

Serving Britain's shoppers a little better every day

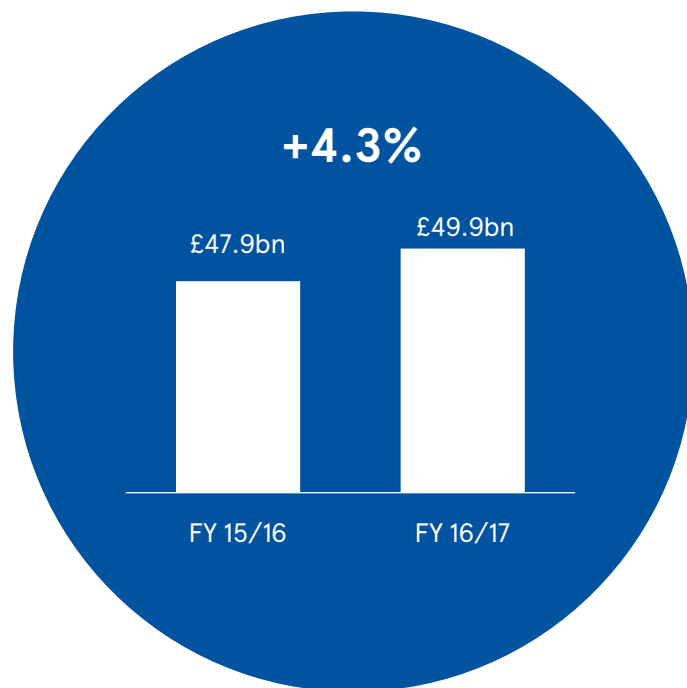
12 April 2017

Dave Lewis – CEO
Alan Stewart – CFO

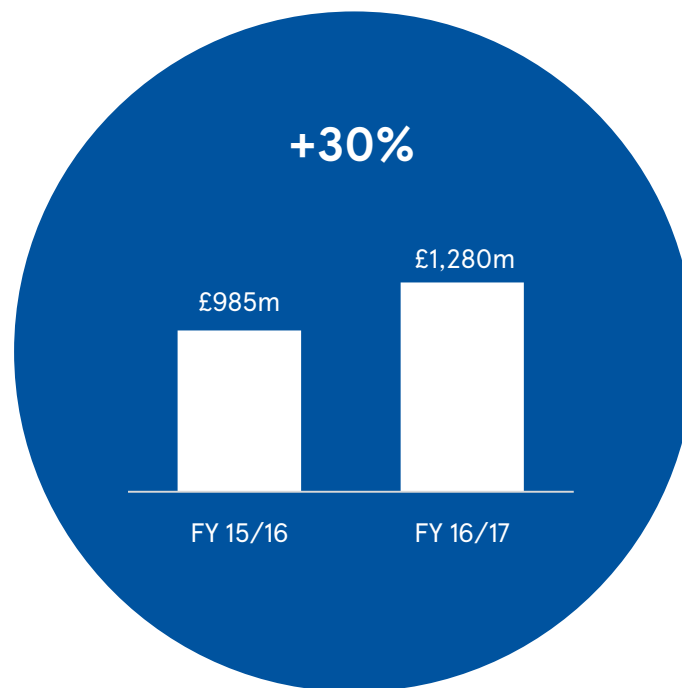
Agenda.

- A year of strong performance
- Six strategic drivers
- Detailed results
- Building long-term value for our four key stakeholders

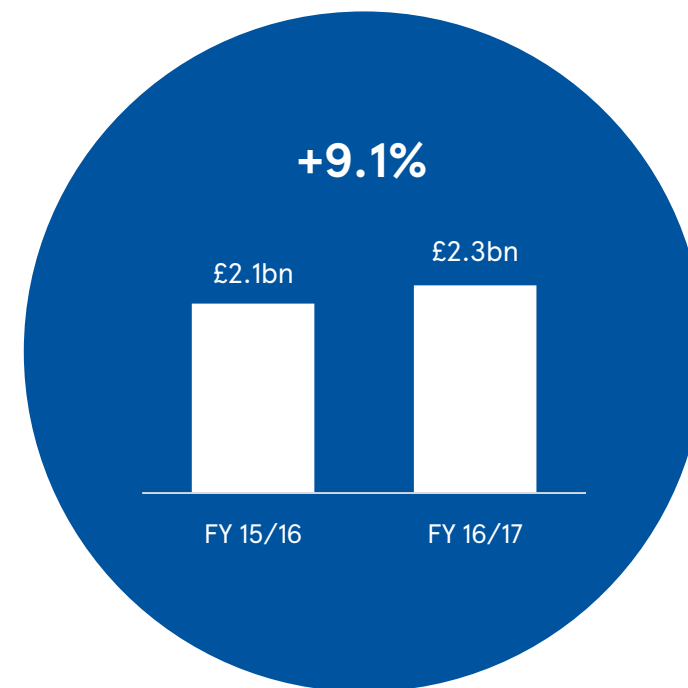
A year of strong performance



Positive sales growth¹



Strong profit growth²



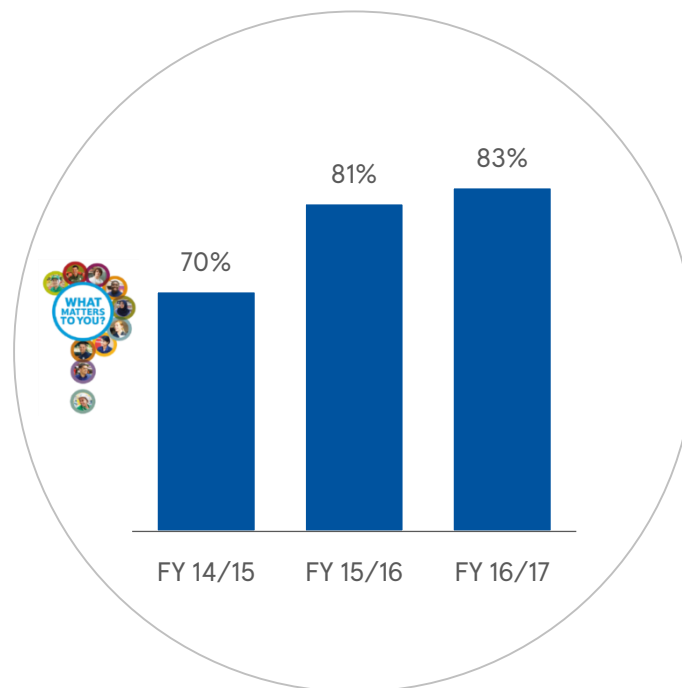
Strong cash generation³

1. Group sales growth at actual rates on a comparable days and a continuing operations basis.
2. Group operating profit before exceptional items on a continuing operations basis.
3. Retail cash generated from operations on a continuing operations basis.

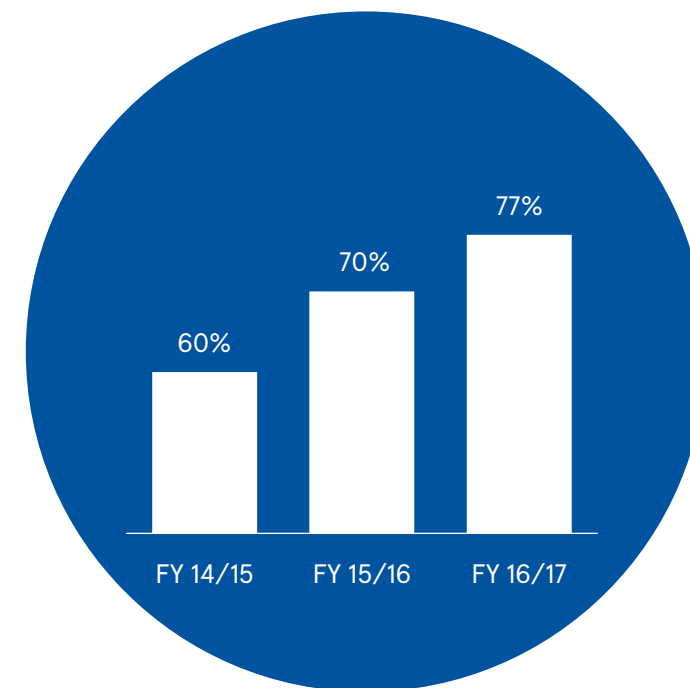
A year of strong performance



Customers recommend¹



Colleague engagement²



Supplier viewpoint³

1. Reflects % of Fans minus % of Critics answering the question “Based on your visit, how likely is it that you would recommend the following to a friend or colleague?” for large stores.
2. Reflects % of colleagues recommending Tesco as a great place to work as part of our “What Matters To You?” survey undertaken every January and August for the Group.
3. Reflects % of suppliers responding positively when asked “Overall how satisfied are you with your experience of working with Tesco?” as part of the annual Supplier Viewpoint survey.

A year of strong performance – UK



Volume-based recovery



Transaction growth

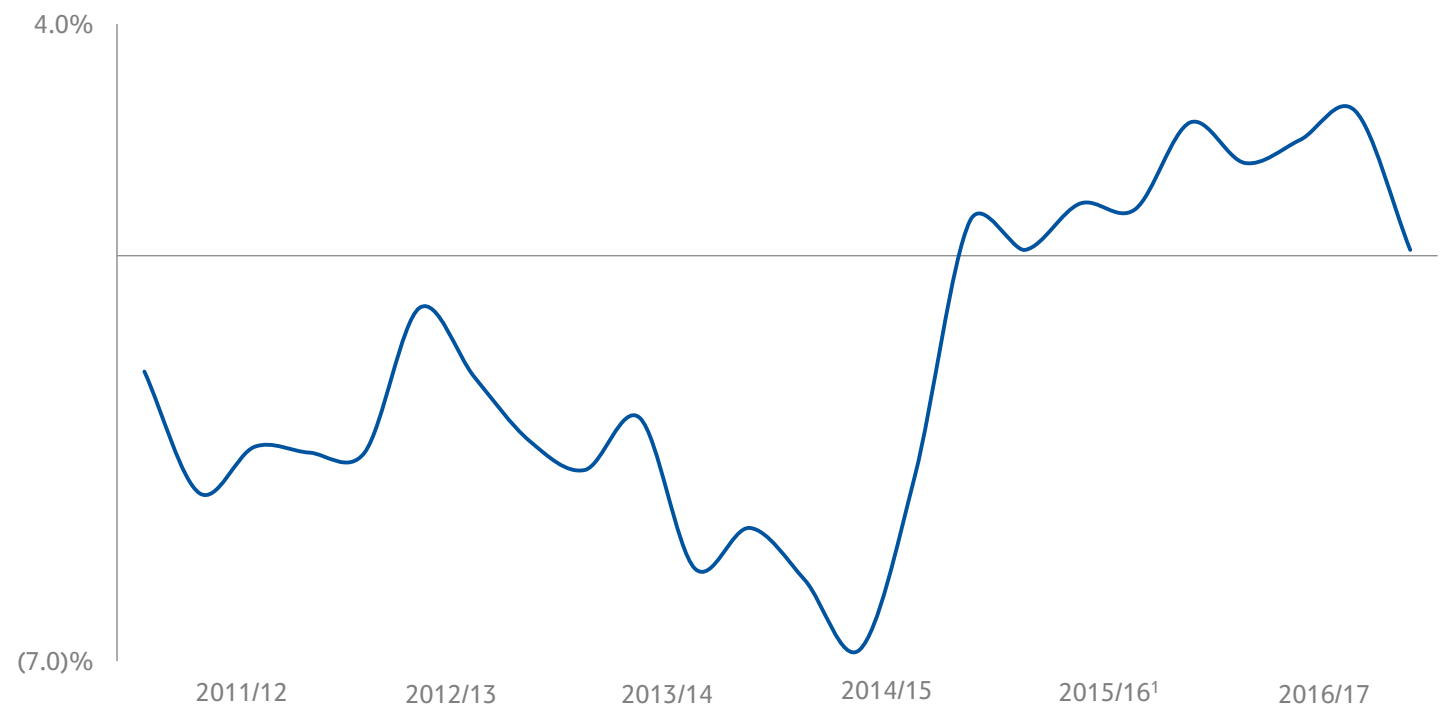


Increasing footfall¹

1. Data from Kantar Worldpanel – change in customer numbers from Feb 16 to Feb 17.

A year of strong performance – UK

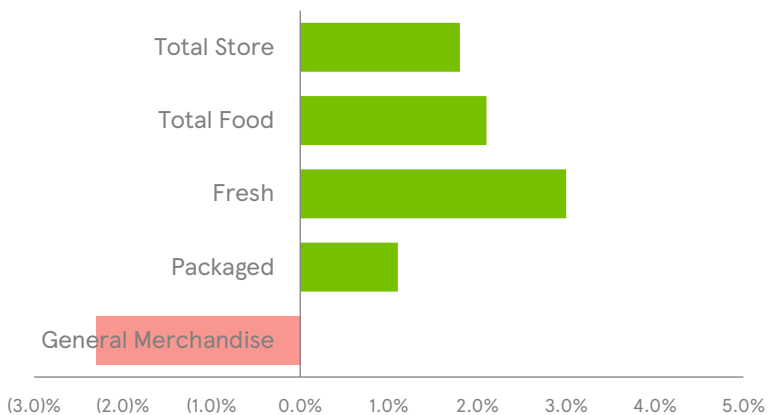
UK like-for-like volume



Market Outperformance²
FY 16/17



Market Outperformance²
4Q 16/17



1. 3Q 15/16 adjusted for the impact of non-repeated coupons in the prior year.
2. Shows volume outperformance. Data is for Tesco Weeks 1-52 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.



A year of consolidation – International



Volume growth



Sales growth¹



Portfolio simplification

1. Sales growth at constant exchange rates on a comparable days basis.

Our six strategic drivers – a progress update

1. A differentiated brand

- YouGov most improved brand

2. Reduce operating costs by £1.5bn

- £226m of cost savings

3. Generate £9bn cash from operations

- £2.3bn retail cash generation

4. Max the mix to achieve a 3.5%-4.0% Group margin

- Group operating margin of 2.3%

5. Maximise value from property

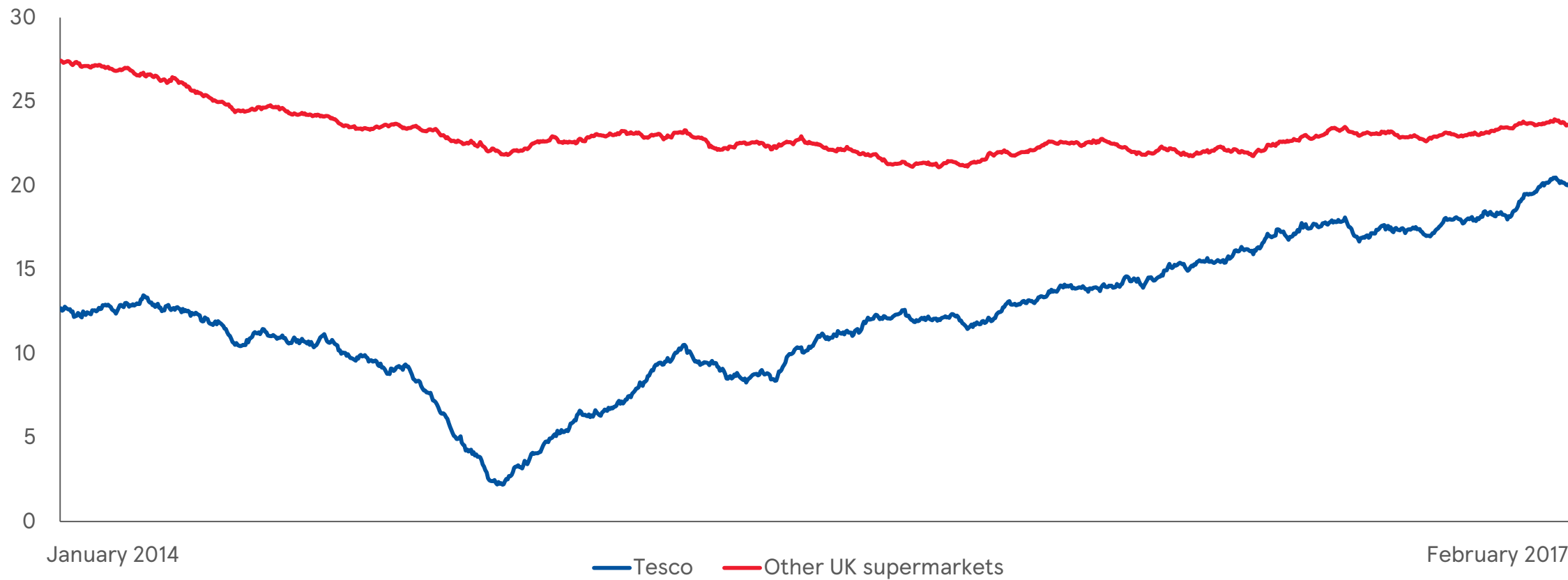
- Released £0.5bn value

6. Innovation

- 2,422 new products, PayQwiq, Free From Retailer of the Year

A differentiated brand

BrandIndex Score – an overall measure of brand health



Source: YouGov BrandIndex.



A differentiated brand



Exclusive fresh food brands¹



Unique proposition²

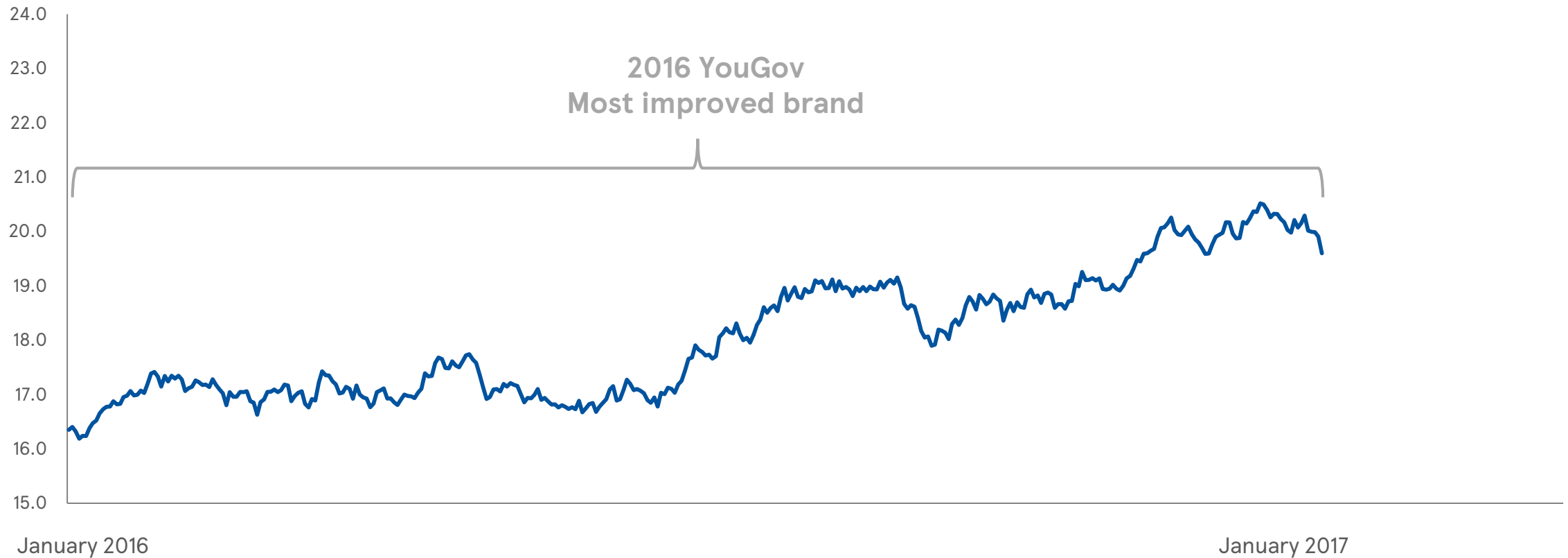


Great quality³

1. Exclusive fresh food brands now feature in 64% of customers' baskets.
2. Reflects percentage of customers who are more likely to shop at Tesco due to Brand Guarantee.
3. Reflects increase in quality perception according to the YouGov BrandIndex quality index.

A differentiated brand

BrandIndex Score – quality



Source: YouGov BrandIndex, Quality.



DAVID'S 'HOT OR NOT'
CHICKEN CURRY

Food Love Stories
TESCO
Every little helps

FRESH, QUALITY INGREDIENTS
IN STORE AND ONLINE



JINI'S 'MAKE IT
BETTER' JAMBALAYA

Food Love Stories
TESCO
Every little helps

FRESH, QUALITY INGREDIENTS
IN STORE AND ONLINE



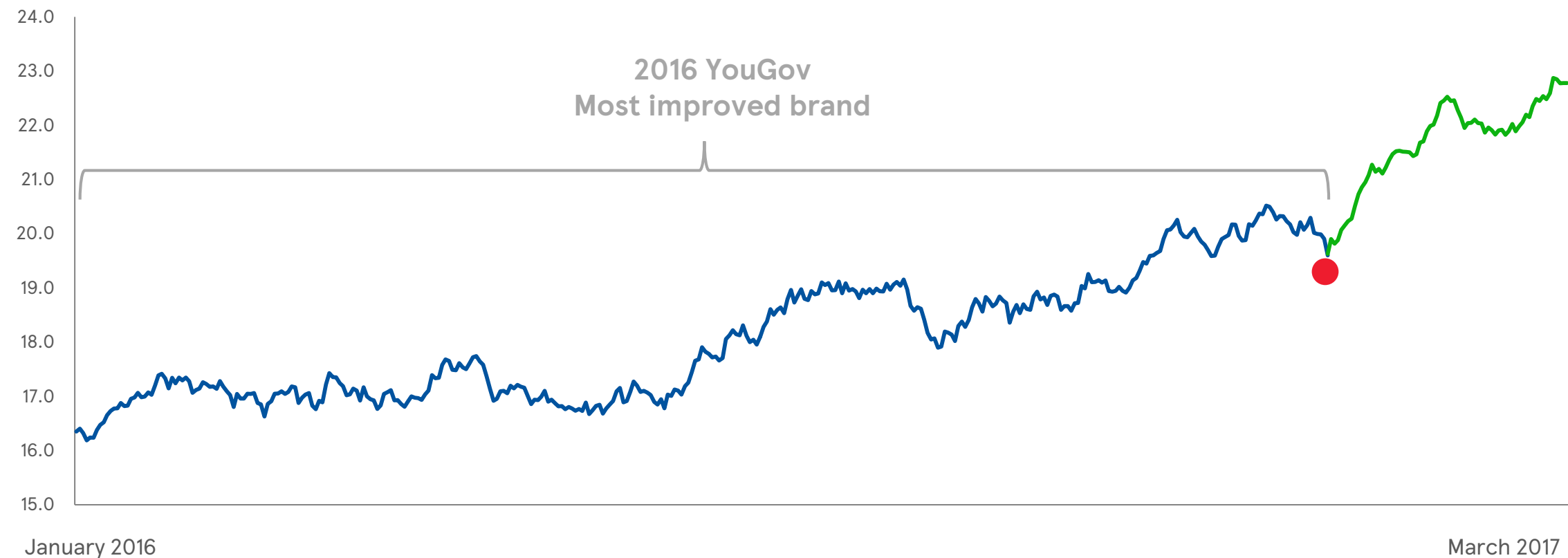
HENRY'S 'BEING GOOD
TONIGHT' FALAFEL

Food Love Stories
TESCO
Every little helps

FRESH, QUALITY INGREDIENTS
IN STORE AND ONLINE

A differentiated brand

BrandIndex Score – quality



Source: YouGov BrandIndex, Quality.



A differentiated brand



Most improved brand¹



Brand Story of the Year



Ad memorability²

1. YouGov "Brand Buzz" score improvement, Jan-Dec 16.
2. Source: Tesco vs. Big 4, Nielsen TV Brand Effect, March 15 – Feb 17.



Reduce operating costs by £1.5bn



Service
model improvements¹



Simplifying our
distribution network²



Streamlining
Central European transport³

1. Refers to the total number of UK stores with service model changes in FY 16/17.
2. Refers to the reduction in the number of our UK distribution centres announced in January 17.
3. Refers to the reduction in the number of transport suppliers in our Central European distribution network.

Reduce operating costs by £1.5bn



Store operating
model

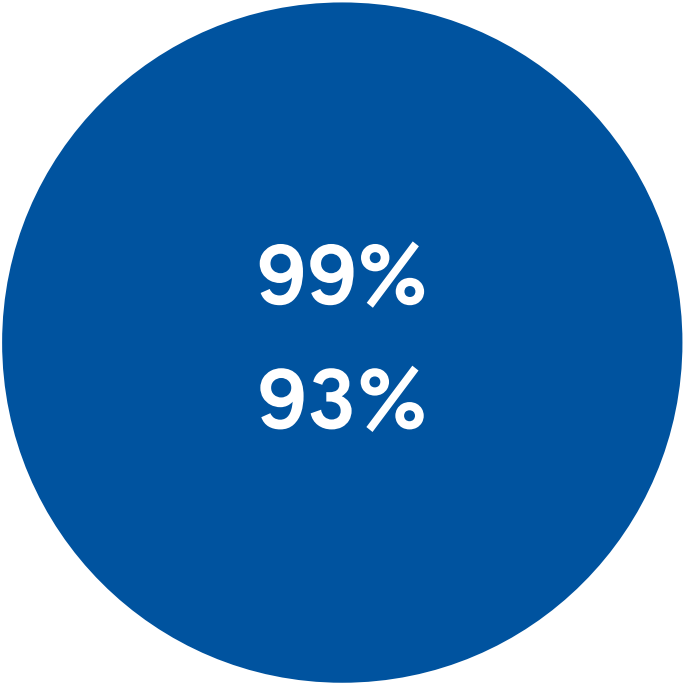


Logistics and
distribution

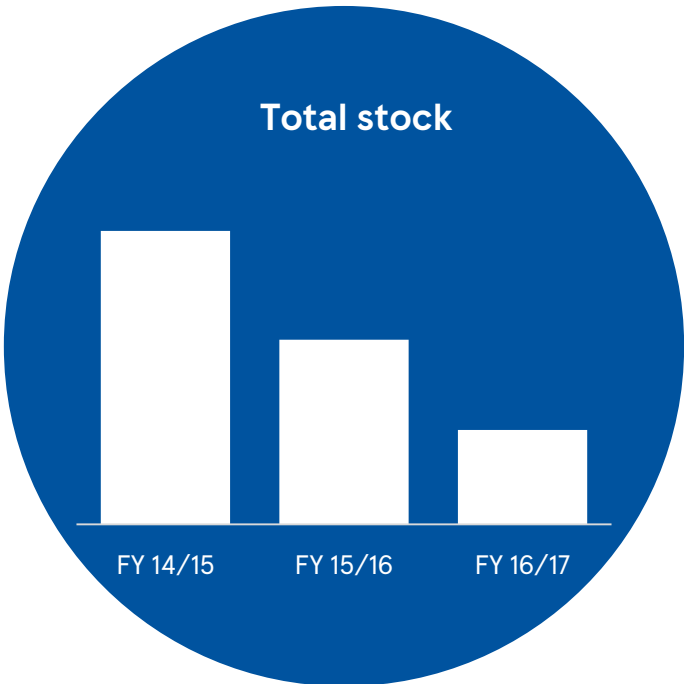


Goods not
for resale

Generate £9bn of cash from operations



New terms¹



Lower stockholding²



Improved availability³

1. Reflects percentage of small and largest suppliers who have moved to our standardised payment terms.
2. UK total stockholding.
3. Sales-based availability in the UK from 1H 14/15 to FY 16/17.

Maximise the mix to achieve a 3.5% – 4.0% margin



Maximise the mix to achieve a 3.5% – 4.0% margin

e.g. Channels, UK:



Large stores
back to profit¹



New convenience
service model²

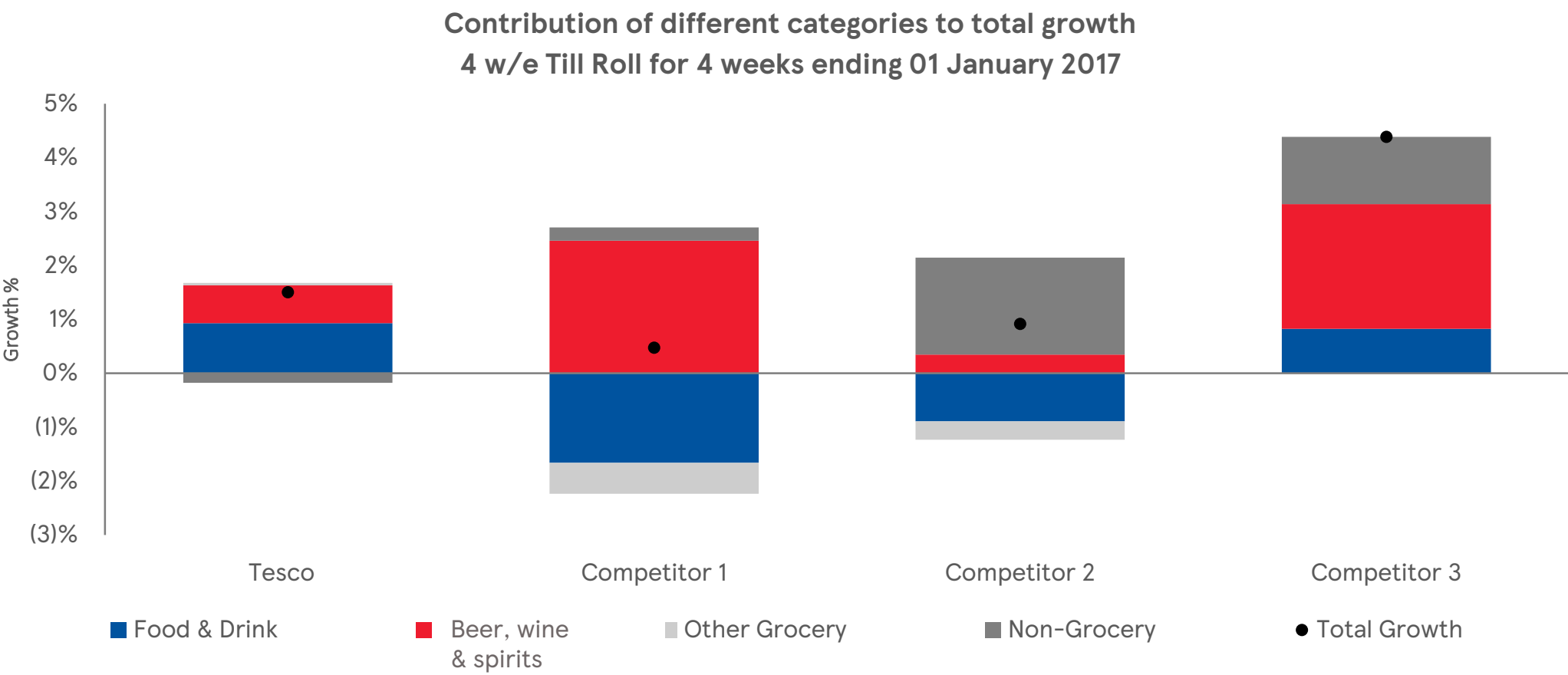


Sustainable
online model³

1. Reflects the number of stores that have returned to profitability since H2 14/15.
2. Reflects changes to our management structures within our Express stores in FY 16/17.
3. Reflects change FY 15/16 to FY 16/17.

Maximise the mix to achieve a 3.5% – 4.0% margin

e.g. Category:



1. Data sourced from Kantar Worldpanel.

Maximise the mix to achieve a 3.5% – 4.0% margin

e.g. Product:



Range reset



Own brand outperformance¹



Innovation²

1. Reflects wine category like-for-like outperformance of the market for last 52 weeks to end of March 17 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry.
2. Average weekly like-for-like sales growth for Craft and Speciality Beers in Express since range launch in October 16.

Maximise value from property

Group
50% → 57%

UK & ROI
41% → 51%

Increased freehold ownership¹



Further buybacks²



April 2017
transaction

1. Percentage of freehold property for the Group (on a continuing operations basis) and UK & ROI owned by value, Feb 15 to Apr 17, including the effect of the April transaction.

2. Represents annualised rent saving in relation to 16 stores repurchased.

Maximise value from property



Repurposing space



Retail partners



Refurbishing stores

Maximise value from property



Value release



Air rights



Optimising land

Innovation



New products²



Free From
Retailer of the Year

1. Frequency of transactions since nationwide launch in January 2017.
2. New product lines introduced as part of FY 16/17 range review.

Detailed results



Group performance

Continuing operations	FY 16/17	Change constant rates	Change actual rates
Group sales (exc. VAT, exc. Fuel)	£49.9bn	1.1%	4.3%
Group operating profit before exceptional items	£1,280m	24.9%	29.9%
Exceptional items	£(263)m	n/m	n/m
Group statutory operating profit	£1,017m	(11.8)%	(5.1)%
Group PBT before exceptional items and net pension finance costs	£842m	54.1%	71.8%
Diluted EPS before exceptional items and net pension finance costs	7.90p	-	40.8%

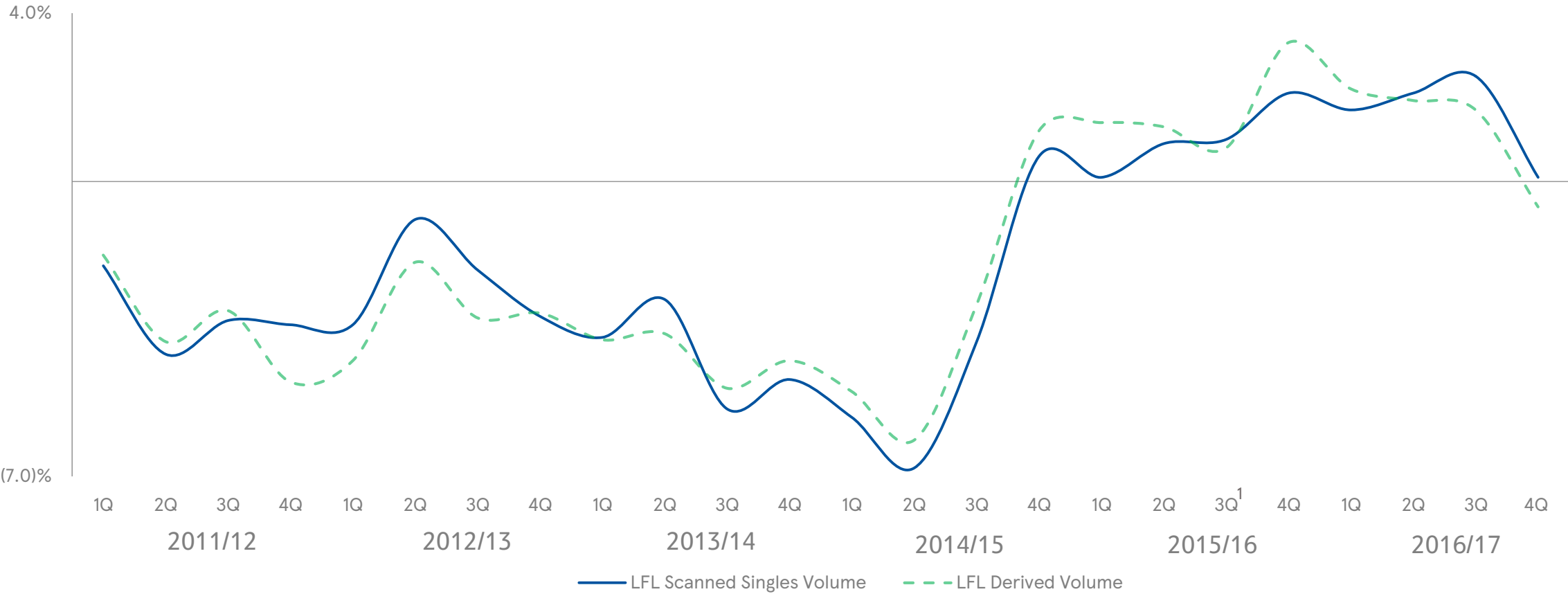
Segmental performance

	Sales				Operating profit before exceptional items			
	FY 16/17	FY 15/16	Change constant rates ¹	Change actual rates ¹	FY 16/17	FY 15/16	Change constant rates	Change actual rates
UK & ROI	£37.7bn	£37.2bn	0.6%	1.4%	£803m	£503m	57.7%	59.6%
International	£11.2bn	£9.7bn	2.1%	15.2%	£320m	£320m	(12.5)%	0.0%
Bank	£1.0bn	£1.0bn	6.0%	6.0%	£157m	£162m	(3.1)%	(3.1)%
Group	£49.9bn	£47.9bn	1.1%	4.3%	£1,280m	£985m	24.9%	29.9%

1. Change shown on a comparable days basis.

UK volume-based recovery

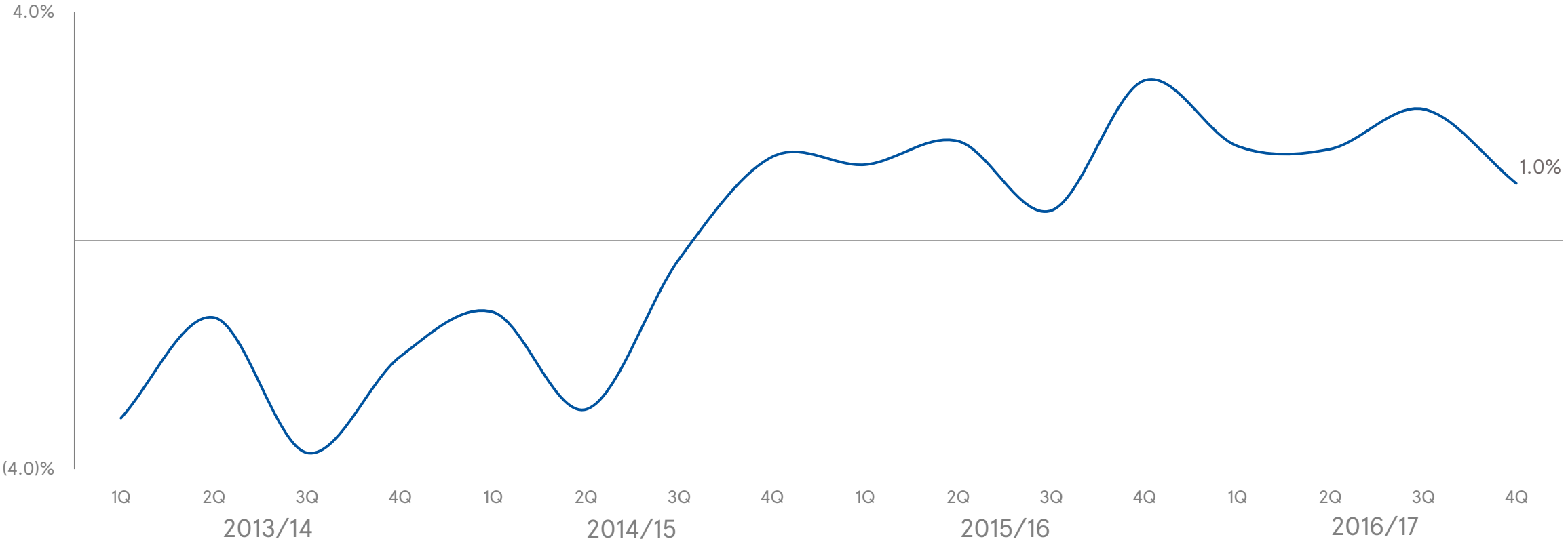
UK like-for-like volume



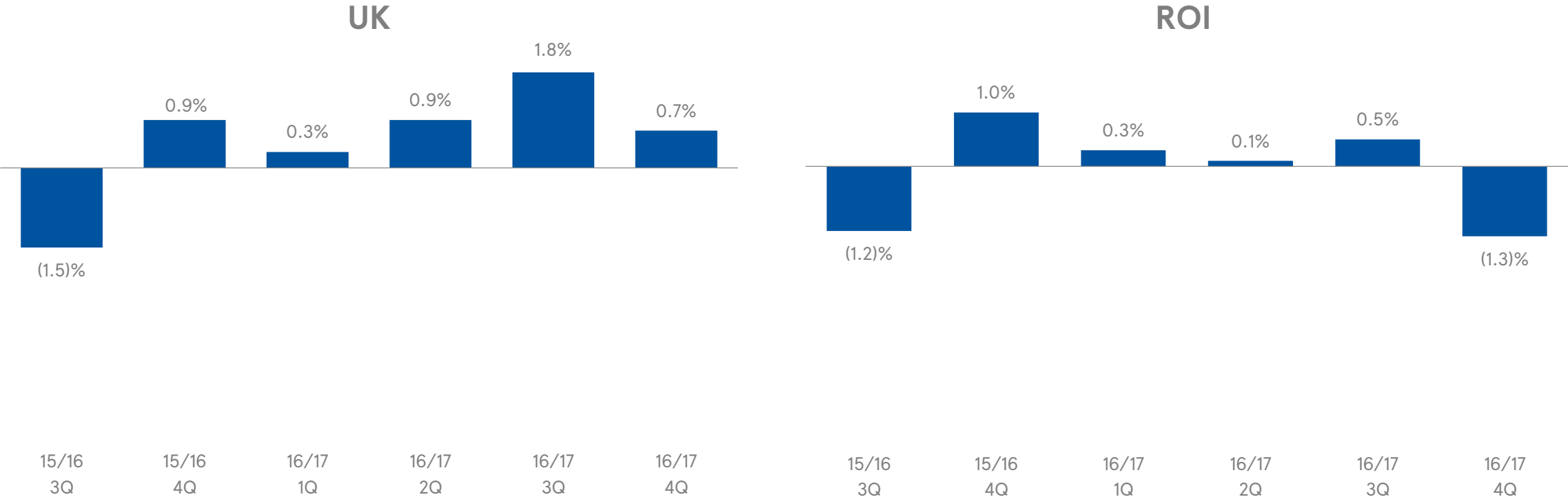
1. 3Q 15/16 adjusted for the impact of non-repeated coupons in the prior year.

UK transaction growth

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

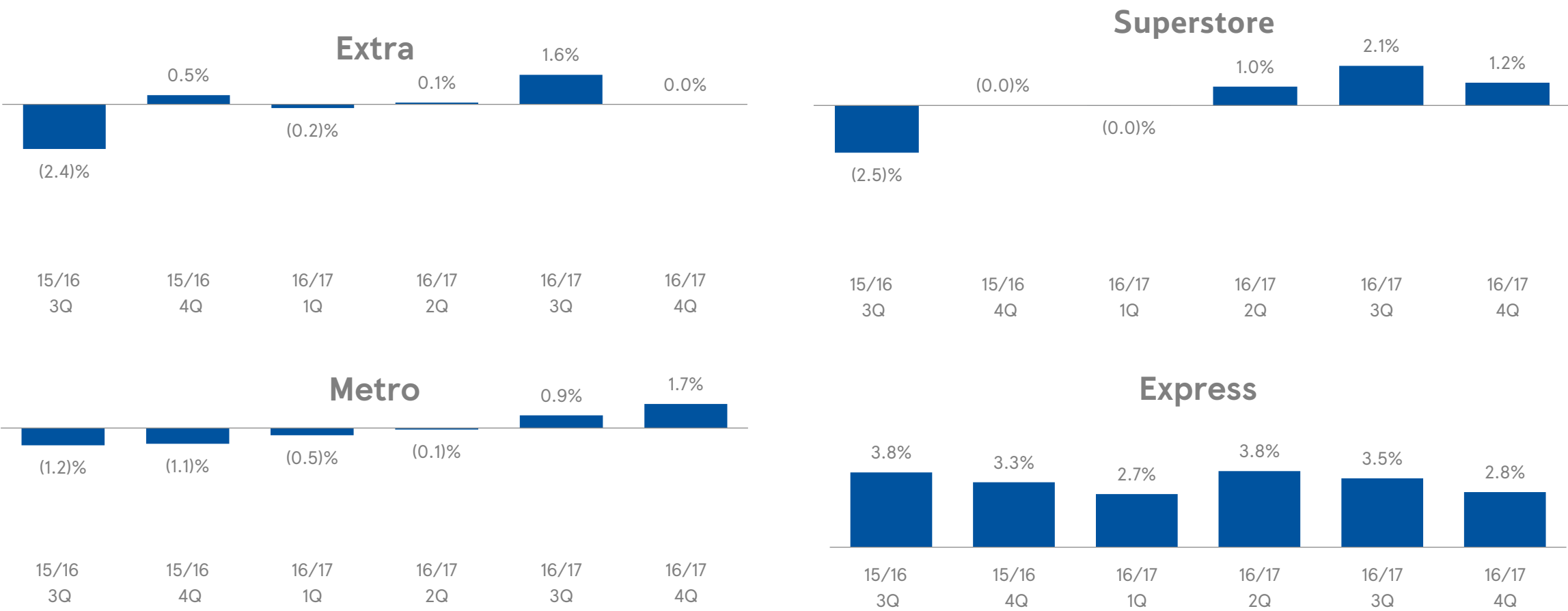


UK and ROI like-for-like sales performance¹



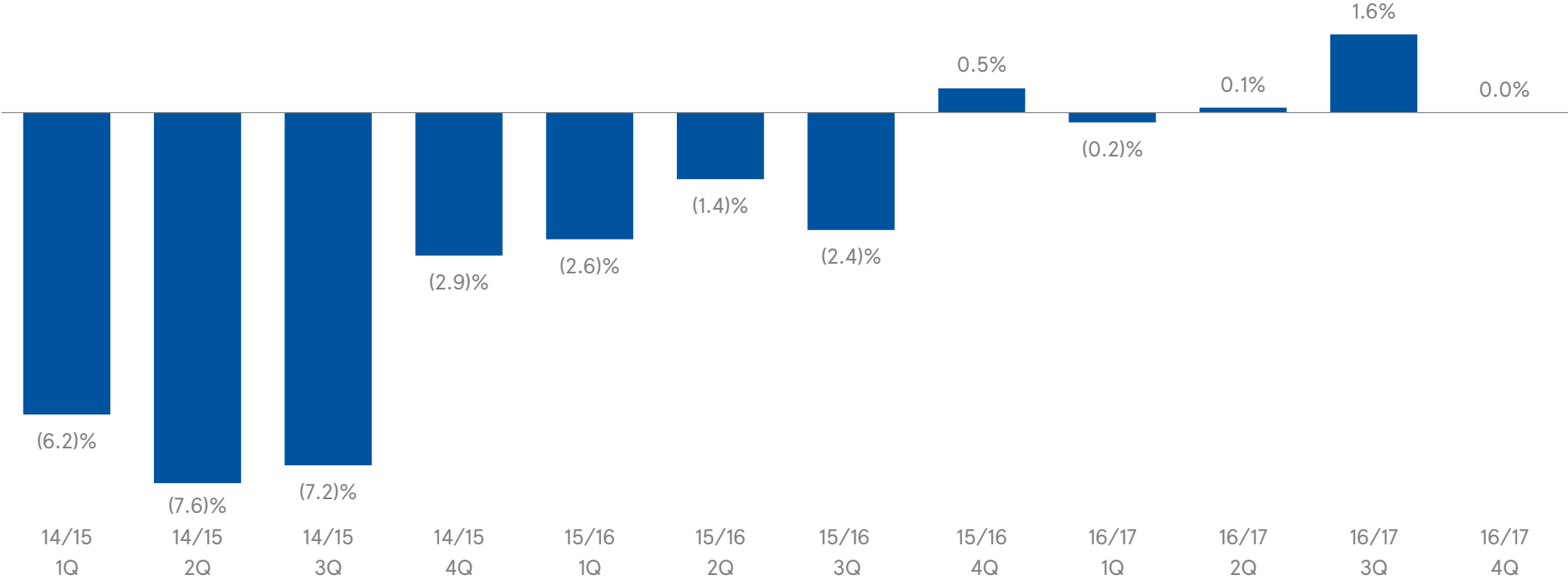
1. Exc. VAT, exc. Fuel.

UK like-for-like sales performance¹



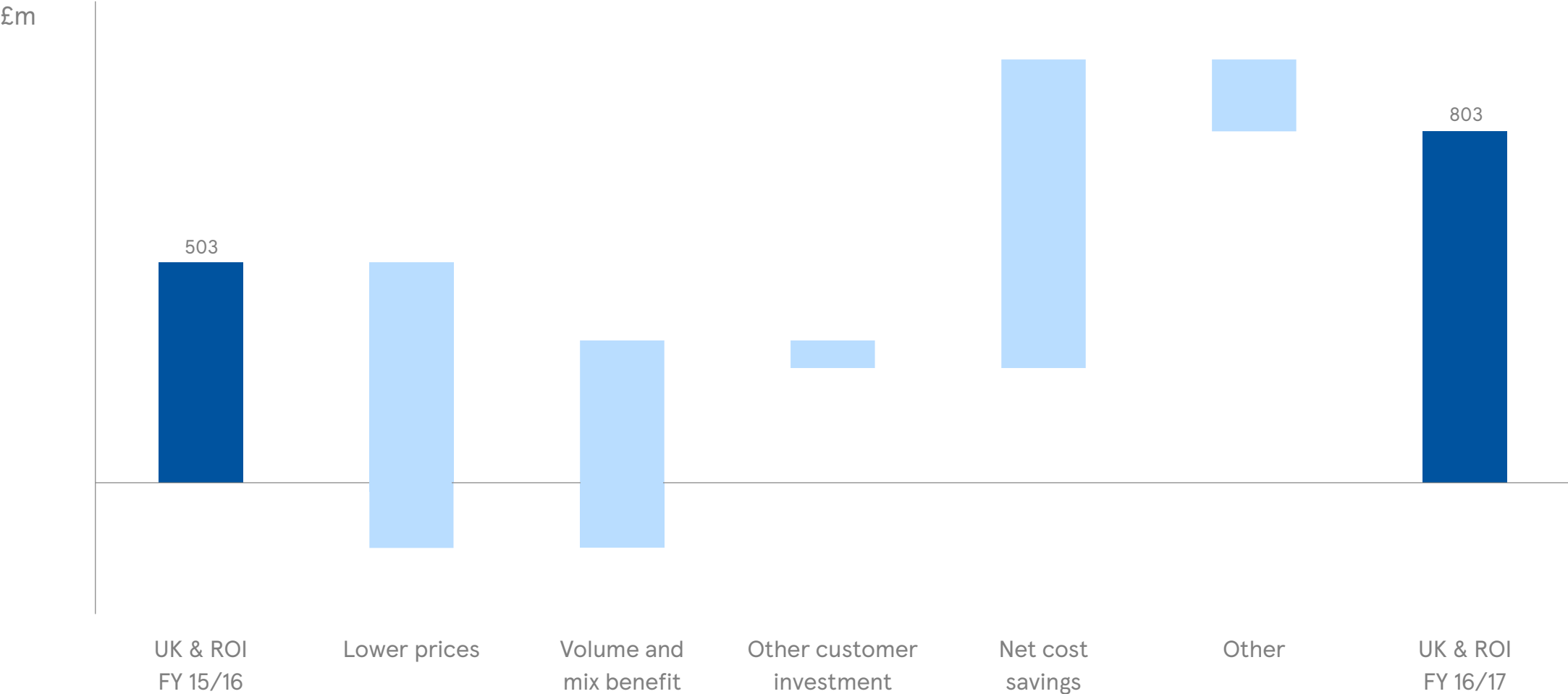
Online FY16/17:	Grocery 2.9%	General Merchandise & Clothing (14.1)%
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UK like-for-like sales performance¹: Extra

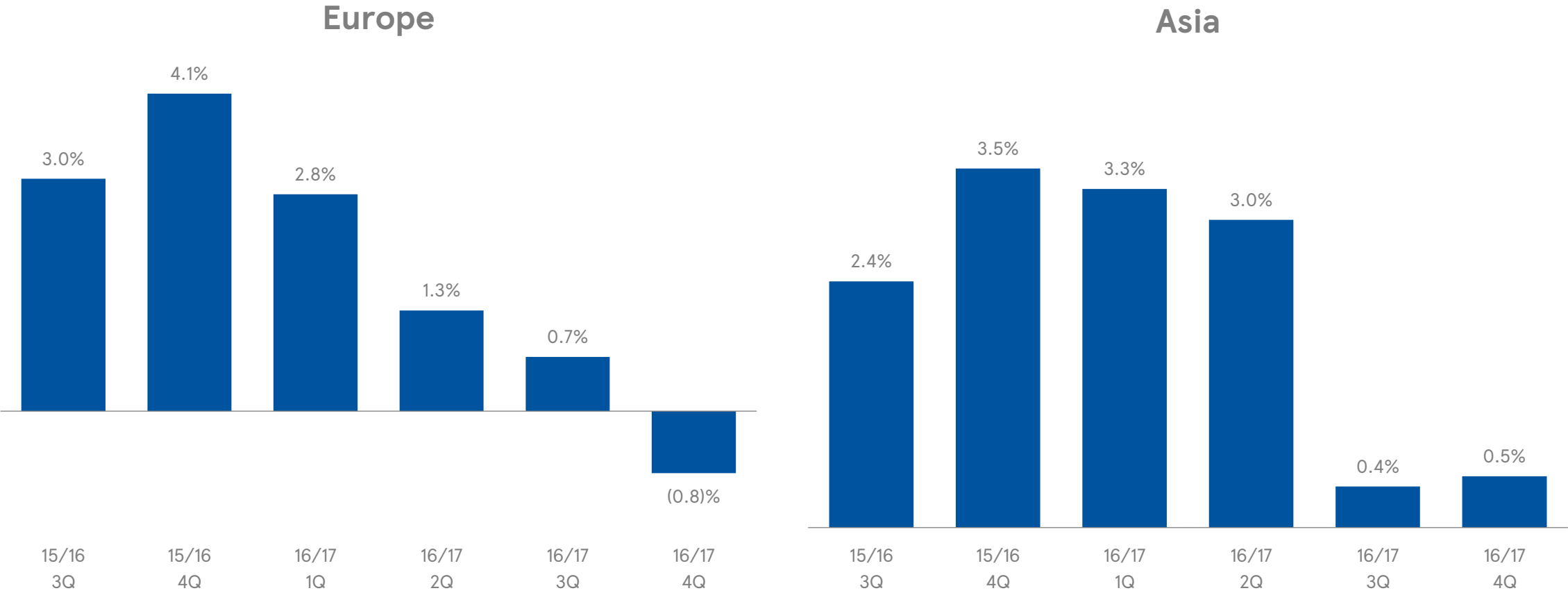


1. Exc. VAT, exc. Fuel.

UK & ROI operating profit

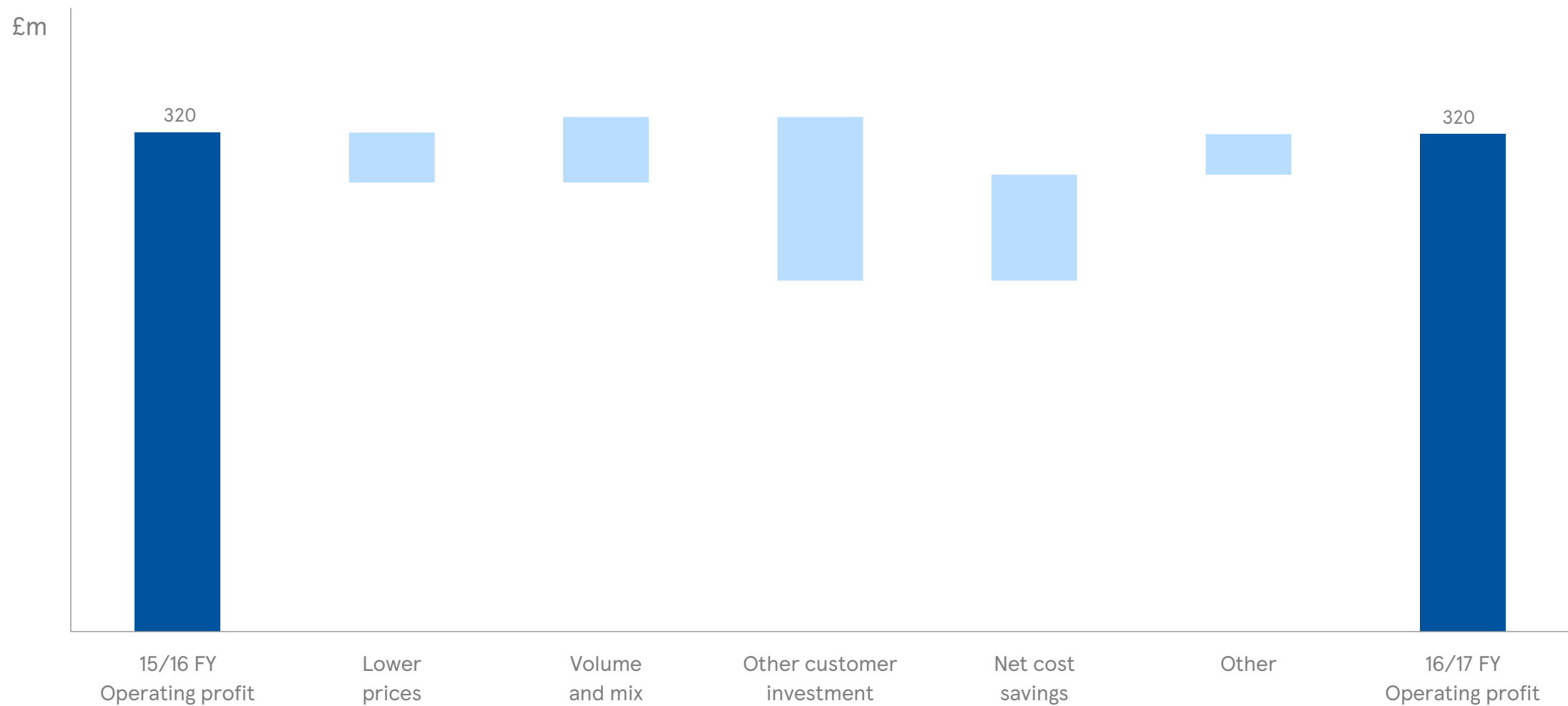


International like-for-like sales performance¹



1. Exc. VAT, exc. Fuel.

International operating profit



Tesco Bank

- 3.5% growth in active customer accounts
- Operating profit pre exceptional items down (3)%
- Before impact of net interchange +29%
- Strong lending growth +17%
- Funded by customer deposits
- Ongoing cost saving programme
- Capital and liquidity remains strong

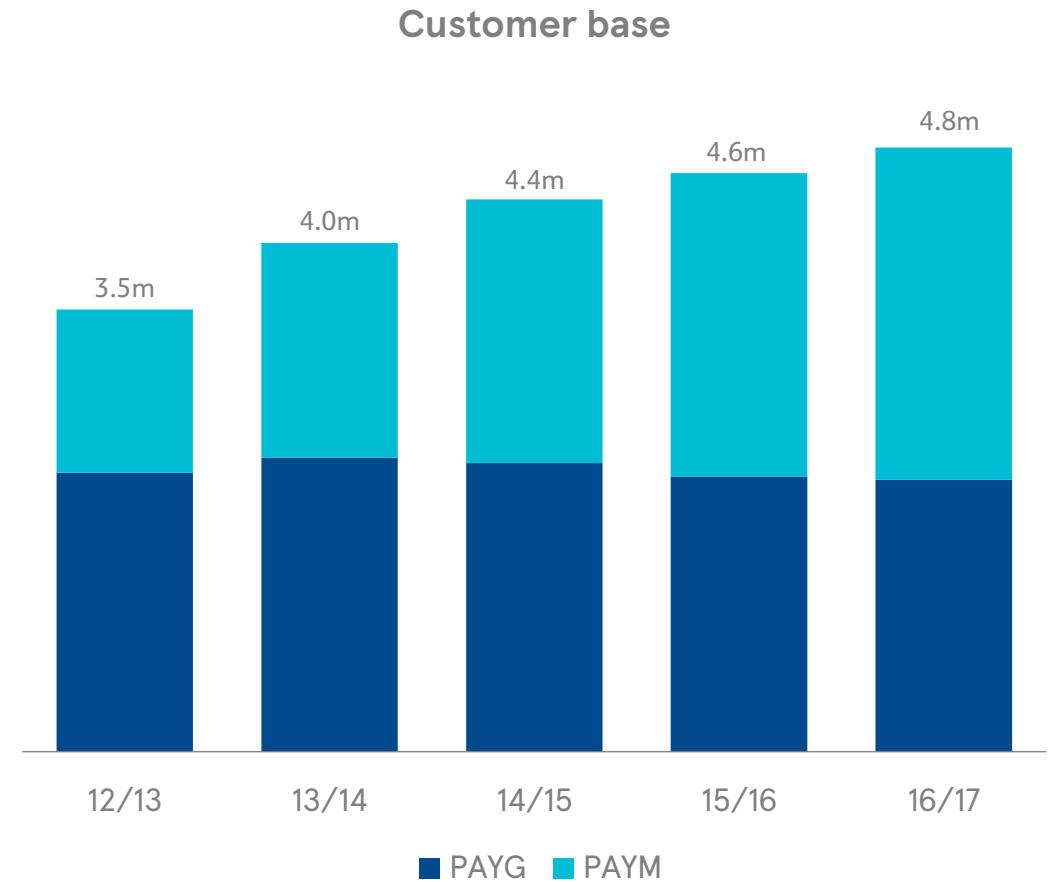
	FY 16/17	FY 15/16
Lending to customers	£10.0bn	£8.5bn
Net Interest Margin	4.0%	4.2%
Cost: income ratio ¹	62%	66%
BDAR ²	1.1%	0.8%
Tier 1 capital ratio	16.7%	16.6%

1. Adjusted for £(45)m customer redress and £(35)m restructuring; Statutory cost:income ratio FY 16/17 71% and FY 15/16 66%.

2. Bad Debt to Asset Ratio.

Tesco Mobile

- 4.8 million customers; 4.4% customer growth
- 5th largest mobile network in the UK and the largest MVNO
- 462 stores; over 3,000 colleagues
- Re-launch of Tesco Family Perks
- Highest level of customer satisfaction in UK¹
- Lowest level of customer complaints in industry²
- A Which? Recommended Provider



1. Based on a Net Promoter score of how likely customers are to recommend Tesco Mobile to a friend.

2. OFCOM quarterly complaint report as at March 29 2017.

Exceptional items

	FY 16/17	FY 15/16
Net impairment ¹	£(6)m	£(423)m
Restructuring and redundancy	£(199)m	£(126)m
Tesco Bank customer redress	£(45)m	-
Interchange settlement	£57m	-
Property transactions	£165m	£156m
Provision for SFO and FCA obligations	£(235)m	-
Past service credit and associated costs arising on UK defined benefit pension scheme	-	£480m
Total exceptional items in operating profit	£(263)m	£87m

1. Net impairment of property, plant and equipment, onerous lease provisions and intangible assets.

Finance income and costs

	FY 16/17	FY 15/16
Interest received	£48m	£29m
IAS 32 and 39 'Financial instruments' - fair value measurements	£61m	£(19)m
Interest payable	£(523)m	£(490)m
Capitalised interest	£6m	£6m
IAS 19 net pension finance costs	£(113)m	£(155)m
Net finance costs¹	£(521)m	£(629)m

1. Statutory net finance costs include a £(244)m (FY 15/16 £(220)m) impact from FX losses on translation of balances received from Korea disposal being held in a non-Sterling denominated subsidiary.

Tax

	FY 16/17	FY 15/16
Profit before tax before exceptional items	£729m	£335m
Tax charge	£(185)m	£(8)m
Effective tax rate	25.4%	2.4%

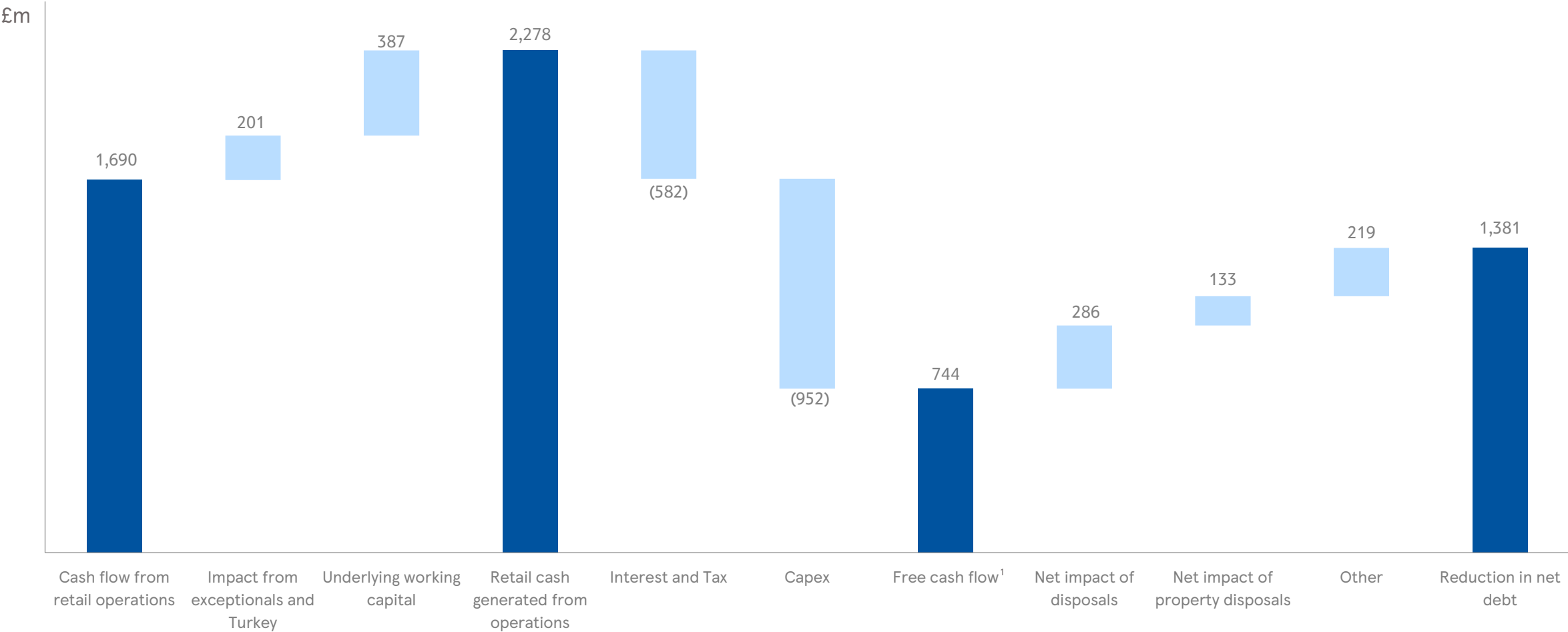
- Expect c.25% full year effective tax rate for FY 17/18

Earnings per share¹

	FY 16/17	FY 15/16	Change ³
Profit before tax before exceptional items and IAS 19 pension finance costs ²	£842m	£490m	71.8%
Diluted earnings per share before exceptional items and IAS 19 pension finance cost	7.90p	5.61p	40.8%
Statutory profit before tax	£145m	£202m	(28.2)%
Diluted earnings per share	0.81p	3.22p	(74.8)%

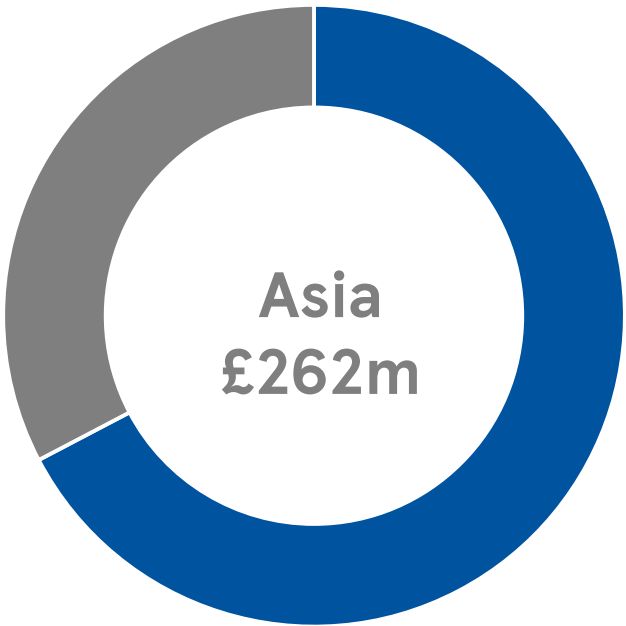
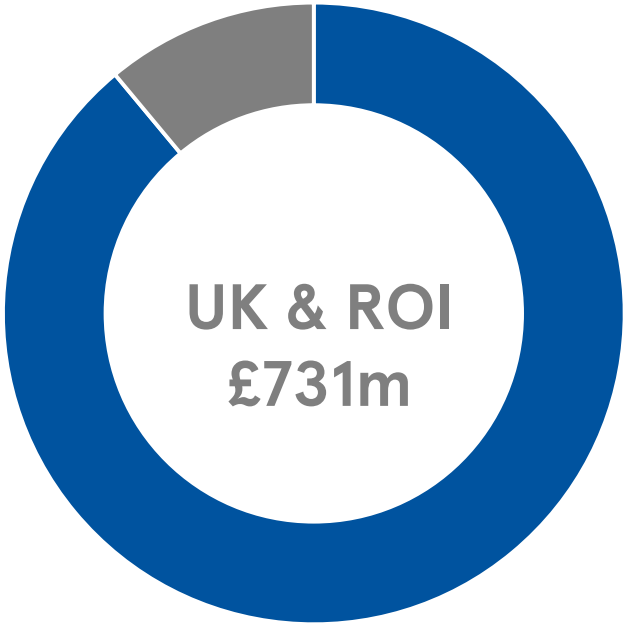
1. For continuing operations.
2. Attributable to the parent only.
3. At actual rates.

Movement in net debt



1. Before buyback of property.

Capital expenditure



- Capex on new space / new businesses
- Capex on existing space / existing businesses

Note: Excludes capex on Tesco Bank.

Total indebtedness



Pension scheme

- IAS 19 deficit calculation impacted by drop in corporate yields – no change in underlying cash commitments to pension members
- Asset de-risking strategy completed
- Continued strong performance of scheme assets
- Long-term deficit funding plan of £270m per annum cash contribution
- Triennial valuation process started in March 2017

Property¹

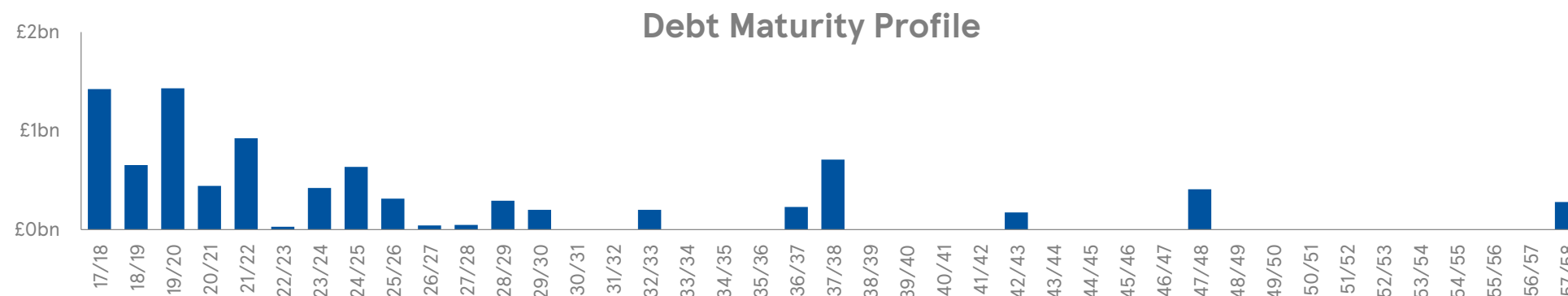
	FY 16/17	FY 15/16
% selling space owned		
UK & ROI	52%	52%
International	74%	71%
Group	63%	61%
% total property owned – by value²		
UK & ROI	50%	47%
International	78%	75%
Group	57%	54%

1. Based on continuing operations and does not include impact of April 17 British Land transaction.

2. Excluding fixtures and fittings.

Liquidity position

- Strong liquidity
- £3.0bn available cash
- £4.4bn in committed facilities maturing 2019-21
- £1.9bn of debt repaid in 2016/17; £1.5bn of maturities in 2017/18



Improving debt metrics

Net Debt/EBITDA¹

Fixed Charge Cover²

Total indebtedness ratio³

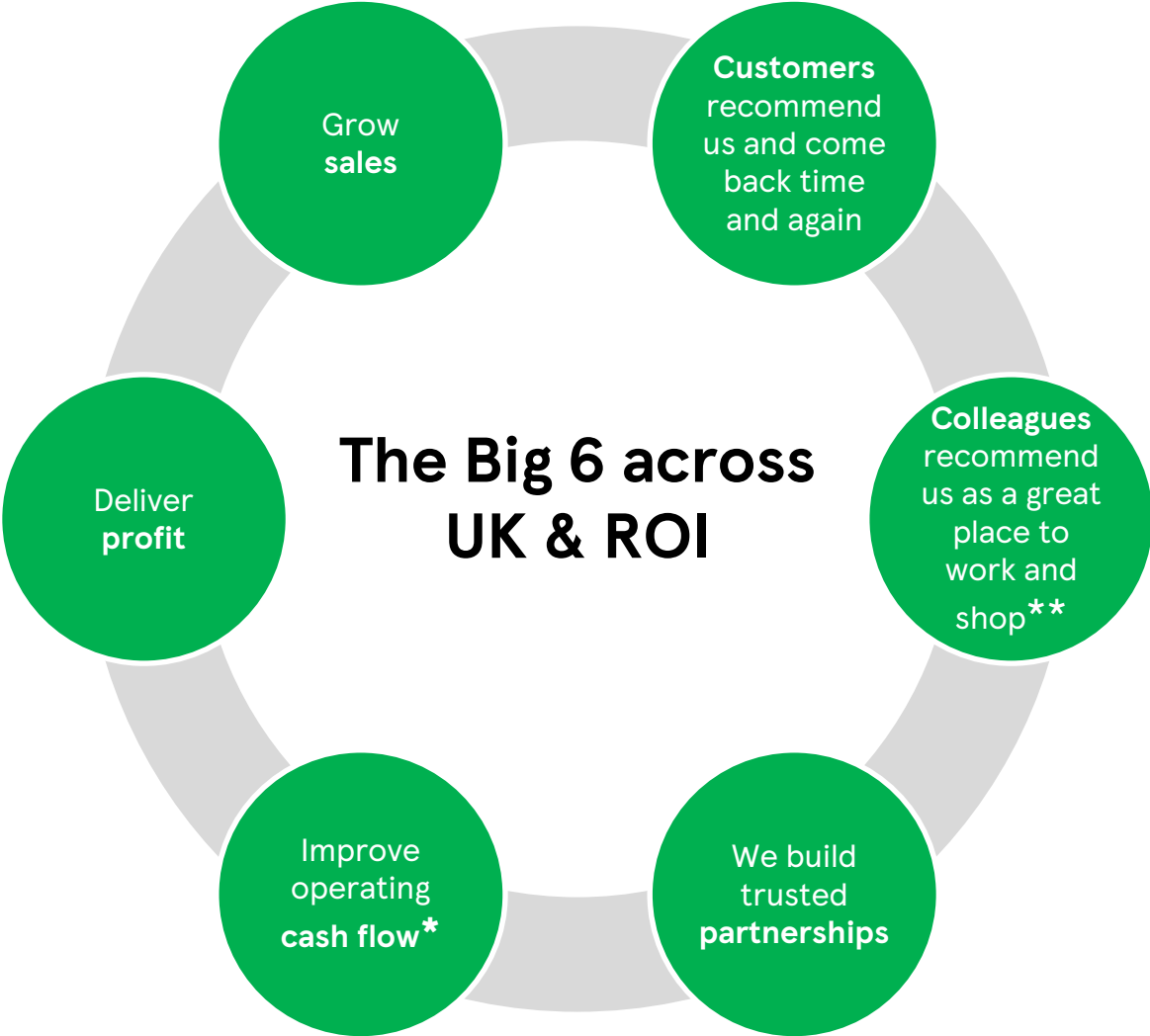
FY 16/17	1H 16/17	FY 15/16
1.6x	2.1x	2.7x
2.2x	2.0x	1.9x
5.0x	5.6x	5.1x

1. EBITDA is based on continuing operations (excluding Turkey).
2. EBITDAR/(Interest + Rent).
3. Net Debt + pension deficit + NPV of lease obligations/EBITDAR.

Financial summary.

- Strong growth in Group sales +4.3%
- Profit recovery continues; 30% increase in Group operating profit before exceptional items
- Diluted EPS before exceptional items and IAS 19 pension finance costs +40.8%
- Improved cash generation including a £387m underlying working capital benefit
- £1.9bn debt maturities paid
- Strong liquidity position with £3.0bn available cash

Big 6 Full Year Performance



* Excludes the impact of providing colleagues the option of receiving the 2015/16 Turnaround Bonus in cash rather than shares.

** Based on year on year progress in colleague recommendations of Tesco as a great place to shop.

Building long-term value for our four key stakeholders



Customers



Colleagues



Supplier partners

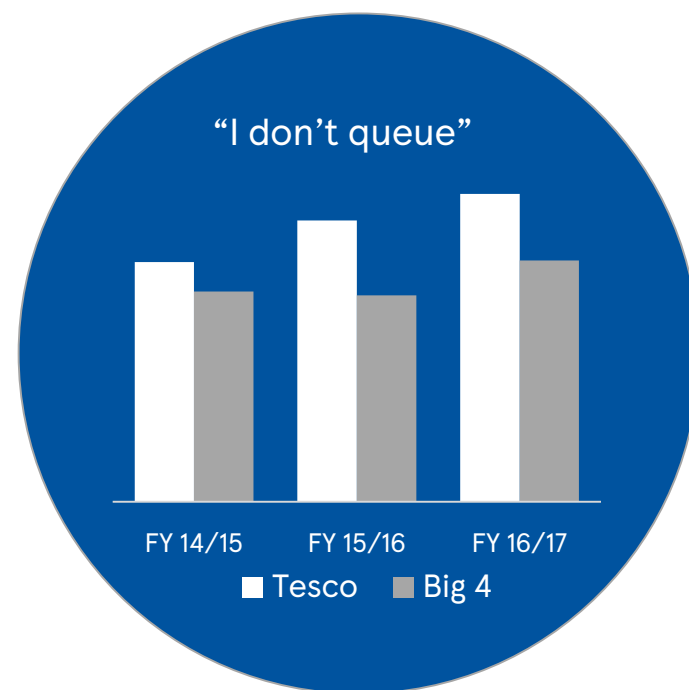


Shareholders

Customers



Better service



Speed of service¹



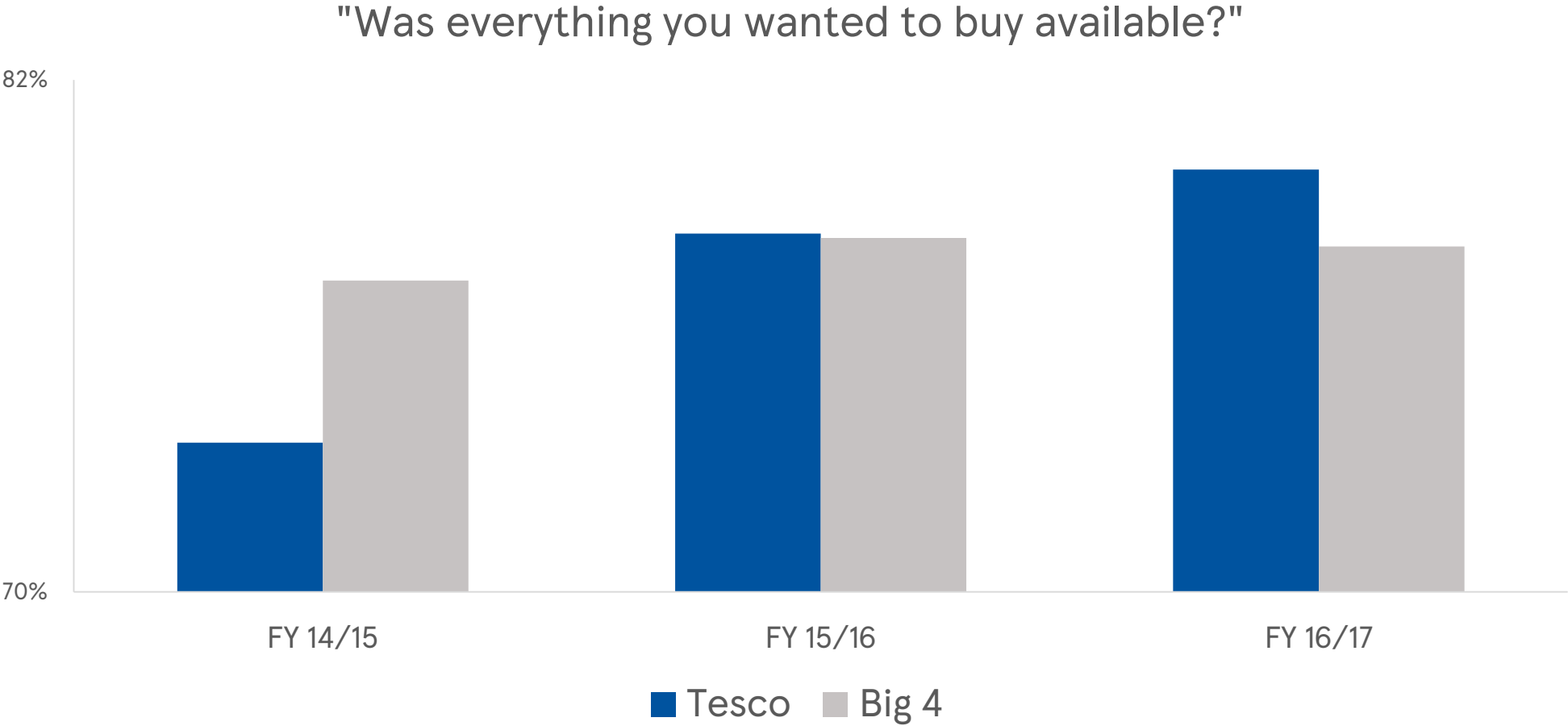
Record helpfulness²



Colleagues closer to customers³

1. Reflects customers' rating of the length of time queuing at checkout versus competitors as part of the periodic Customer Spotlight survey.
2. Reflects customers' rating of staff helpfulness as part of the periodic Customer Spotlight survey.
3. Refers to the additional number of colleague hours as a result of changes to the replenishment model.

Record availability

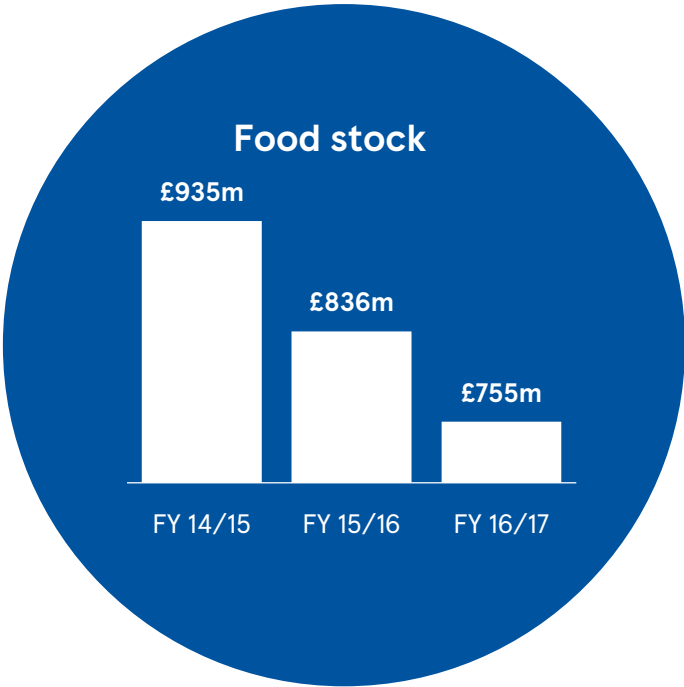


1. Reflects customers responding positively to “Was everything you wanted to buy available?” as part of the periodic Customer Spotlight survey.

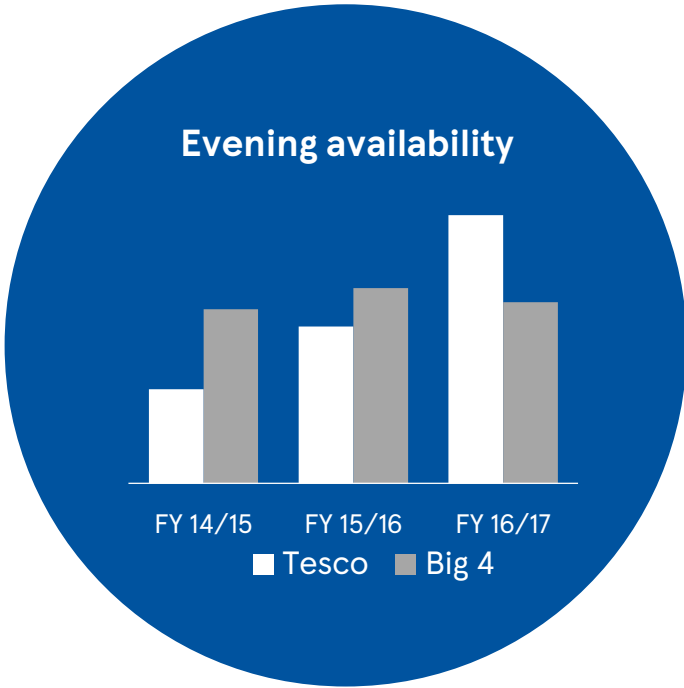
Record availability



Sales-based availability¹



Clearer backrooms²



Available at all times³

1. Sales-based availability at FY 16/17.
2. Reflects total UK food stock holding over the last three years.
3. Reflects customers responding positively to “How satisfied were you with the level of stock on everything you wanted to buy?” between 6pm and 9pm as part of the periodic Customer Spotlight survey.

Clearer, lower and more stable prices



Lower prices¹



Fewer promotions²



Depth of promotions³

1. Price data shows the price paid for a typical basket of products from August 2014 to February 2017.
2. Reflects the change in promotional participation from FY 15/16 to FY 16/17.
3. Reflects the change in promotional giveaway from FY 15/16 to FY 16/17.

Right range



Further range reduction¹



Further increase
in own label space²



One touch replenishment³

1. Represents range reduction from FY 15/16 to FY 16/17.
2. Reflects increase in linear shelf space to own label products as part of the range review.
3. Reflects 1.2m total cases delivered straight to shelves as a result of the new ordering system.

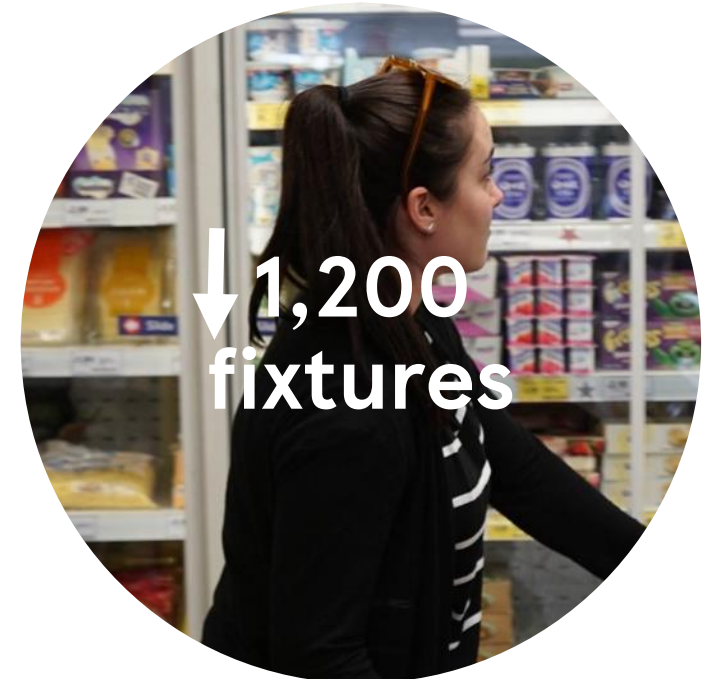
Right range: Express



Reduced assortment¹



New range²



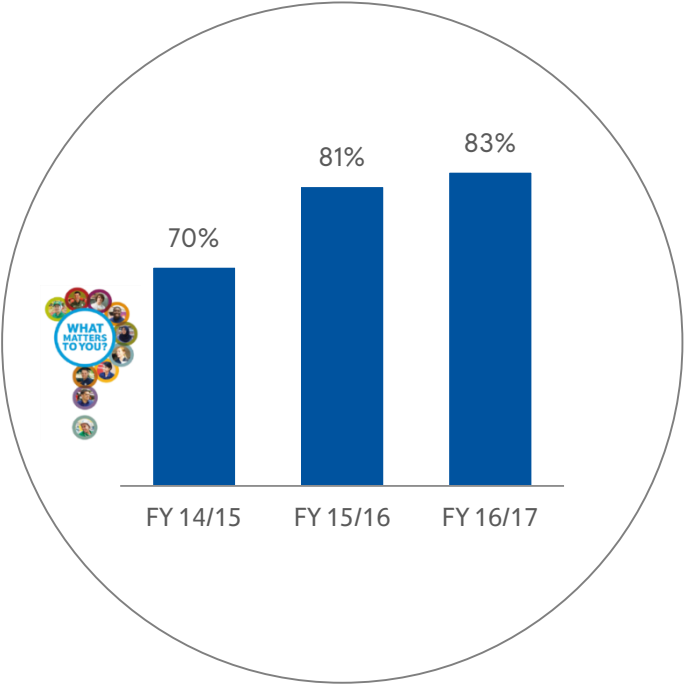
Clearer aisles³

1. Reflects the reduction in the master range assortment available for Tesco Express stores.
2. Reflects the percentage of the range that is new after the range review.
3. Reflects the decrease in the number of discretionary fixtures in Express stores.

Colleagues



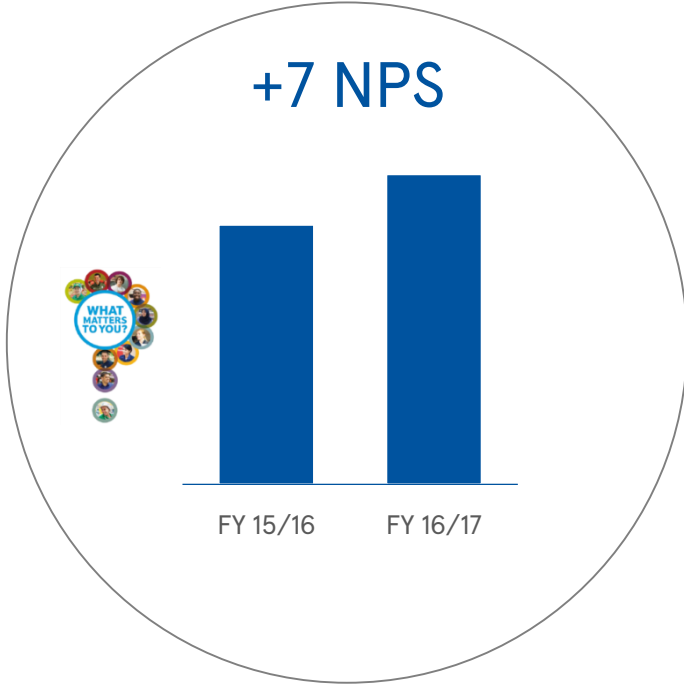
A great place to work



Engaged colleagues¹



A simpler job²



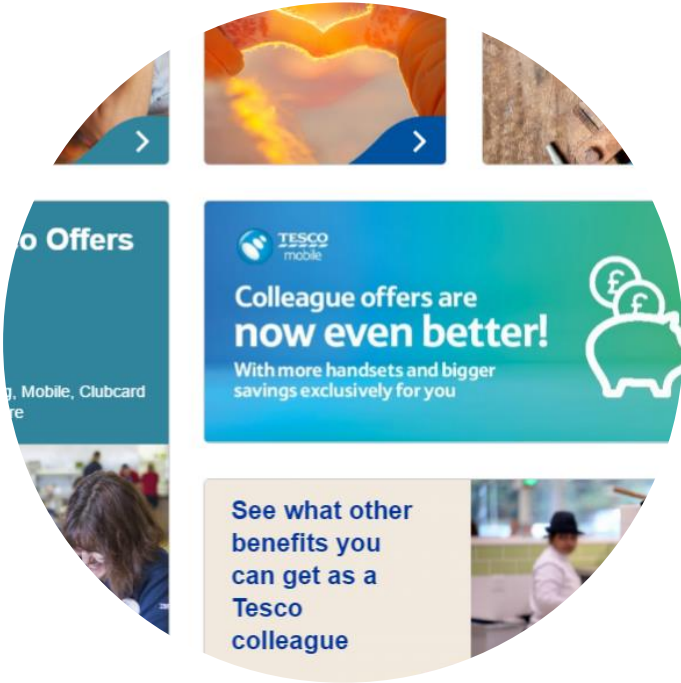
A great place to shop³

1. Reflects % of colleagues recommending Tesco as a great place to work as part of our 'What Matters To You?' survey undertaken every January and August.
2. Reflects % of colleagues agreeing that "it's become simpler to do my job over the last 12 months" as part of our 'What Matters To You?' survey undertaken every January and August.
3. Reflects improvement in NPS of colleagues recommending Tesco as a place to shop as part of our 'What Matters To You?' survey undertaken every January and August.

Investing in colleagues



Competitive package



Valued rewards



Health and wellbeing

1. Reflects our commitment to pay colleagues in the top 25% of their peer group.

Opportunities to get on



Developing talent



Apprenticeships



Everyone is Welcome

Strengthening the team



Jane Lawrie
Group Communications
Director



Alessandra Bellini
Chief Customer Officer



Matt Simister
Central Europe CEO



Tony Hoggett
Asia CEO



Guillaume Bacuvier
dunnhumby CEO

Suppliers



Simpler ways of working



Working together¹



Online supplier training²



Support for suppliers³

1. Represents the percentage of suppliers who believe the Supplier Network has helped to develop their relationship with Tesco.
2. Represents registrations on the Tesco Supplier Training Essentials website.
3. Represents the number of new suppliers and new employees within existing suppliers who have attended a Tesco induction event in the last two years.

True partnerships – Meat



New customer offer¹



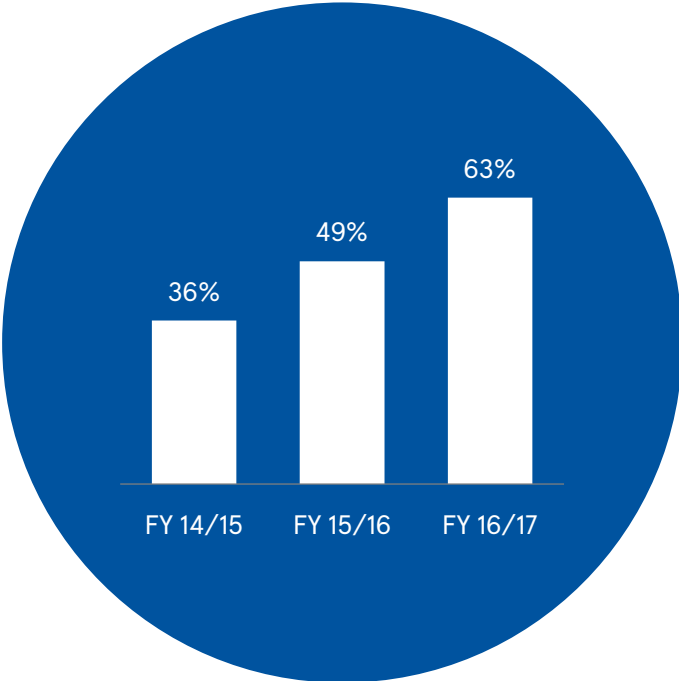
Shared savings²



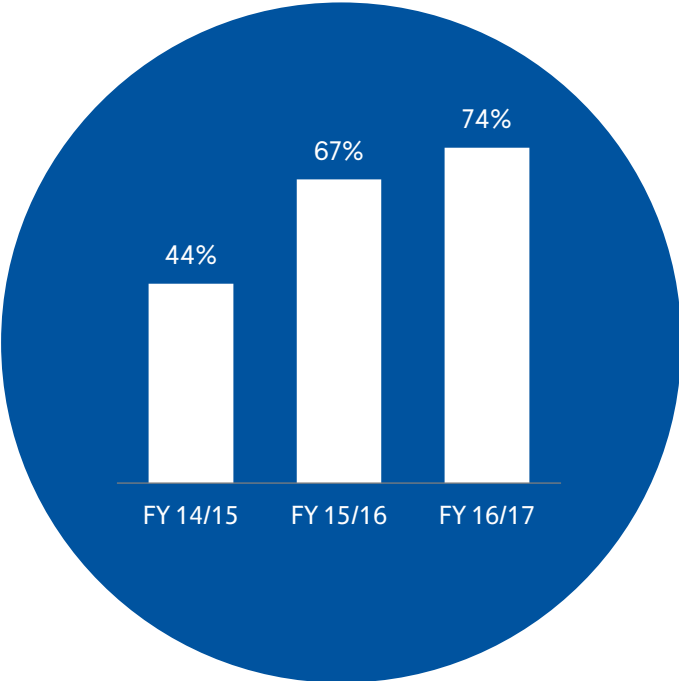
More efficient
for suppliers³

1. Represents increase in steak volumes in FY 16/17.
2. Estimated efficiency savings achieved from increase in volumes.
3. Operational savings achieved due to suppliers' ability to invest in new machinery.

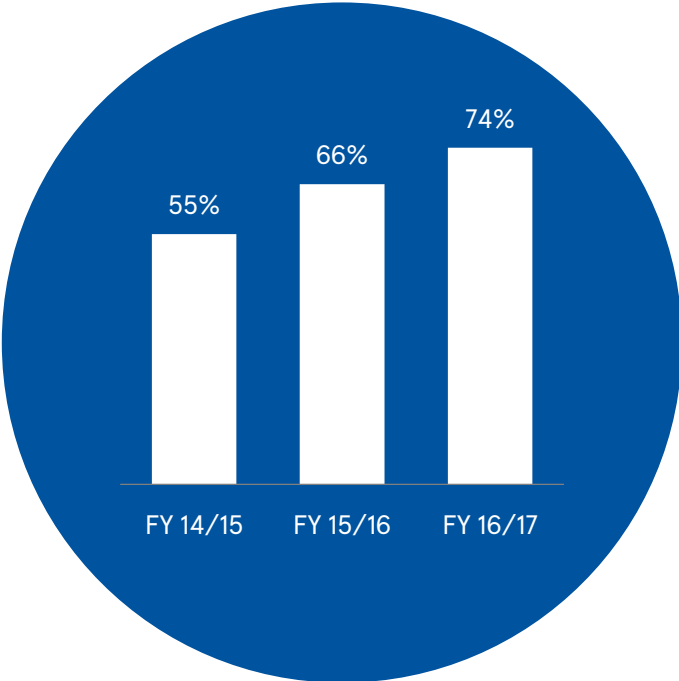
Building trust



Simple, transparent & easy to deal with



Communicates well & available when needed



Treats me fairly

Note: All measures reflect % of UK suppliers responding positively to above statements as part of the UK Supplier Viewpoint survey last undertaken in February 2017.

Shareholders



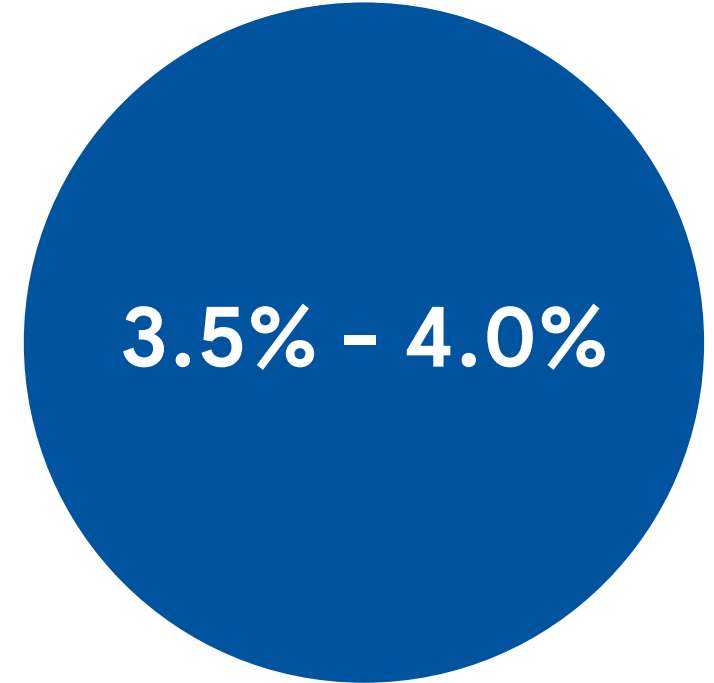
Sharing our plans



Welwyn Garden City
Seminar



Six strategic drivers



Medium-term ambition

Dividend policy

- Reflects improved performance and Board confidence
- Intention to recommence dividends in respect of 2017/18 financial year
- Expected to grow progressively
- Targeting cover of around two times earnings per share over the medium-term

Unlocking new growth



The UK's leading food business

PRODUCT

CHANNELS

CUSTOMER



	Fresh	Packaged	GM	Clothing	Professional	
Large stores						In home
Small stores						
Online						
Wholesale						Out of home

EXISTING

NEW

Incremental to standalone 3.5% - 4% margin ambition

The UK's leading food business



At least
£25m

Growth



At least
£175m

Synergies



9x EV/EBIT
inc. synergies

Multiple



Geography



Product



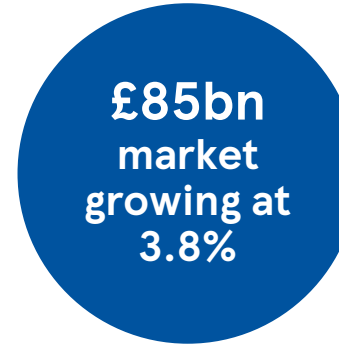
Channel



Expertise



Returns



Growth¹

1. M&C Allegra Foodservice '15-'18 CAGR for the out of home market.

Summary.

- Results ahead of our expectations
 - 30% increase in Group operating profit before exceptional items
 - 60% increase in UK & ROI operating profit before exceptional items
- Creating long-term value for all our stakeholders
- Continuing to deliver on our six strategic drivers
- Well-placed to prosper in a challenging environment
- Proposed merger with Booker unlocks new growth

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.