



5 October 2016

Serving Britain's shoppers a little better every day

Dave Lewis – CEO, Alan Stewart – CFO



Agenda

- Our three priorities
- Detailed results
- Building long-term value for our four key stakeholders



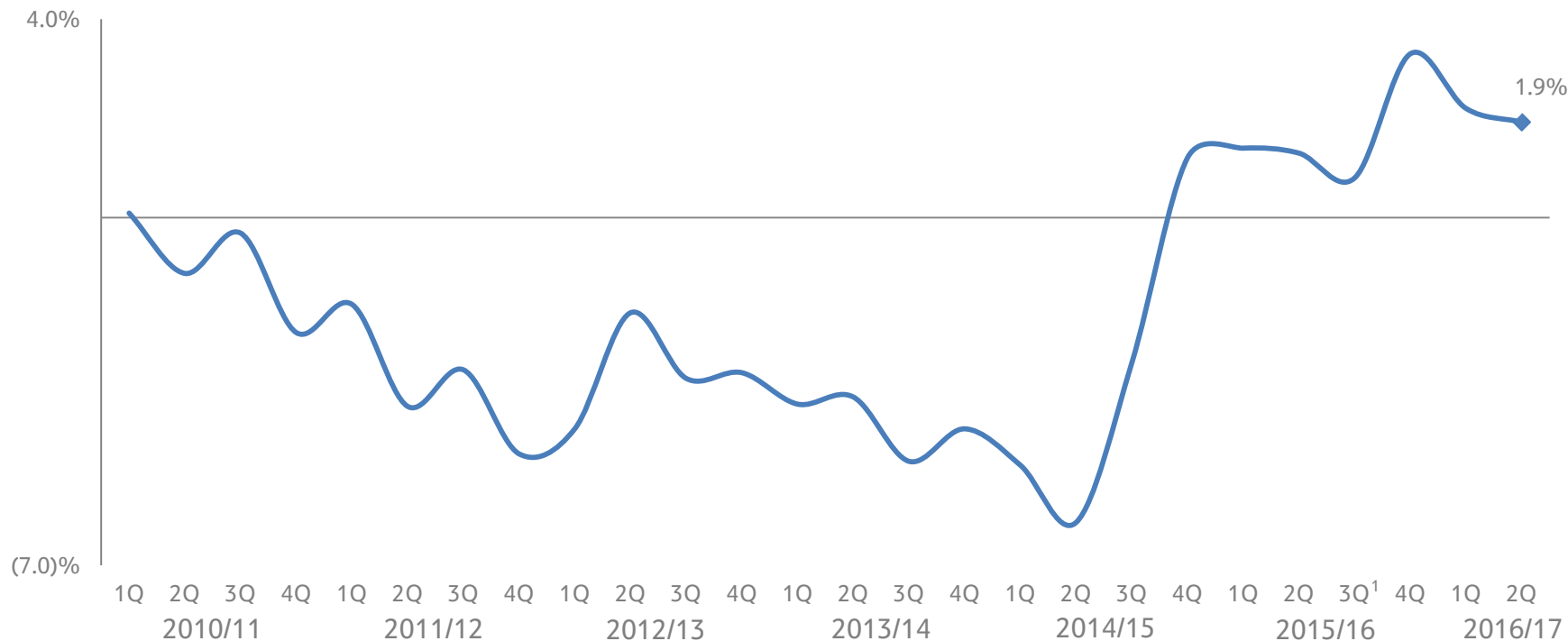
Three priorities

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



UK volume-based recovery

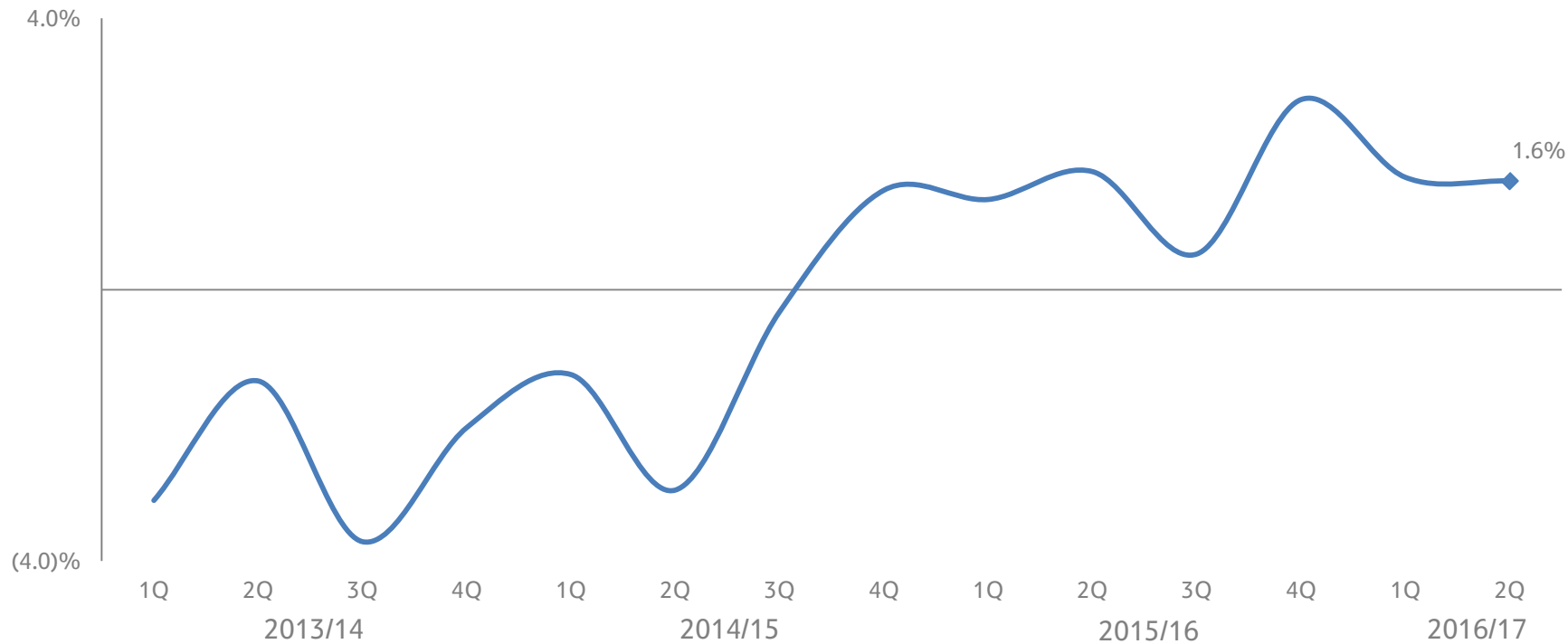
UK like-for-like volume



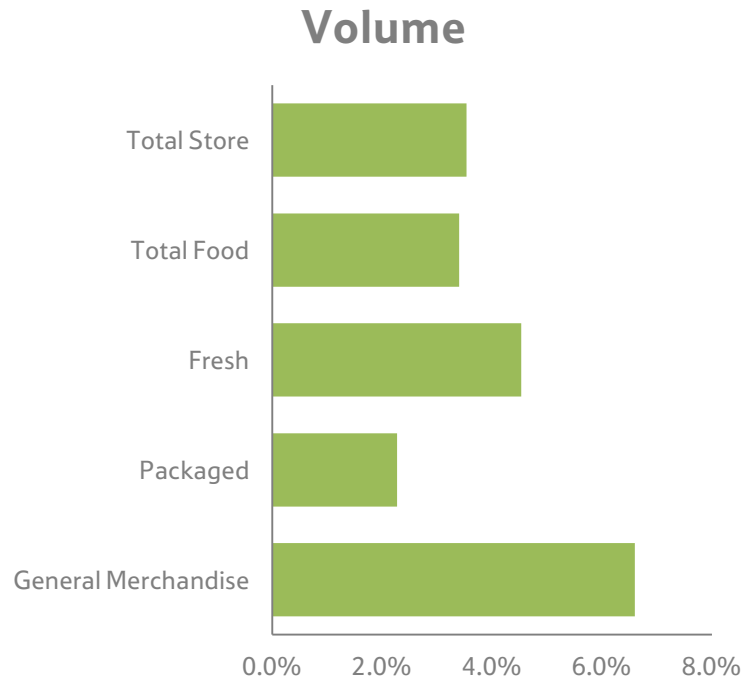
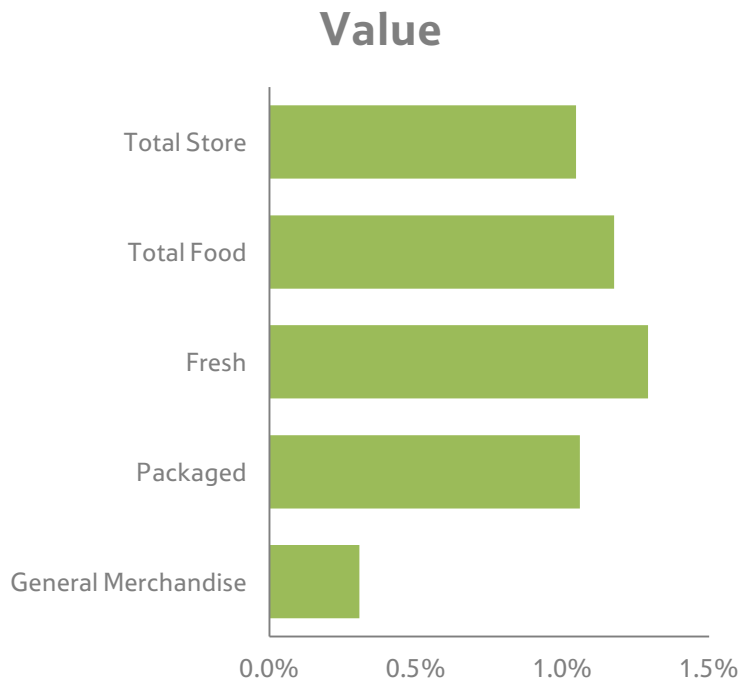
1. 3Q 2015/16 adjusted for the impact of non-repeated coupons in the prior year.

UK transaction growth

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



IRI outperformance – Mar 2016 to Aug 2016¹



1. Data is for Tesco Weeks 1-26 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.

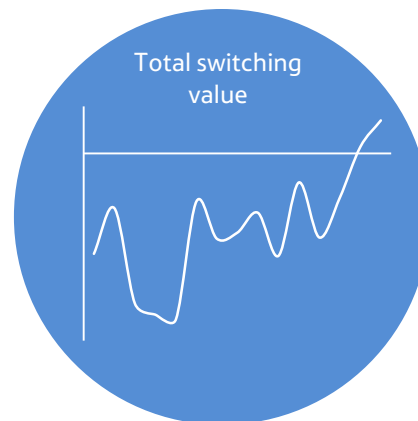
More competitive in the UK



Lower prices¹



Increasing footfall²



Switching gains³

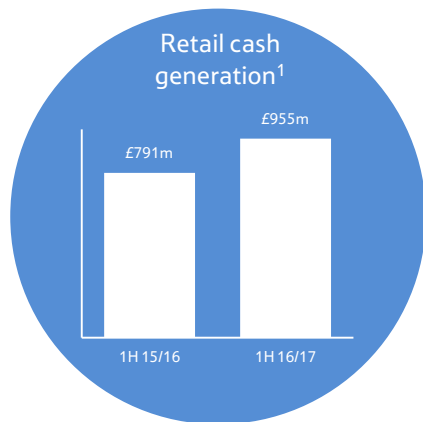
1. Price data shows the price paid for a typical basket of products as at August 2014, August 2015 and August 2016.

2. Data from Kantar Worldpanel – change in customer numbers 14th September 2014 to 11th September 2016.

3. Data from Kantar Worldpanel – net switching to competitors 4 weeks ending 11th September 2016.



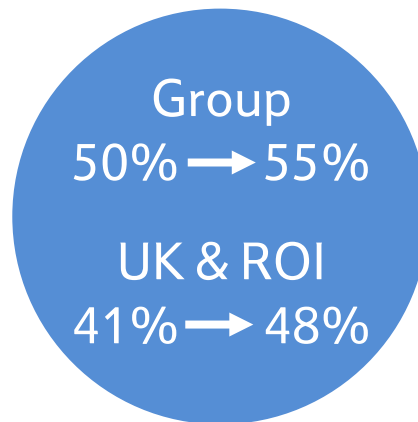
A more secure balance sheet



Generating cash



Lower net debt



Long-term
property
approach²

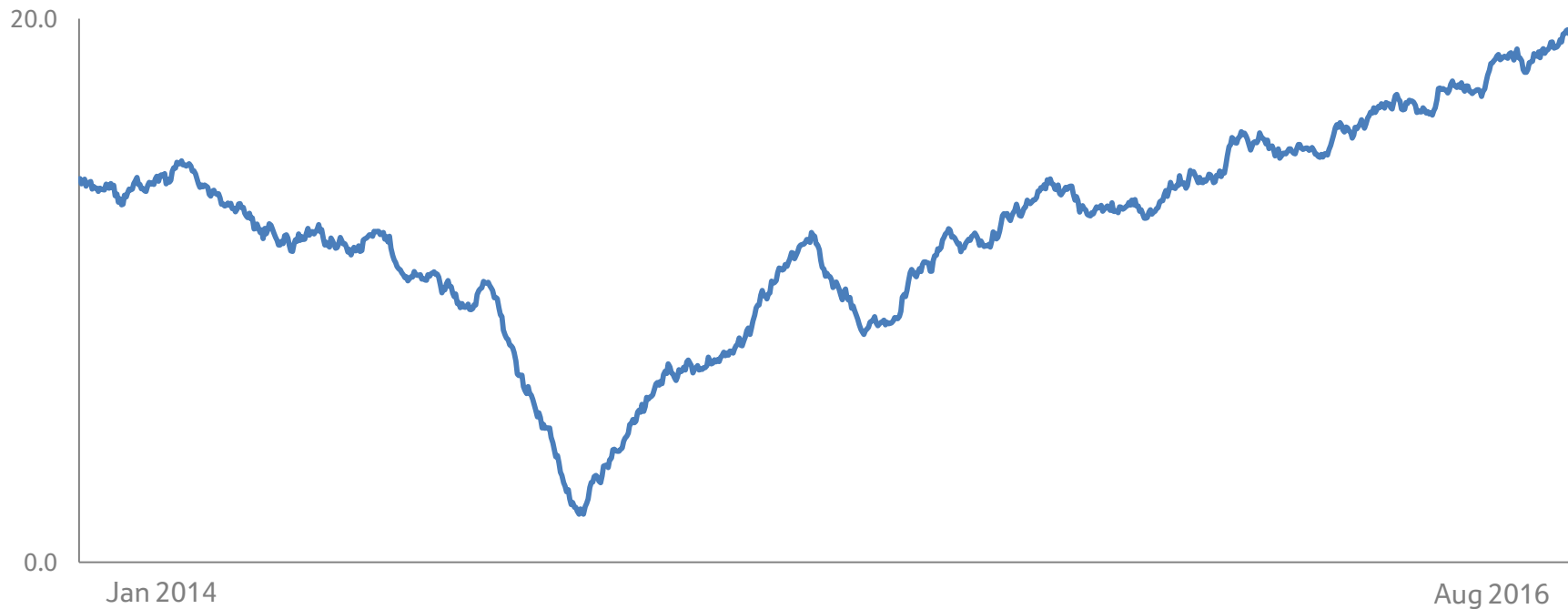


Defined contribution
pension scheme

1. For continuing operations.
2. Percentage of Group (on a continuing operations basis) and UK & ROI property owned by value, FY 2014/15 to 1H 2016/17.

Rebuilding trust and transparency

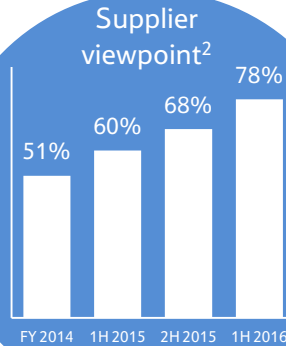
BrandIndex Index Score – an overall measure of brand health



Rebuilding trust and transparency

61% → 74%

Trust in
leadership¹



Trusted by
suppliers



Improved
transparency

1. Reflects % of colleagues who trust the decisions made by their country's board of directors to serve shoppers a little better every day, as part of What Matters To You? survey undertaken in August 2016.
2. 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 undertaken in August 2016.



Three priorities

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



Half year results

Group performance

Continuing operations	1H 16/17	Change constant rates	Change actual rates
Group sales (exc. VAT, exc. Fuel)¹	£24.4bn	1.3%	3.3%
Group operating profit before exceptional items	£596m	56.7%	60.2%
Exceptional items	£(81)m	n/m	n/m
Group statutory operating profit	£515m	34.4%	38.4%
Group PBT before exceptional items and net pension finance costs	£410m	-	124.0%
Diluted EPS before exceptional items and net pension finance costs	3.74p	-	163.4%

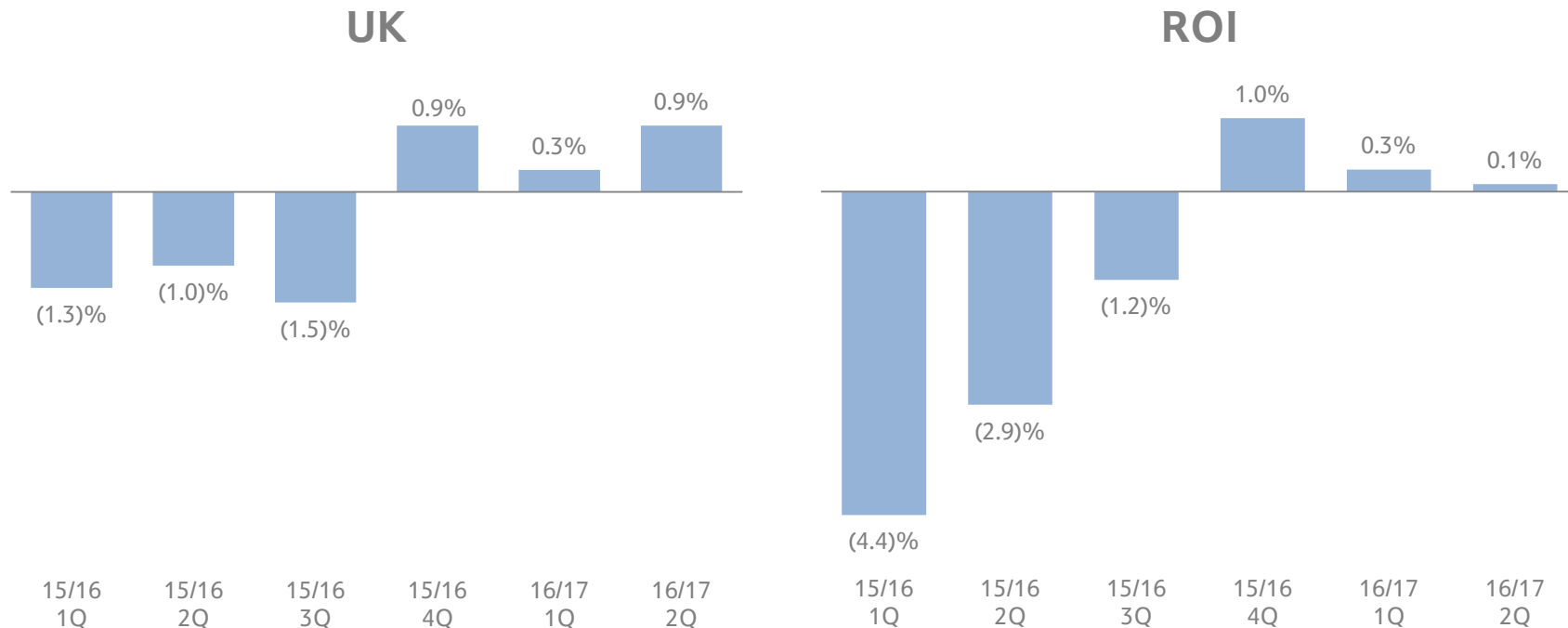
1. Change shown on a comparable 26 week basis.

Segmental performance

	Sales				Operating profit before exceptional items			
	1H 16/17	1H 15/16	Change constant rates ¹	Change actual rates ¹	1H 16/17	1H 15/16	Change constant rates	Change actual rates
UK & ROI	£18.6bn	£18.4bn	0.6%	1.2%	£389m	£164m	134.1%	137.2%
International	£5.3bn	£4.8bn	3.2%	10.9%	£118m	£122m	(9.8)%	(3.3)%
Bank	£0.5bn	£0.5bn	5.3%	5.3%	£89m	£86m	3.5%	3.5%
Group	£24.4bn	£23.7bn	1.3%	3.3%	£596m	£372m	56.7%	60.2%

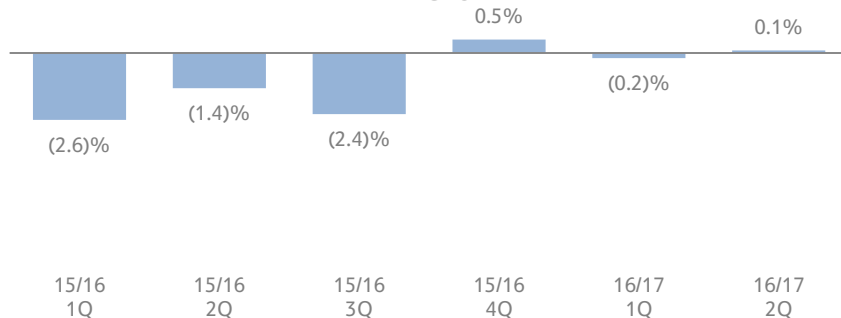
1. Change shown on a comparable 26 week basis.

UK and ROI like-for-like sales performance¹

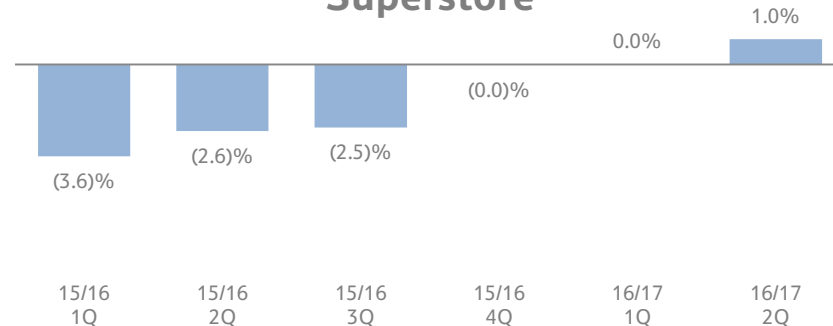


UK like-for-like sales performance¹

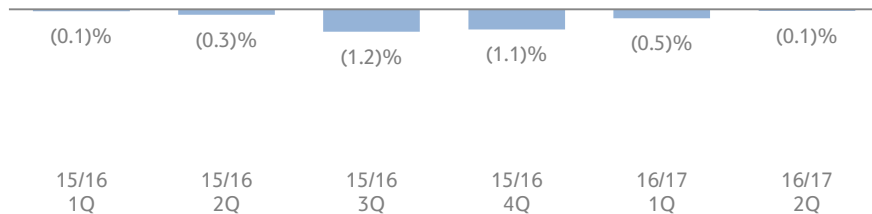
Extra



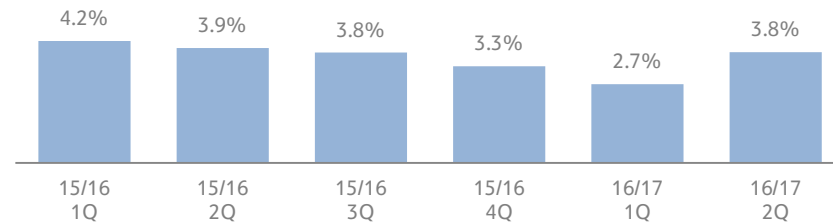
Superstore



Metro



Express

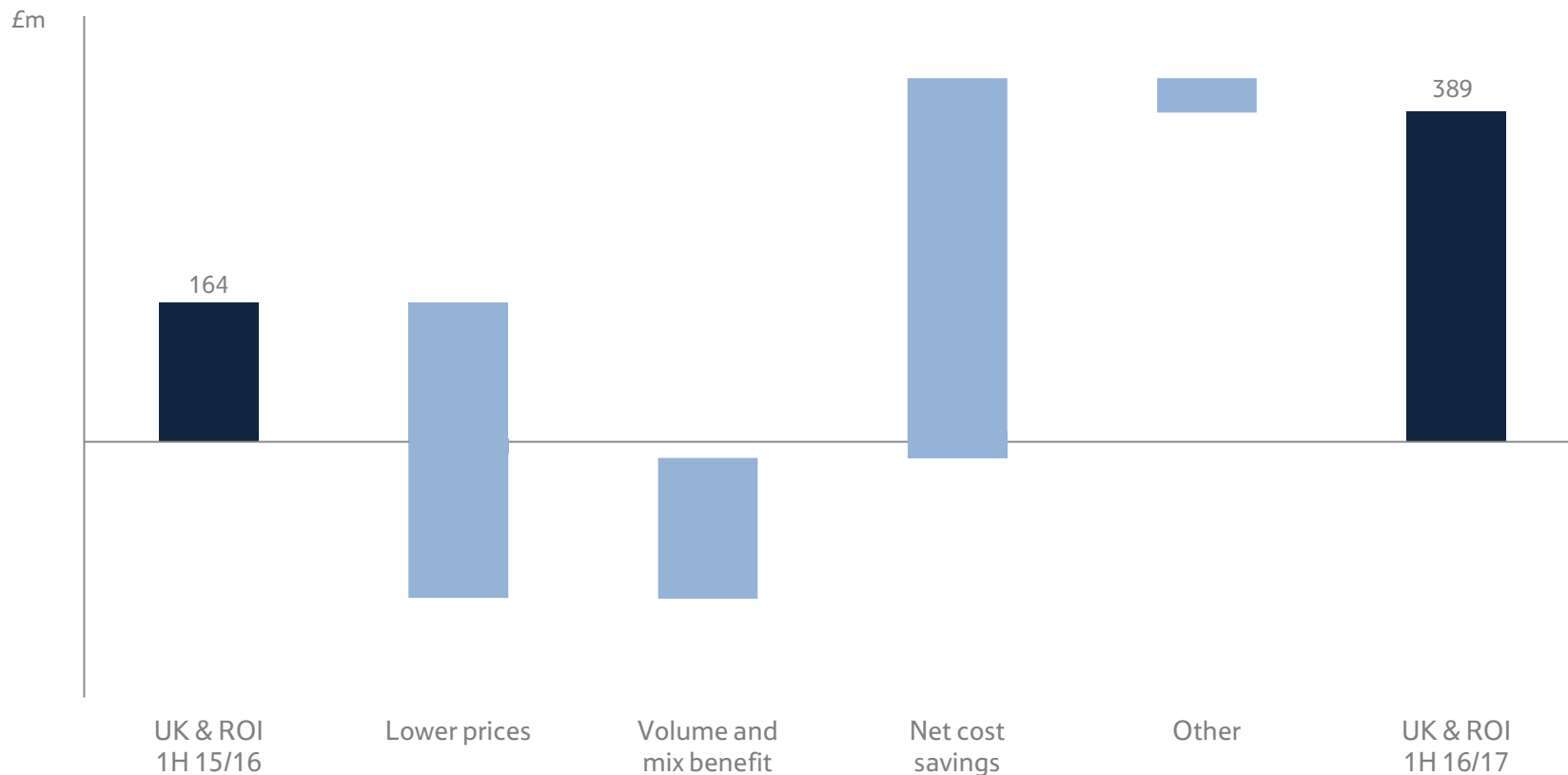


Online 1H 16/17:

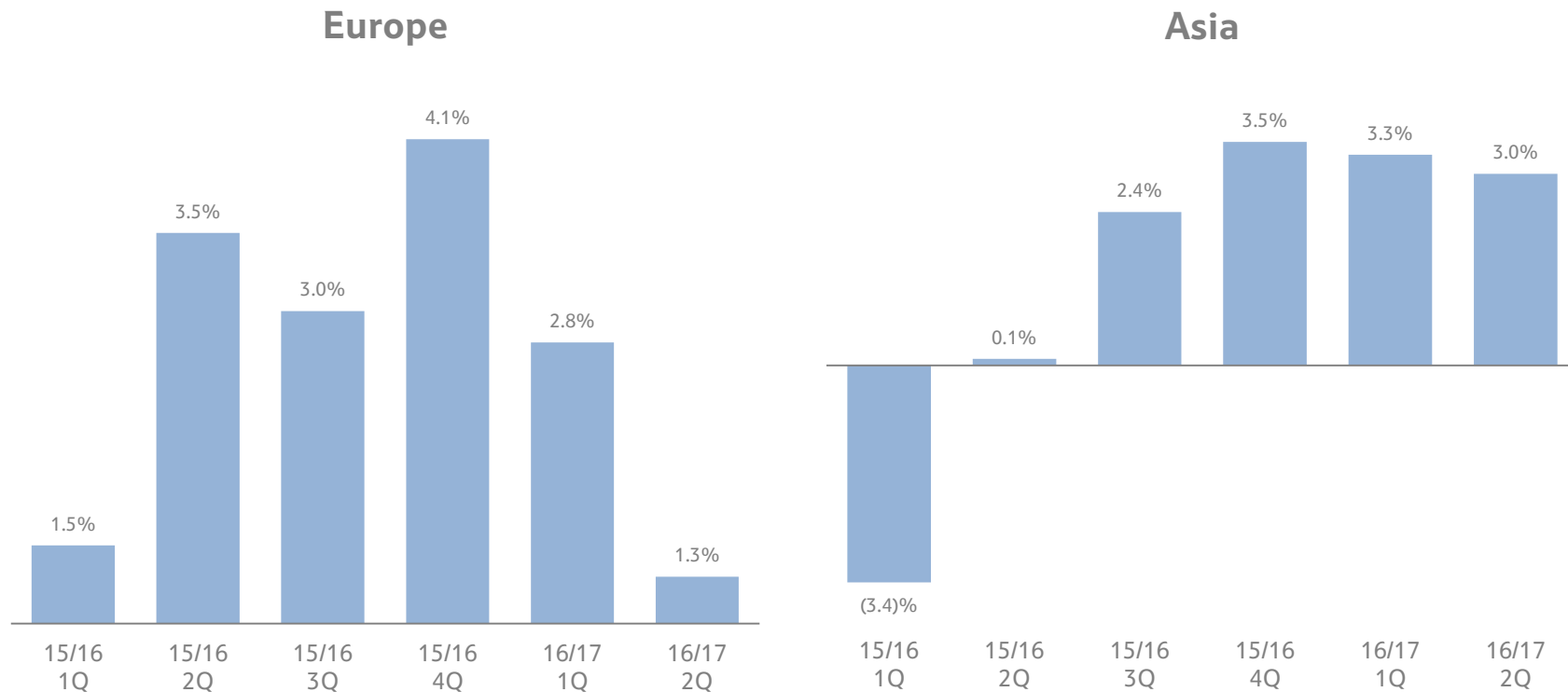
Grocery 3.1%

General Merchandise & Clothing (13.4)%

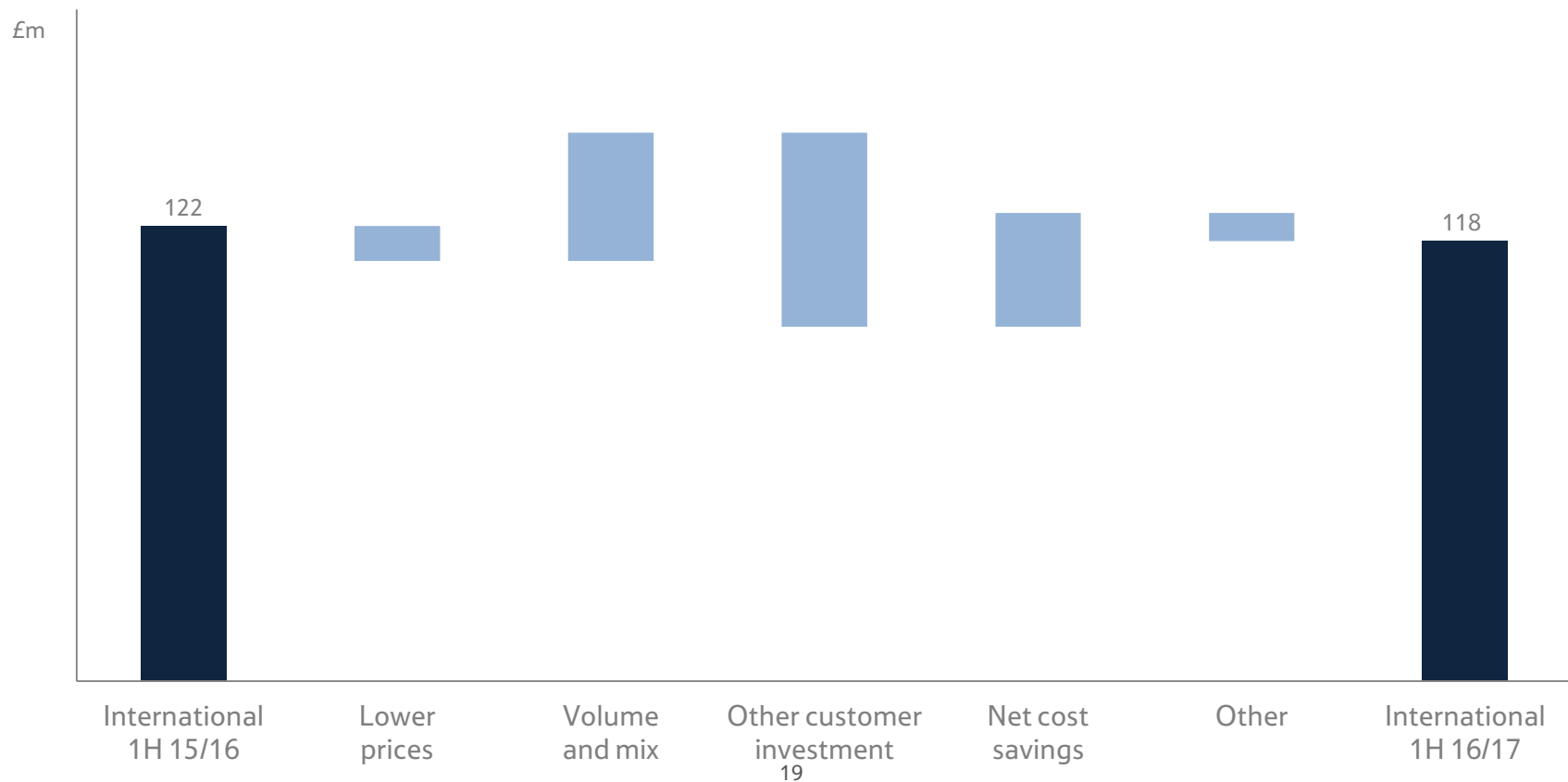
UK & ROI operating profit



International like-for-like sales performance¹



International operating profit



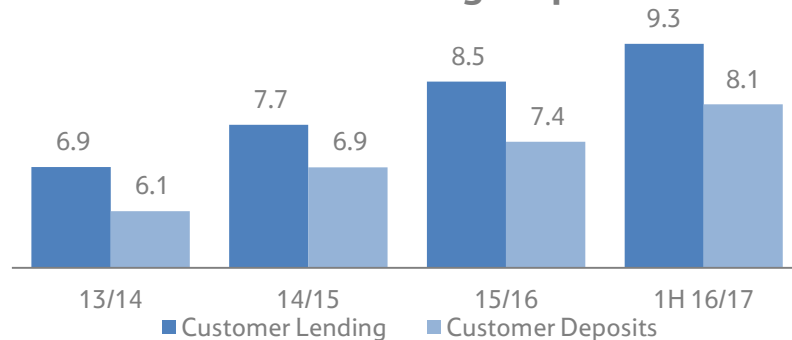
Tesco Bank



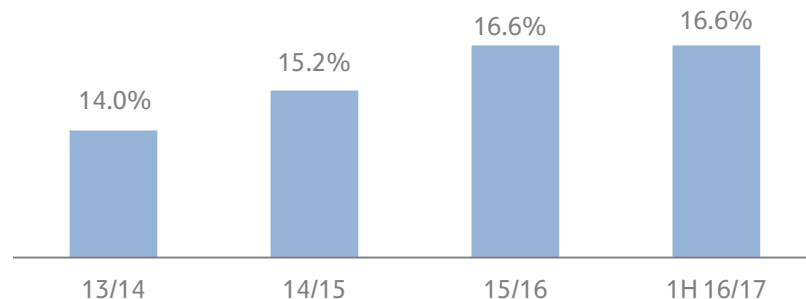
- 2% growth in active customer accounts
- 12% growth in customer lending
 - Launch of premium credit card
 - Expansion of mortgage distribution
- Operating profit pre-exceptionals up 3.5%
- Capital and liquidity position remains strong



Customer Lending/Deposits



Core Tier 1

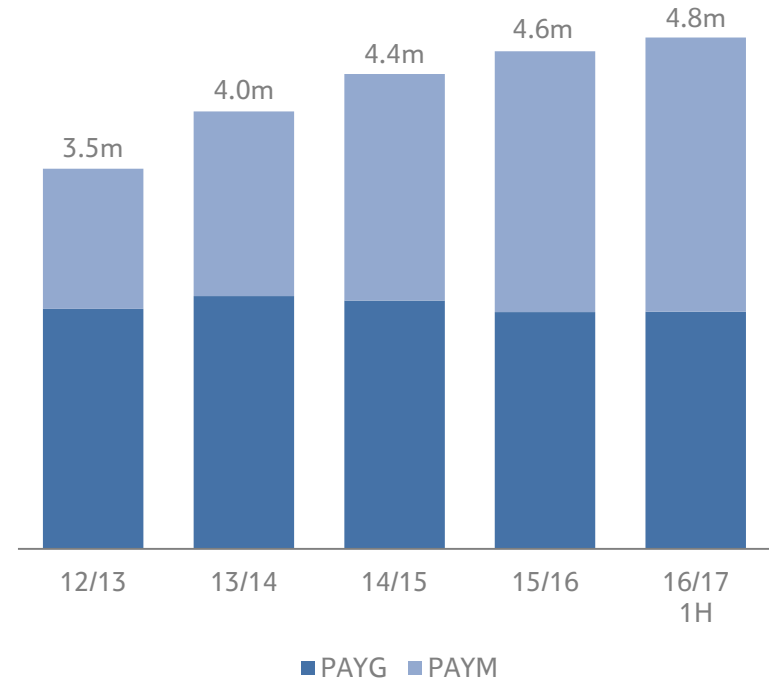


Tesco Mobile



- Entering 14th year of JV with O₂
- UK's 5th biggest mobile provider and largest MVNO
- No. 1 provider for customer satisfaction for both PAYM and PAYG¹
- Which? Recommended Provider six years running
- Successful 'Home from Home' European roaming campaign

Customer Base



Finance income and costs

	1H 16/17	1H 15/16
Interest payable	£(274)m	£(252)m
Capitalised interest	£3m	£6m
IAS 19 net pension finance costs	£(58)m	£(84)m
Finance income	£83m	£44m
Net finance costs	£(246)m¹	£(286)m

1. Statutory net finance costs include a £(200)m impact from FX losses on translation of sterling balances received from Korea disposal being held in a Euro subsidiary.

Tax

	1H 16/17	1H 15/16
Profit before tax before exceptional items	£352m	£99m
Tax charge	£(98)m	£(52)m
Effective tax rate	28%	53%

- Expect full year effective tax rate of c.25%

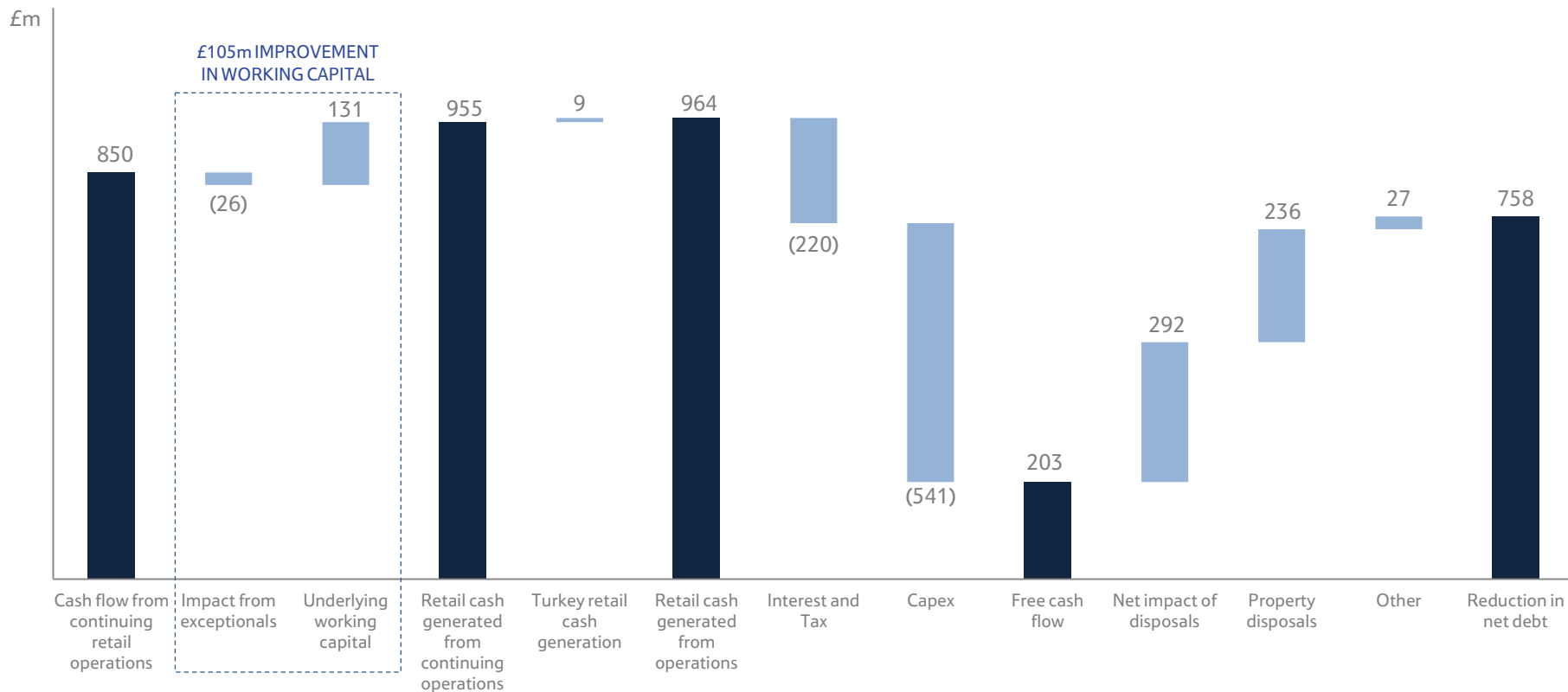
Exceptional items

	1H 16/17	1H 15/16
Restructuring and redundancy	£(95)m	-
Tesco Bank customer redress	£(45)m	-
Property transactions	£59m	-
Total exceptional items in operating profit	£(81)m	-

Pension scheme

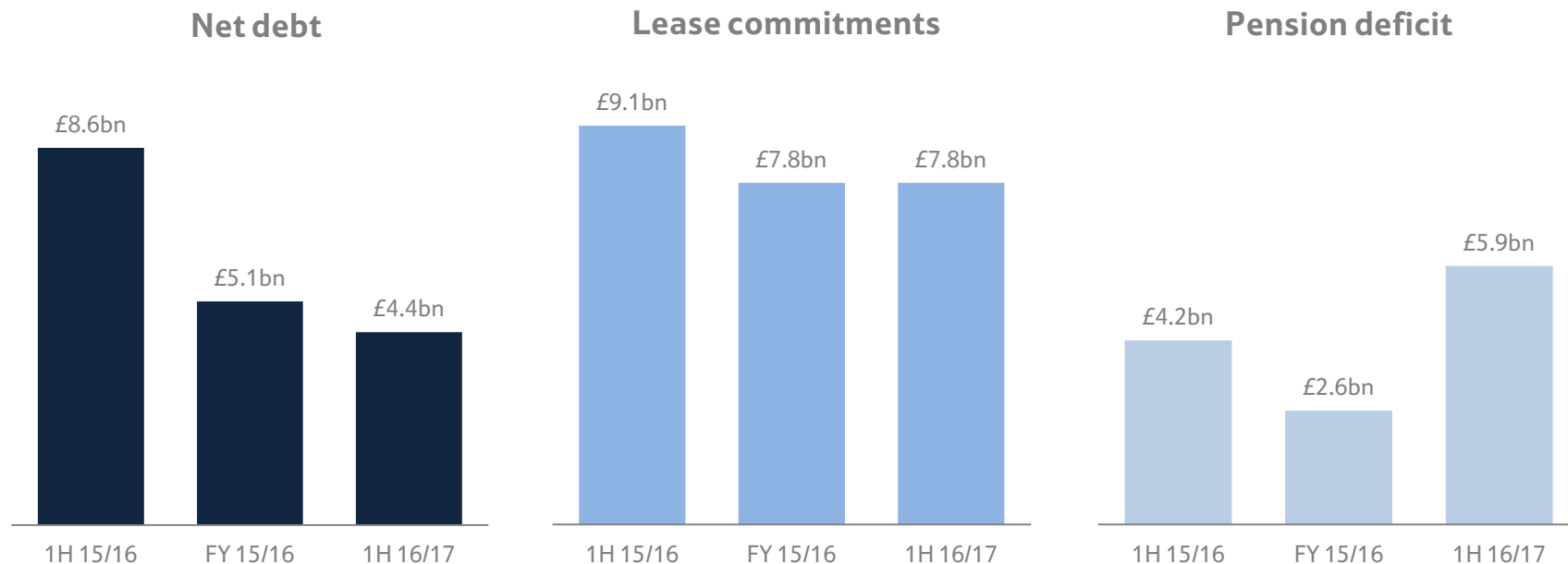
- Reduced pension risk with scheme closure
- IAS 19 deficit calculation impacted by drop in corporate yields – no change in underlying cash commitments to pension members
- Asset de-risking strategy progressing well
- Strong performance of scheme assets
- Long-term deficit funding plan of £270m per annum cash contribution
- Triennial valuation March 2017 with outcome expected in 2018

Movement in net debt¹



1. Includes both continuing and discontinued operations.

Total indebtedness



Liquidity position

- Strong liquidity
- £5.2bn available cash
- £5.0bn in committed facilities
- £1.2bn redeemed in September 2016; £2.2bn maturities in the next 18 months
- Focused on improving debt metrics

Financial summary

- Broad-based sales growth
- Further progress in rebuilding profitability
- Strong liquidity
- More secure balance sheet

Big 6 Half Year Performance



Building long-term value for our
four key stakeholders

Over the last two years



Customers



Colleagues



Supplier
partners



Shareholders



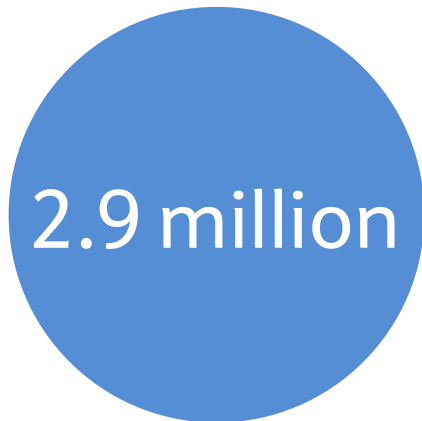
Customers



Better service



More colleagues
in store



Listening to
customers¹

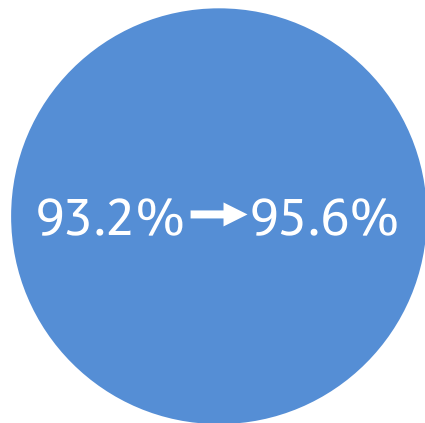


Empowering
great service

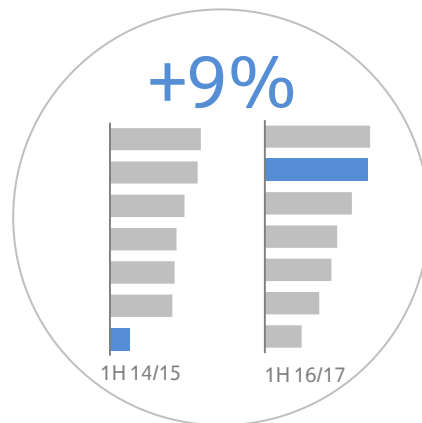


1. Reflects number of customers who have given feedback since the launch of Customer Viewpoint in 2014.

Record availability



Sales-based
availability¹



“Everything
available”²



Clearer
backrooms³

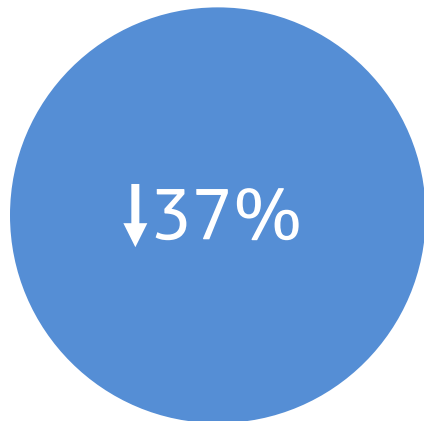
1. Sales-based availability 1H 14/15 to 1H 16/17.
2. Reflects customers' response to “Was everything you wanted to buy available?” as part of the periodic Customer Spotlight survey.
3. Reduction in food store stock holding over the last two years.



Clearer, lower and more stable prices



Price investment¹



Promotional
count²



New shelf labels



1. Price data shows the movement in price paid for a typical basket of products from August 2014 to August 2016.

2. Reflects the two year movement in the number of products on multibuy promotion.

Right range for customers

↓ 23%

Simpler more
relevant range

+8%

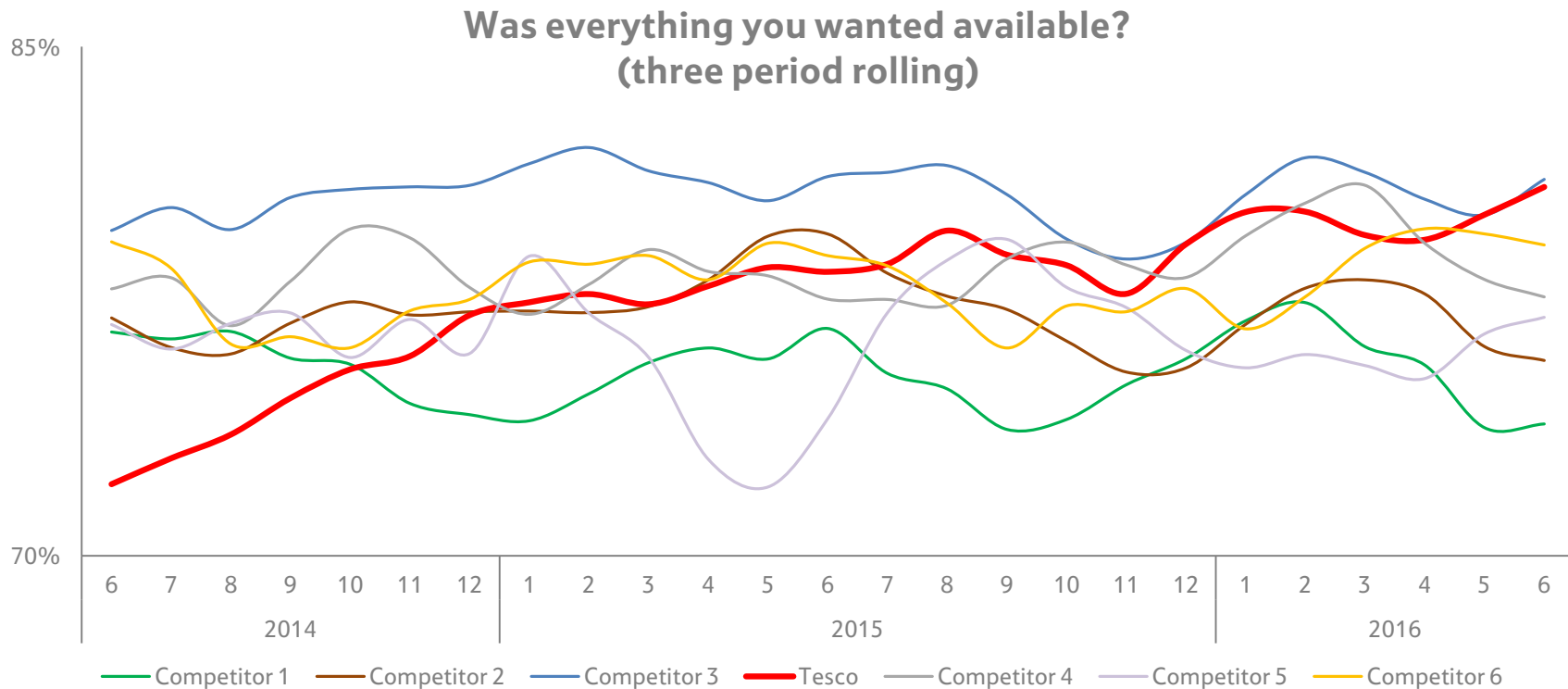
Increased own
label space

+3,194

New product
development

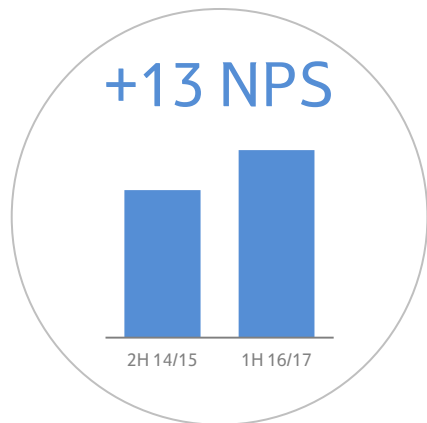


Right range for customers

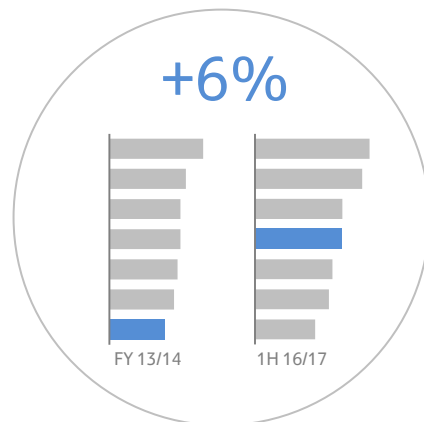


1. Reflects customers responding positively to "Was everything you wanted to buy available?" as part of the periodic Customer Spotlight survey.

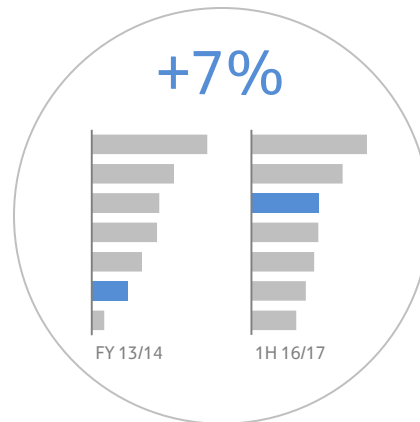
Improved overall shopping experience



Customers
recommend¹



Better shopping
experience²



Helpful
colleagues³

1. Reflects % of Fans minus % of Critics answering the question "Based on your visit, how likely is it that you would recommend this store to a friend or colleague?"
2. Reflects customers' rating of ease of shopping experience versus competitors in large stores as part of the periodic Customer Spotlight survey.
3. Reflects customers' rating of staff helpfulness versus competitors as part of the periodic Customer Spotlight survey.



Little helps



Never beaten on
brands



Free fruit
for kids



Helpful
technology

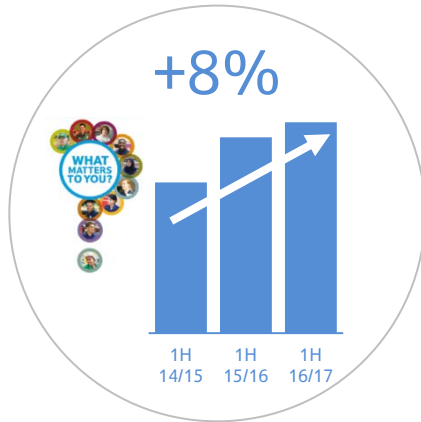




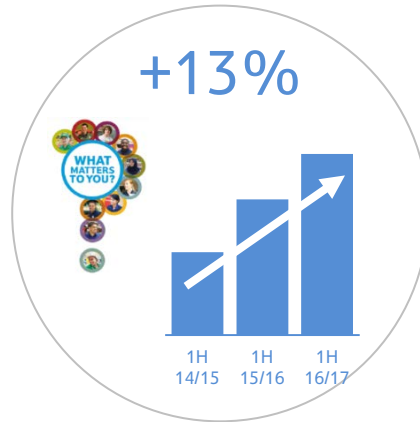
Colleagues

TESCO

A great place to work



Engaged colleagues¹



Motivated to go the extra mile²



A great place to shop³

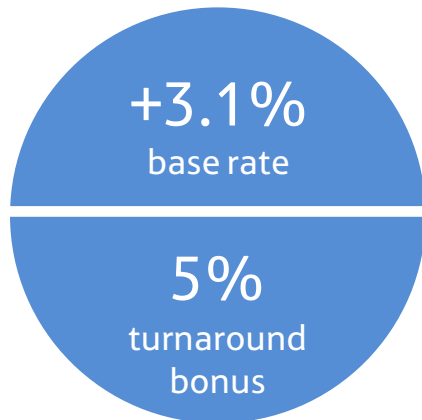
1. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You? survey undertaken every January and August.
2. Reflects % of colleagues agreeing with "Tesco motivates me to go the extra mile" as part of What Matters To You? survey undertaken every January and August.
3. Reflects % of colleagues recommending Tesco as a great place to shop as part of What Matters To You? survey undertaken every January and August.



Investing in colleagues



Getting the
basics right



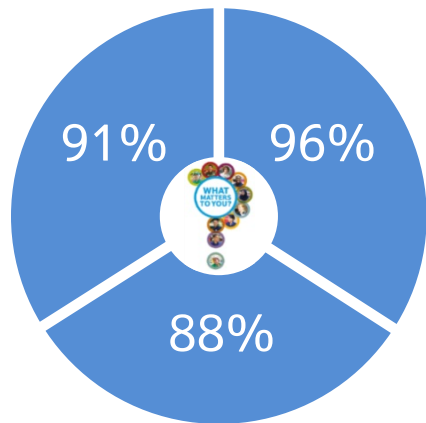
Fairer pay model



Valued rewards



Closer to customers



A shared purpose¹



Consistent
management
structures



New scheduling
system

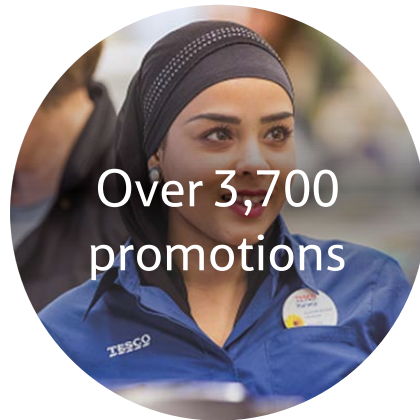
1. Reflects % of UK colleagues responding positively to the questions “I understand what our Tesco purpose is”, “I understand how I help serve shoppers a little better every day” and “I am motivated by our purpose: serving shoppers a little better every day” as part of What Matters To You? survey undertaken every January and August.



Opportunities to get on

3,000
apprentices
450
graduates

Training
programmes



Over 3,700
promotions

Developing
talent

1,000
new starts

MOVEMENT
TO WORK™



A great place to work



A new home



One Team



Inclusion





Supplier partners



New commercial approach

24 → 3

New approach

91%

Back to front
margin

Category	Standard number of payment days	Payment days for suppliers with <£10m purchases	Payment days for suppliers <£100k purchases
Fruit, veg, meat, fish and poultry	28	23	14
Chilled, convenience, frozen and pet care	35	30	14
Dairy	40	35	14
Bakery, grocery, household, health and beauty	45	40	14
Wine, beer and spirits	60	55	14
Clothing and general merchandise (UK sourced)	60	55	14
Clothing and general merchandise (overseas sourced)	90	-	-
Electronics (for resale only)	45	-	14

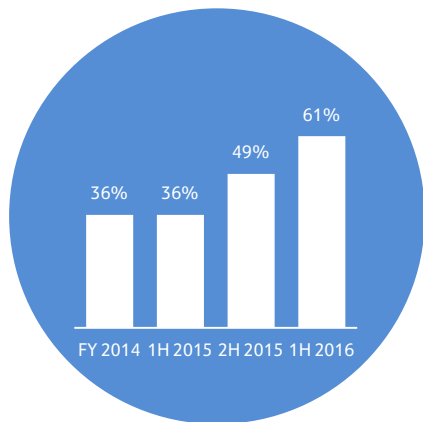
Standard payment
terms



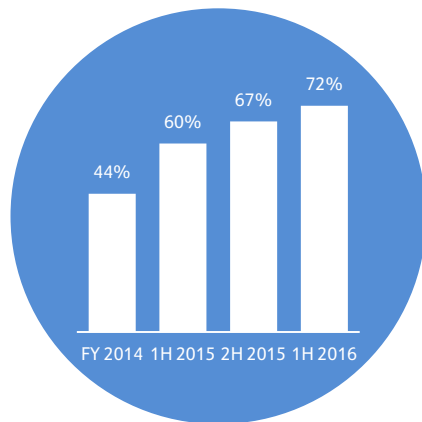
New commercial approach

Supplier network 5,000 members	Supplier helpline 500+ calls 99.95% resolved in 7 days	Supplier Protector Line 20 issues resolved	Supplier training 1,238 courses completed
	Buyer training 8,978 courses completed	Payment terms 100% <100k In 14 days	

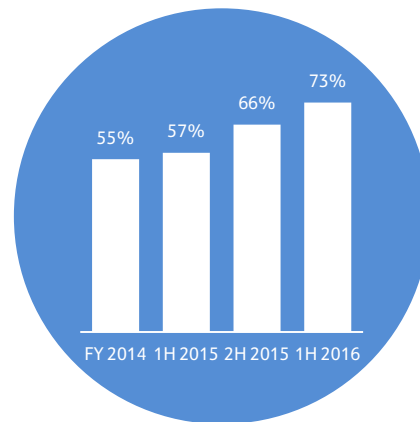
Supplier viewpoint¹



Simple, transparent
& easy to deal with



Communicates well
& available when
needed



Treats me fairly

1. Reflects % of UK suppliers responding positively to above statement as part of the Supplier Viewpoint survey undertaken in August 2016.



“...most retailers have improved their behaviour in the past year with the **highest performer identified as Tesco** – 65% of those supplying the retailer saying its practices had improved...”

UK Groceries Code Adjudicator

End-to-end partnerships - AMT FRUIT

— PART OF THE MUÑOZ GROUP —



Fresher for
customers



Supply chain
saving



Sales growth



End-to-end partnerships



Reducing surplus
production



Lower system
waste



Improved
quality



Crop flushes



1. Increase in UK volumes of cherries.

2. Percentage of oversupply of grapes sold.

3. Percentage crop utilisation of strawberries.

4. Data is for Tesco Week 20 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.

Exclusive fresh food brands



Consistently high
quality¹



Overall category
price reduction

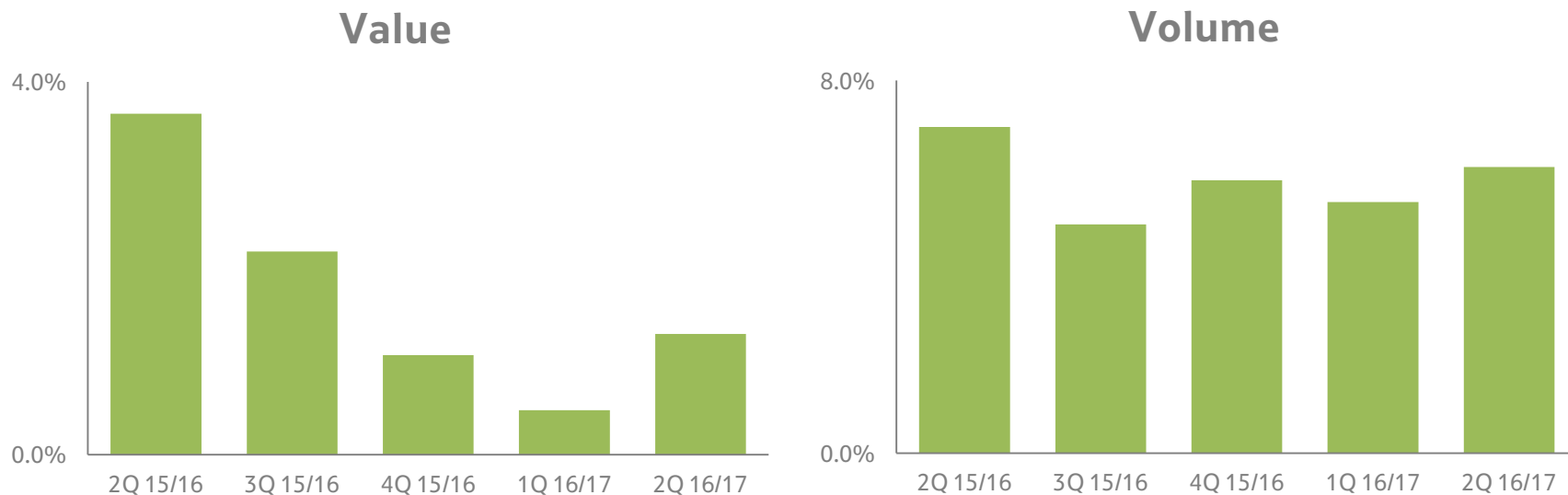


Leading on price²

1. Reflects % of customers satisfied with the quality of meat and poultry as part of the weekly exclusive fresh food brands survey.
2. Price index of exclusive fresh food brand products versus comparable competitor lines on an unweighted basis as at Tesco Week 29.



Outperformance in meat and produce



1. Data from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.

0222-01


TESCO PLC
ordinary shares of 5p each

WE HAVE PLEASURE IN FORWARDING
THE ATTACHED CERTIFICATE

CERTIFICATE NUMBER SHAREHOLDER REFERENCE TRANSFER NUMBER DATE NUMBER OF SHARES

Ordinary Shares


TESCO PLC
Incorporated with limited liability under the Companies Acts 1929 to 2006
Registered in England - No. 445790

This is to certify that the undermentioned is/are the Registered Holder(s)
of fully paid Ordinary Shares of 5p each, in Tesco PLC, subject to the
Articles of Association of the Company.

NAME(S) OF HOLDER(S)

Given under the Securities Seal of the Company

NUMBER OF ORDINARY SHARES OF 5p EACH



This certificate should be kept in a safe place. It will be needed when you sell or transfer the shares.
The registrar's address is Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA, United Kingdom and the
relevant reference for correspondence is No. 222.
There is a range of shareholder information online. You can check your holding and find practical help on transferring shares
or updating your details at www.shareview.co.uk

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TESCO

Shareholders

Our business model



Six strategic drivers

1. A differentiated brand

2. Reduce operating costs by a further £1.5bn

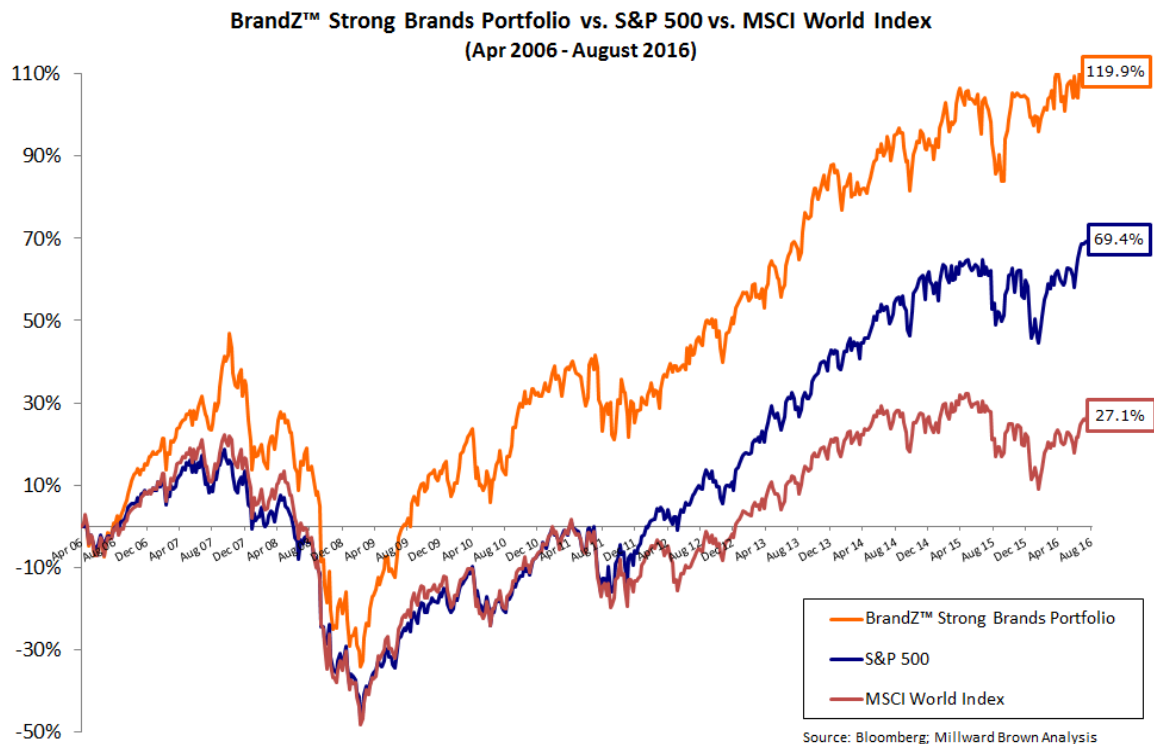
3. Generate £9bn cash from operations

4. Maximise the mix to achieve a 3.5 – 4.0% Group margin

5. Maximise value from property

6. Innovation

1. A differentiated brand: Long-term value creation



1. A differentiated brand: Purpose

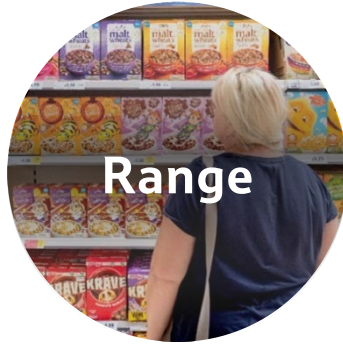


Every little helps
serve Britain's shoppers a little better every day

1. A differentiated brand: Proposition



1. A differentiated brand: Proposition



1. A differentiated brand: Own label



Entry



Core



Finest



2. Reduce operating costs by a further £1.5bn



c.£550m

Store operating
model



c.£450m

Logistics and
distribution



c.£500m

Goods not
for resale



2. Reduce operating costs by a further £1.5bn: Store operating model



Store operating
model

Operational improvements without risking service

- Moving from nights to day
- Changes in trading hours
- Single customer service desk
- Replenishment savings
- Scan as You Shop



2. Reduce operating costs by a further £1.5bn: Logistics and distribution



c.£450m

Logistics and
distribution

Optimise range, stock flow and fulfilment

- Partnerships, sales forecasting and lower stock holding
- Lower fulfilment costs
- Opportunities to integrate supply and logistical systems
- Common international systems
- Industry leading packaging solutions

2. Reduce operating costs by a further £1.5bn: Goods not for resale



Goods not
for resale

Leveraging organisational scale

- Single procurement policy
- Finance transformation
- IT systems
- Functional roadmap



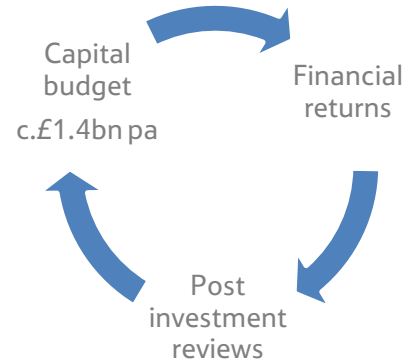
3. Generate £9bn cash from operations

3.5-4.0%

Margin
improvement



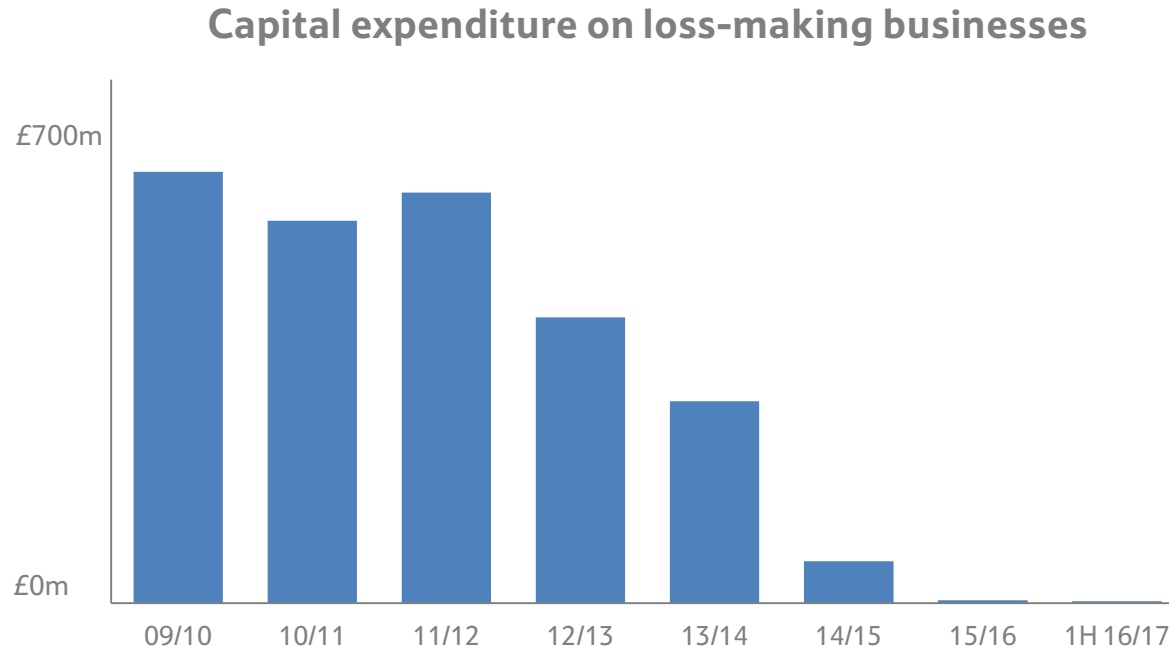
Stock reduction



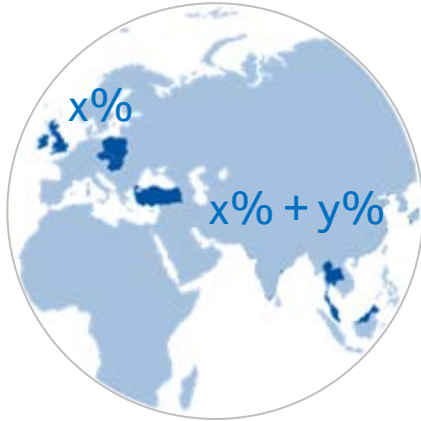
Capital discipline



3. Generate £9bn cash from operations : capital discipline



4. Maximise the mix to achieve a 3.5 – 4.0% Group margin



Geography



Channel



Product



4. Maximise the mix to achieve a 3.5 – 4.0% Group margin



4. Maximise the mix to achieve a 3.5 – 4.0% Group margin

	Fresh	Packaged	GM	Clothing	Total
Large stores					
Small stores					
Online					
Total					X%



Example: Channel-wide programmes

- Optimisation of our operational model
- Repurposing space
- Specific focus on low-profitability

Example: Focus on single channel, across two categories

- Convergence of GMO and F&F website
- Grow delivery saver
- Common fulfilment

5. Maximise value from property

↓ £121m

Rental insulation¹



Property asset
optimisation



1H 16/17
£240m

Non-core property
assets



1. Annualised savings of property buybacks.

6. Innovation



Never beaten on
brands



Exclusive fresh
food brands



Food waste



Technology

With much more to come...

Six strategic drivers

1. A differentiated brand

2. Reduce operating costs by a further £1.5bn

3. Generate £9bn cash from operations

4. Maximise the mix to achieve a 3.5 – 4.0% Group margin

5. Maximise value from property

6. Innovation

Summary

- Broad-based improvement across the Group
- Strong progress against all three priorities
- Investment in fresh food brands is succeeding
- Six strategic drivers
- Delivering value for our four key stakeholders
- Confident despite a tough market environment



Q & A

Disclaimer

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