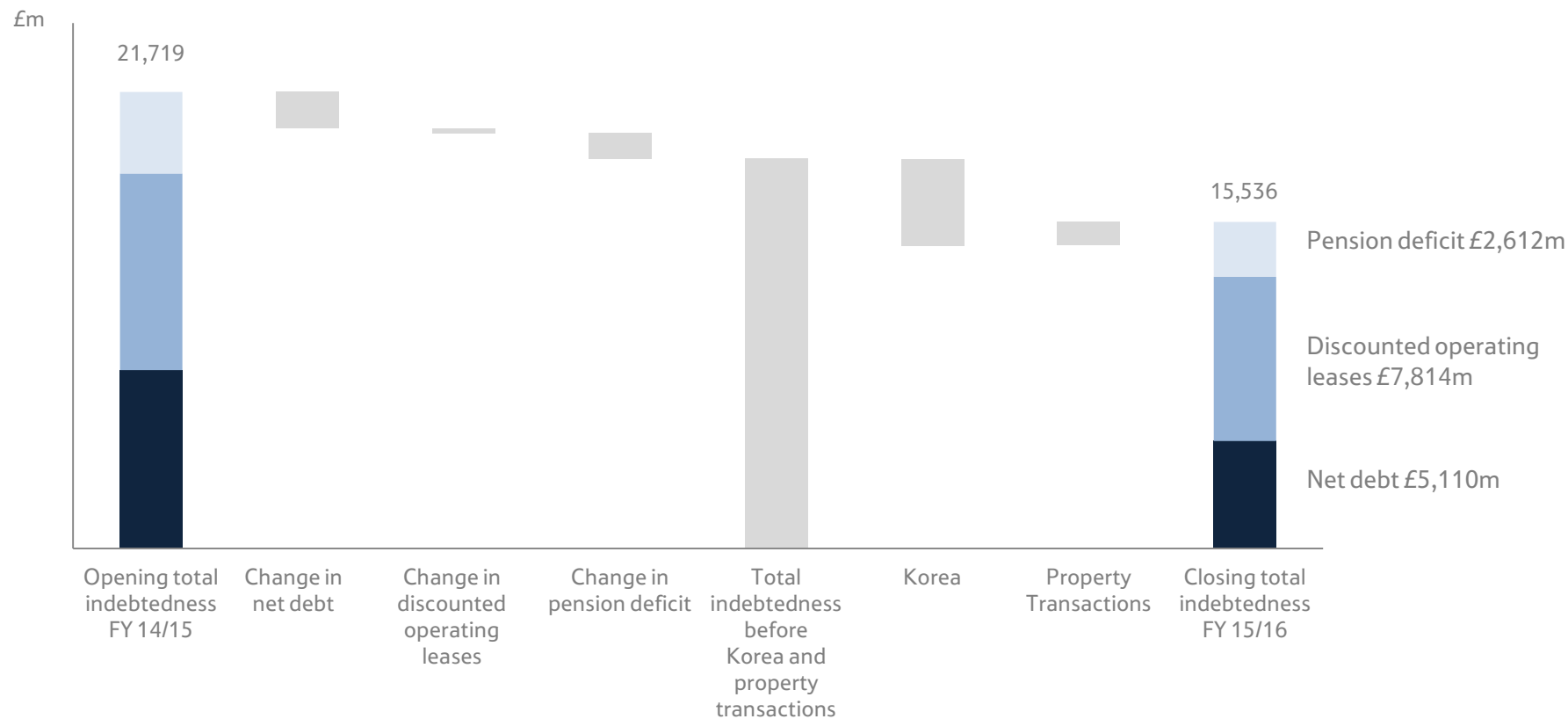
	FY 15/16	FY 14/15
Net impairment ¹	£(408)m	£(5,389)m
Net restructuring and redundancy	£(126)m	£(406)m
Property transactions	£156m	-
Past service credit and associated costs arising on UK defined benefit pension scheme	£480m	-
Stock-related	-	£(500)m
Reversal of commercial income	-	£(208)m
Other	-	£(187)m
Total exceptional items in operating profit	£102m	£(6,690)m

1. Net impairment of property, plant and equipment, onerous lease provisions, intangible assets and investments in joint ventures and associates.

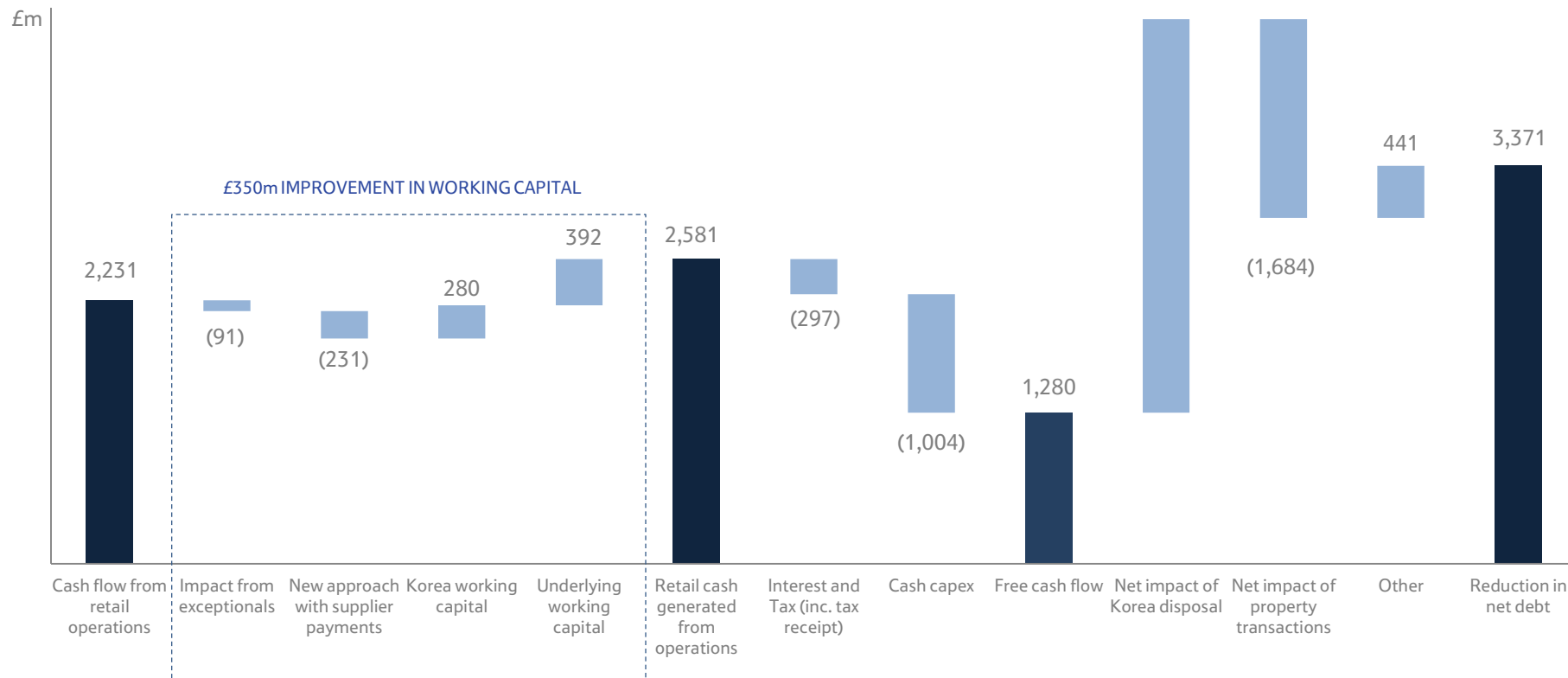
Total indebtedness



Total indebtedness



Movement in net debt¹



1. Includes both continuing and discontinued operations.

Property¹

% selling space owned

UK & ROI

52%

43%

International

71%

70%

Group

61%

58%

% total property owned - by value²

UK & ROI

47%

41%

International

75%

73%

Group

54%

49%

1. Based on continuing operations.

2. Excluding fixtures and fittings.

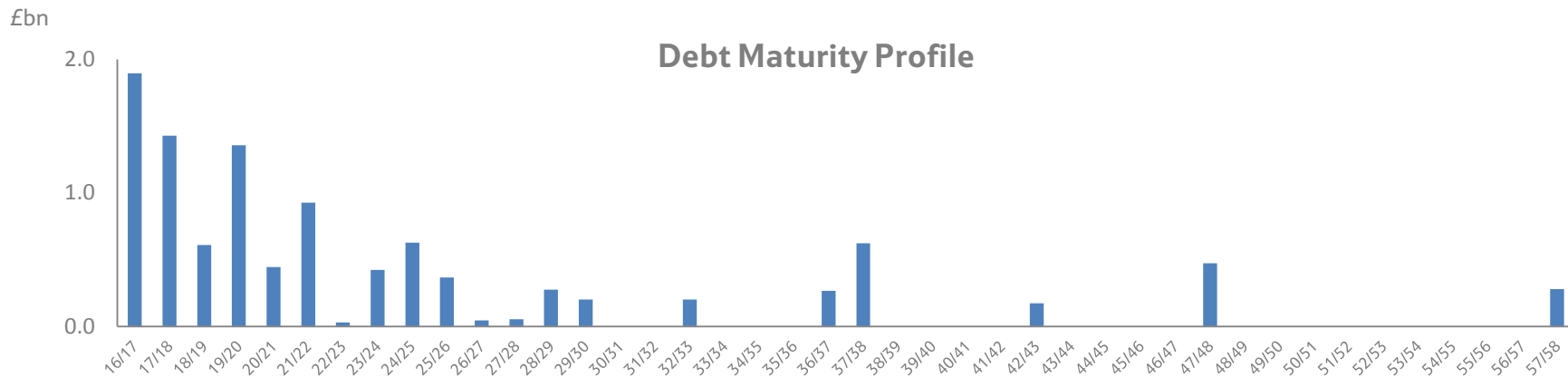


Pensions

- Significant progress made with pension scheme de-risking
 - Defined benefit scheme replaced with defined contribution scheme
- £1.3bn reduction in deficit
 - £480m exceptional actuarial credit resulting from RPI to CPI index change
 - Part-year payment under £270m per annum funding plan
- Greater certainty on future cash contributions

Strong liquidity

- £4.4bn available cash
- £5.0bn committed facilities in place
 - £2.6bn RCF
 - £2.4bn bilaterals
- Strong funding and liquidity profile



Improving debt metrics

Total indebtedness ratio¹

Fixed Charge Cover²

FY 15/16

5.1x

1.9x

FY 14/15

6.0x

1.9x

1. Net Debt + pension deficit + NPV of lease obligations)/ EBITDAR.

2. EBITDAR/(Interest + Rent).



Financial summary

- Positive sales momentum across the Group
- Rebuilding profitability
- Improved cash generation
- Significant reduction in total indebtedness
- Strong liquidity
- Strengthening balance sheet

Big 6 Full Year Performance





Serving Britain's shoppers
a little better every day



The next step

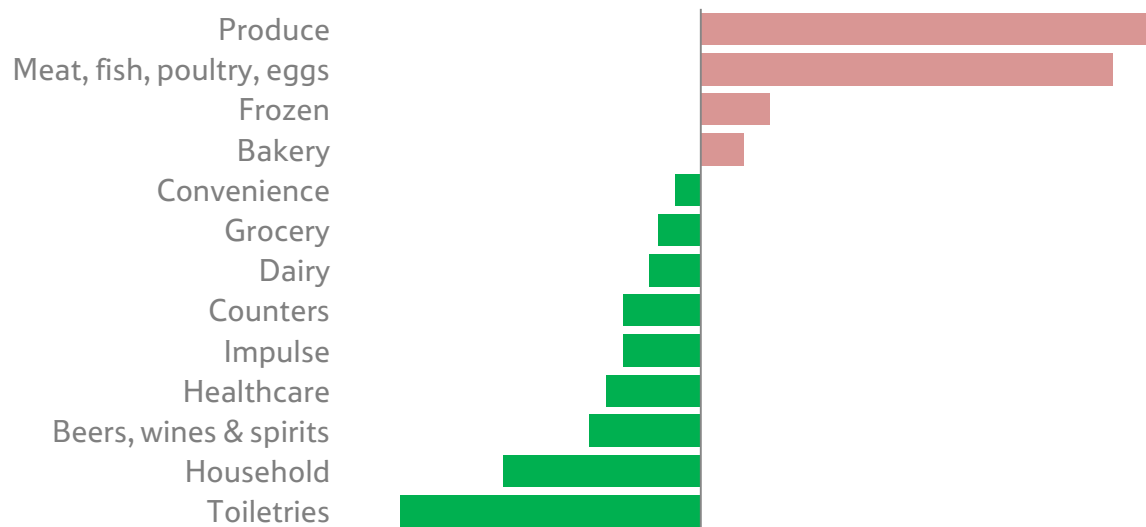
- The customer remains our number one priority
- Removing reasons to shop elsewhere
- Doing more of what makes Tesco unique
- All of this whilst rebuilding longer-term profitability
- Challenging, deflationary and uncertain market

Customer proposition



Meeting customer needs

Over/under trade by category vs competitor A + B





FRESHEST  QUALITY

Nightingale
Farms

**EXCLUSIVELY
AT TESCO**




REDMERE
FRESH **FARMS** QUALITY

**EXCLUSIVELY
AT TESCO**



BUTCHER'S  QUALITY

WOODSIDE
· **FARMS** ·

EXCLUSIVELY AT TESCO



BUTCHER'S QUALITY CUTS


· **BOSWELL** ·
FARMS

EXCLUSIVELY AT TESCO



QUALITY PRODUCE


SUNTRAIL
FARMS

**EXCLUSIVELY
AT TESCO**

IMPORTED FROM AROUND THE WORLD



QUALITY PICKED FRUIT


ROSEDENE
· **FARMS** ·

**EXCLUSIVELY
AT TESCO**




WILLOW
· **FARMS** ·

EXCLUSIVELY AT TESCO











Why shop anywhere else?

£103.11



Tesco before

£89.06



Discounter

£86.35



Tesco after

A photograph of a Tesco employee, a young man with short brown hair wearing a dark blue jacket with the Tesco logo, kneeling in a supermarket aisle. He is smiling and handing a small packet of snacks to a young girl with blonde hair and a pink bow. The girl is also smiling. Behind her, a woman with long blonde hair and a black jacket is looking down at the interaction. To the left, another young girl with blonde hair and a purple bow is looking towards the employee. The shelves are stocked with various products, including boxes of 'Milk Chocolate Coins' and other snacks. The background shows the bright interior of a supermarket with other aisles and a person walking in the distance.

Serving Britain's shoppers
a little better every day

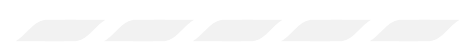
Summary

- Broad-based improvement across the Group
- Significant progress on all three key priorities
- Delivered or exceeded everything we said we would
- More customers, buying more things, more often
- Reinvigorated team putting customers at the heart of everything we do
- Challenging, deflationary and uncertain market
- Investing to create long-term value for shareholders





Q & A



Disclaimer

This document may contain forward-looking statements that may or may not prove accurate. For example, statements regarding expected revenue growth and operating margins, market trends and our product pipeline are forward-looking statements. Phrases such as "aim", "plan", "intend", "anticipate", "well-placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied by the statements. Any forward-looking statement is based on information available to Tesco as of the date of the statement. All written or oral forward-looking statements attributable to Tesco are qualified by this caution. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tesco's expectations.