

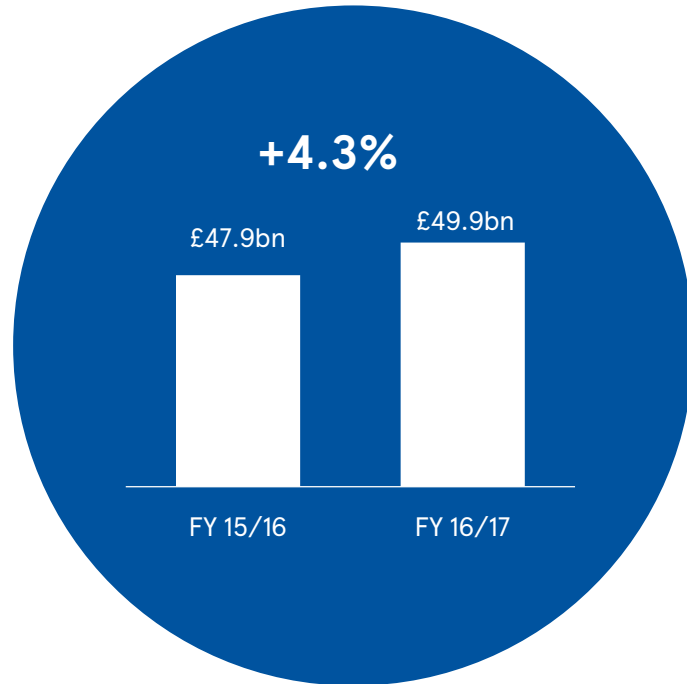
Debt Investor Update – 16/17 Results

12 April 2017

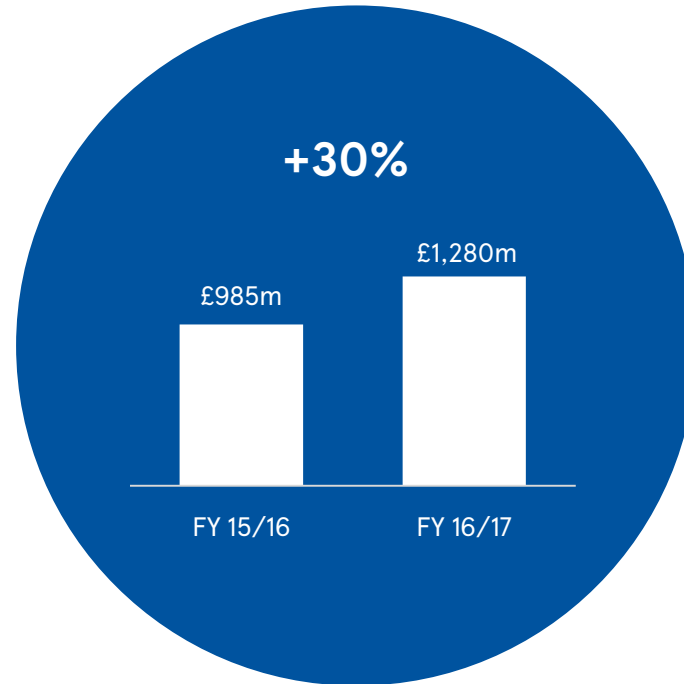
Alan Stewart – CFO

Lynda Heywood – Group Treasurer

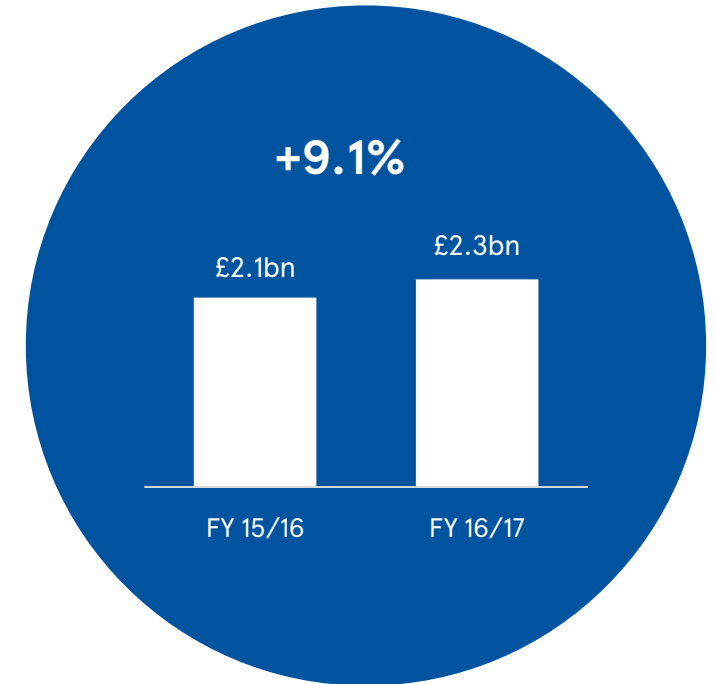
A year of strong performance



Positive sales growth¹



Strong profit growth²



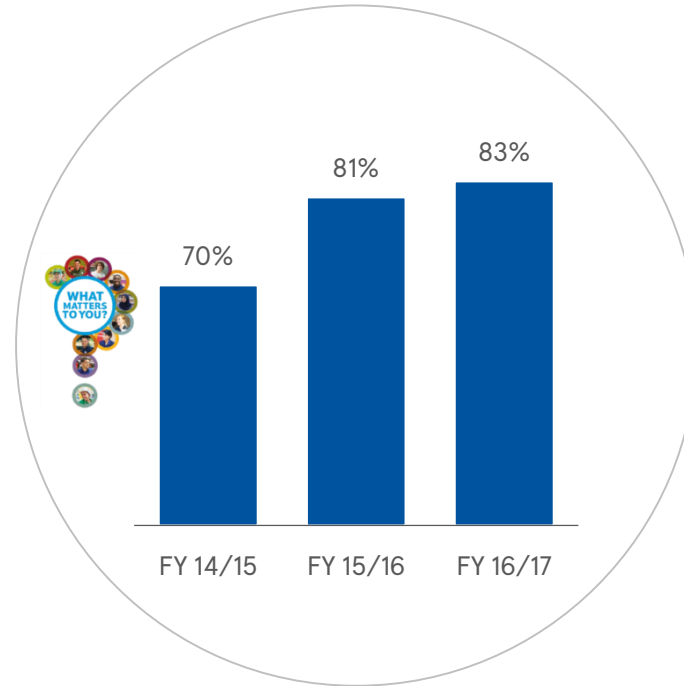
Strong cash generation³

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.

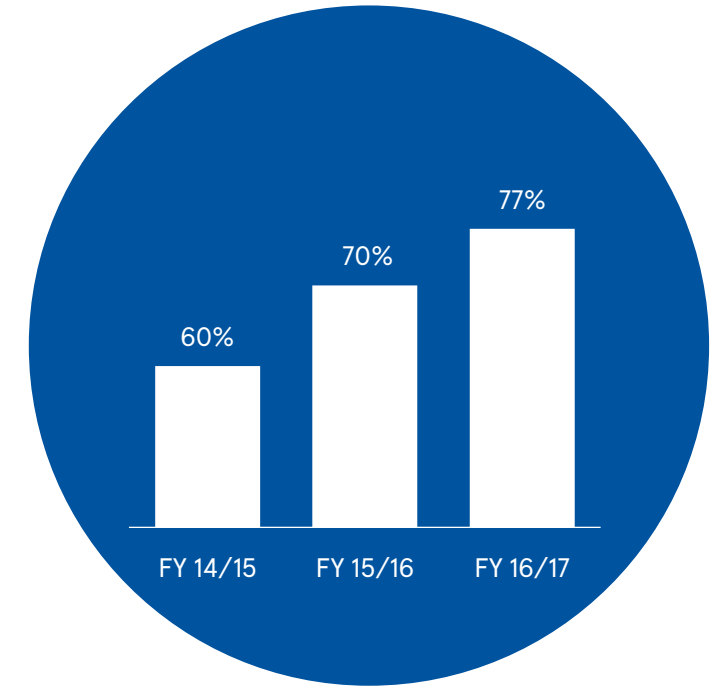
A year of strong performance



Customers recommend¹



Colleague engagement²



Supplier viewpoint³

1. Reflects % of Fans minus % of Critics answering the question “Based on your visit, how likely is 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 “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

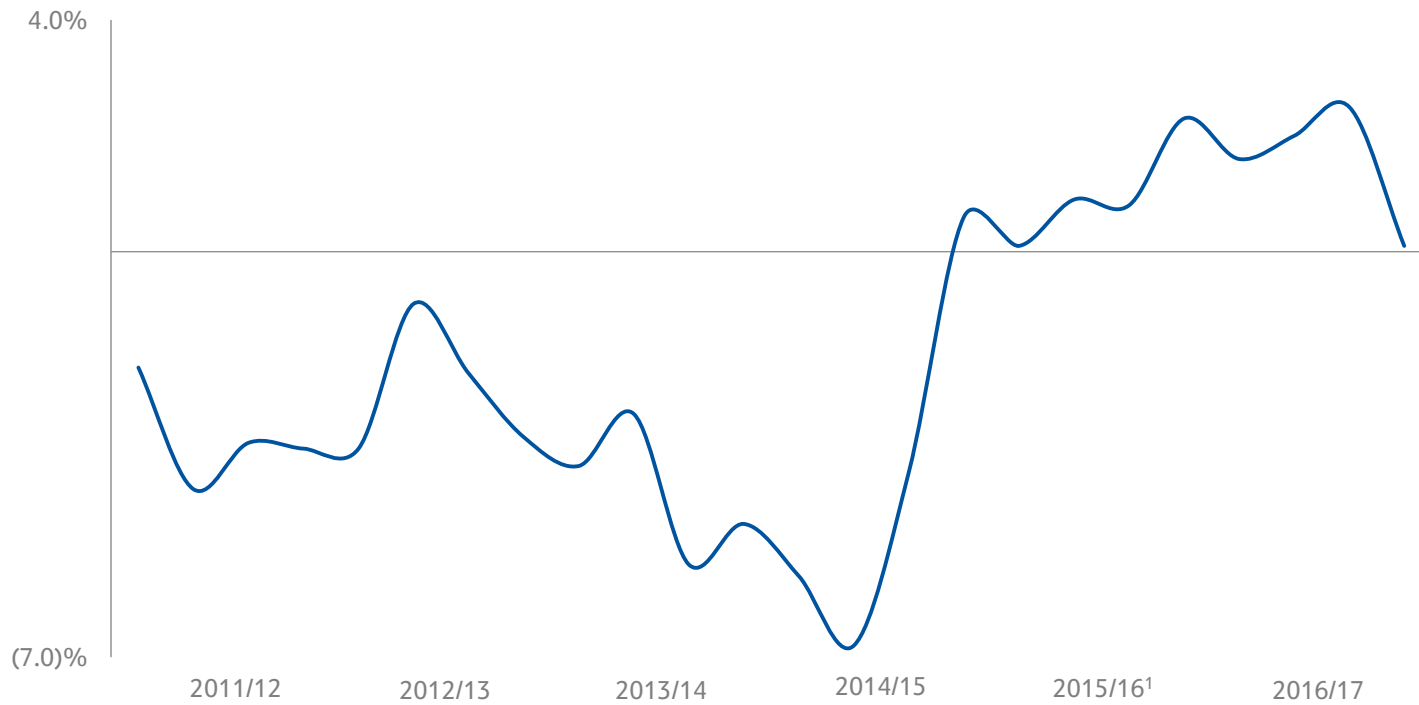


Increasing footfall¹

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

A year of strong performance - UK

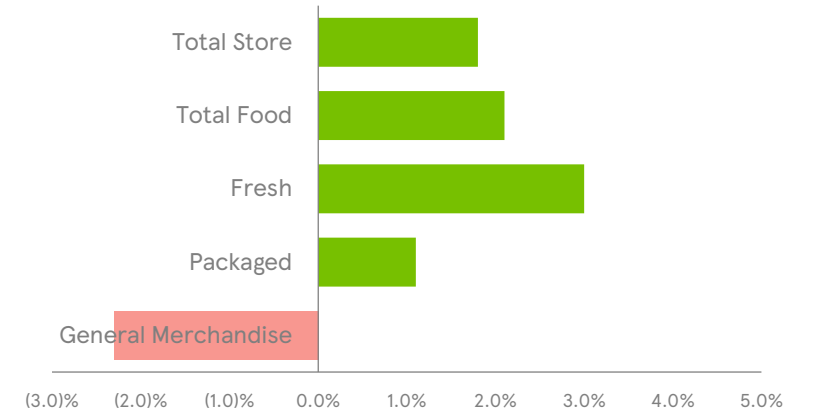
UK like-for-like volume



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

- £226m of cost savings

3. Generate £9bn cash

- £2.3bn retail cash generation

4. Max the mix

- 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

Group performance

Continuing operations	FY 16/17	Change constant rates	Change actual rates
Group sales (exc. VAT, exc. Fuel) ¹	£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%

1. Change shown on a comparable days basis.

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.

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

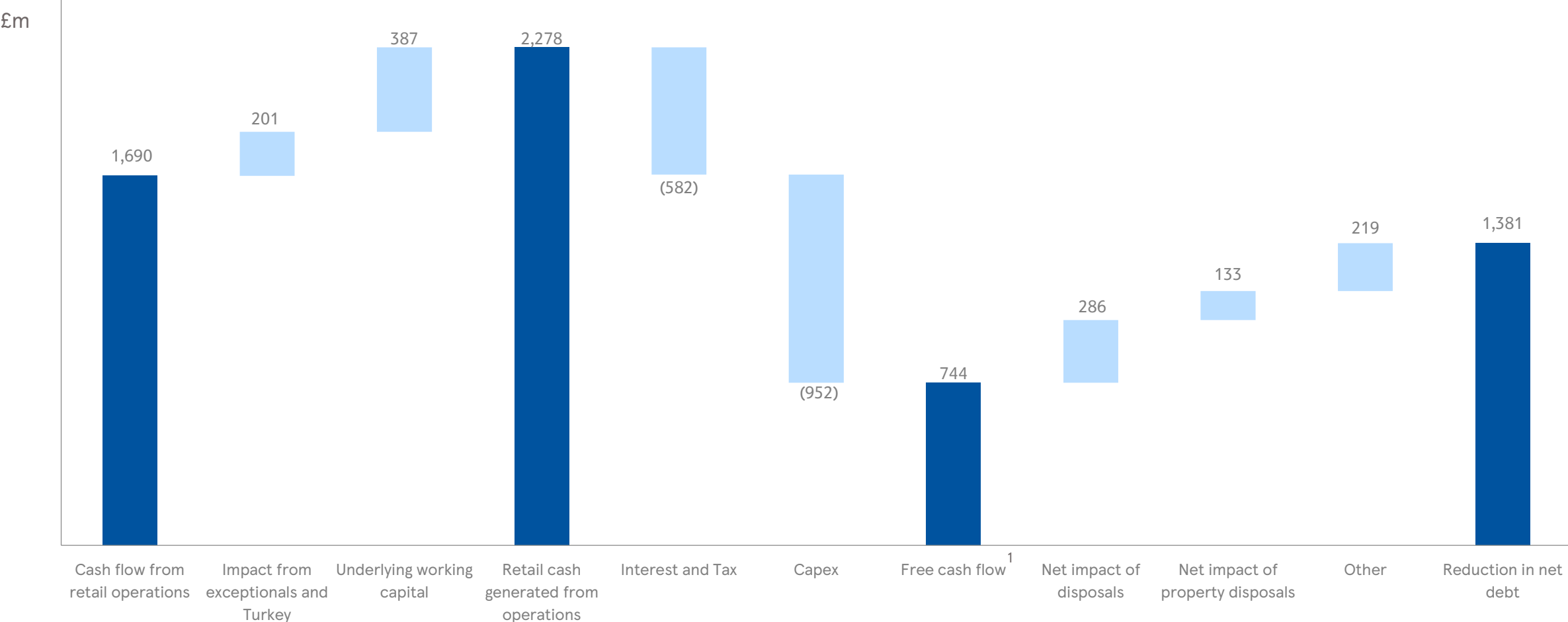
1. Net impairment of property, plant and equipment, onerous lease provisions and intangible assets.

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

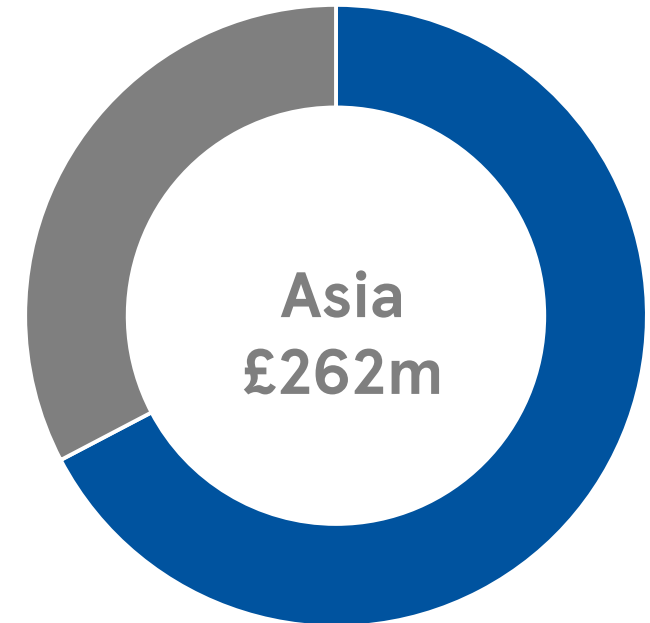
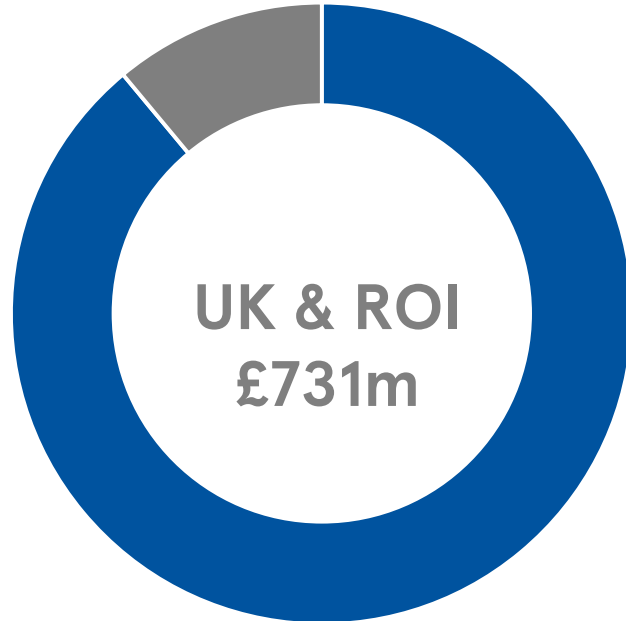
1. Statutory net finance costs include a £(244)m (FY 15/16 £(220)m) impact from FX losses on translation of balances received from Korea disposal being held in a non-Sterling subsidiary.

Movement in net debt



1. Before buyback of property

Capital expenditure

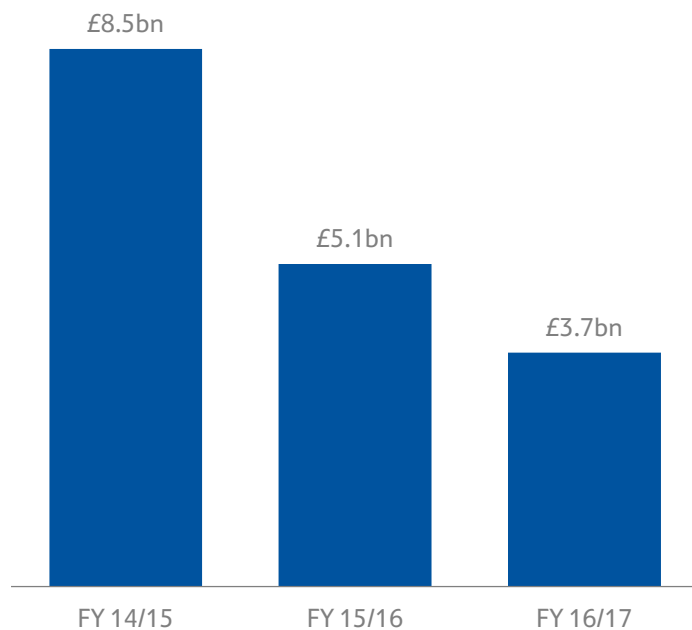


- Capex on new space / new businesses
- Capex on existing space / existing businesses

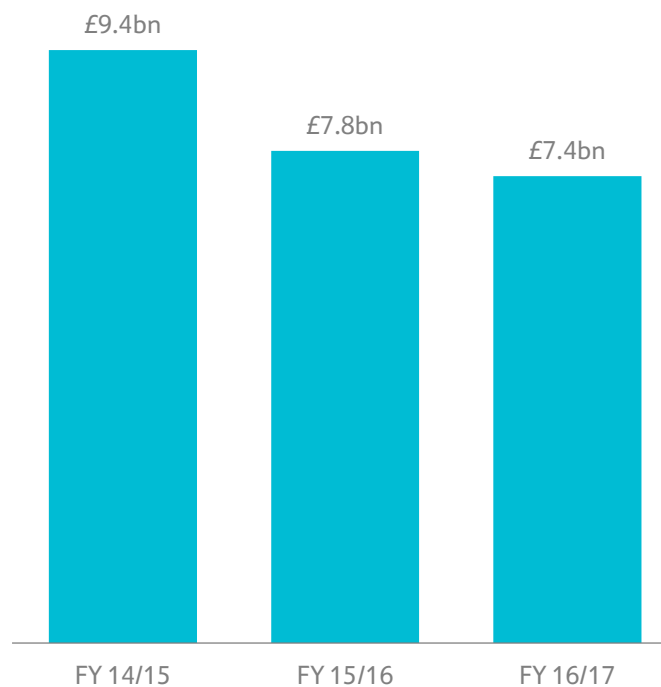
Excludes capex on Tesco Bank and dunnhumby

Total indebtedness

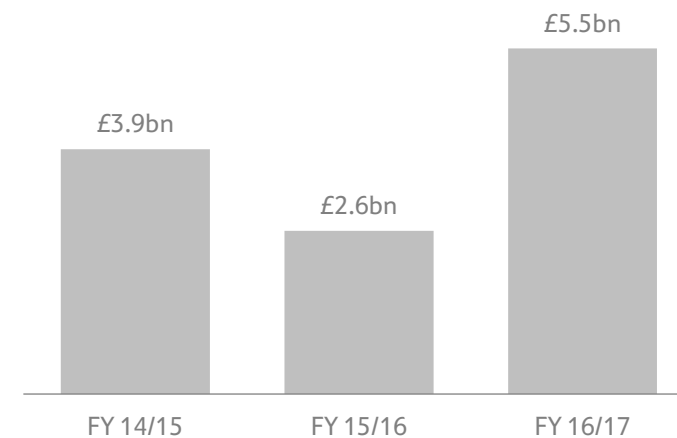
Net debt



Lease commitments



Pension deficit



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.

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

Improving debt metrics

	FY 16/17	1H 16/17	FY 15/16
Net Debt/ EBITDA ¹	1.6x	2.1x	2.7x
Fixed Charge Cover ²	2.2x	2.0x	1.9x
Total indebtedness ratio ³	5.0x	5.6x	5.1x

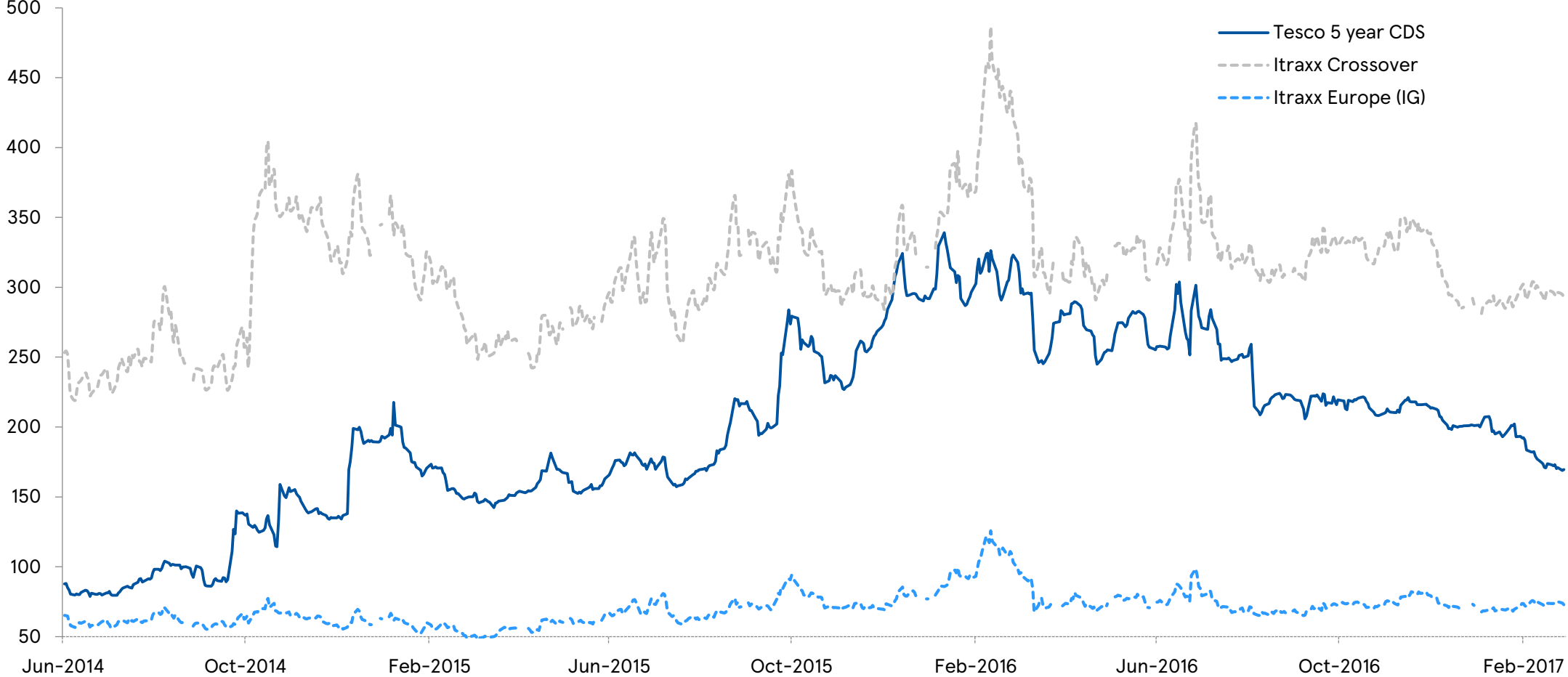
1. EBITDA is based on continuing operations (excluding Turkey)
2. EBITDAR/(Interest + Rent)
3. Net Debt + pension deficit + NPV of lease obligations / EBITDAR

Credit ratings

Agency	Long Term Rating	Short Term Rating	Outlook
S & P	BB+	B	Stable
Fitch	BB+	B	Stable
Moody's	Ba1	NP	Stable

Stable outlook from all three credit rating agencies

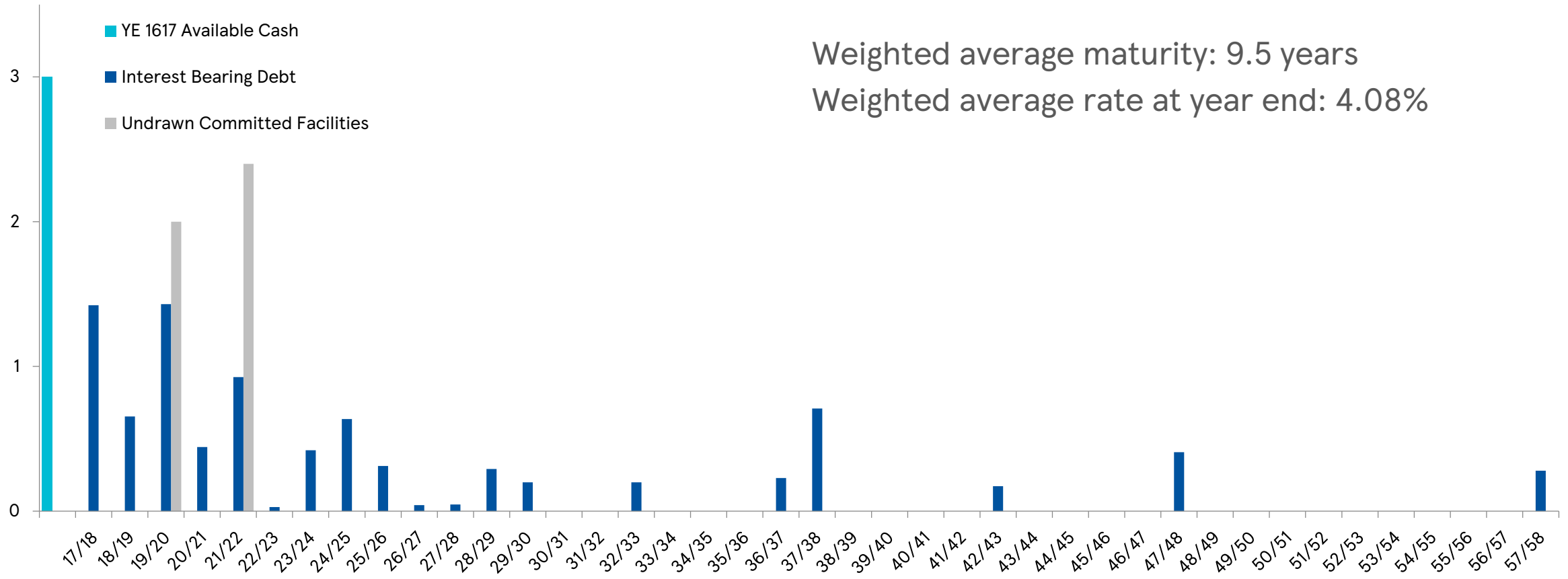
Credit spread performance



Source: Bloomberg.



Strong liquidity position vs upcoming maturities



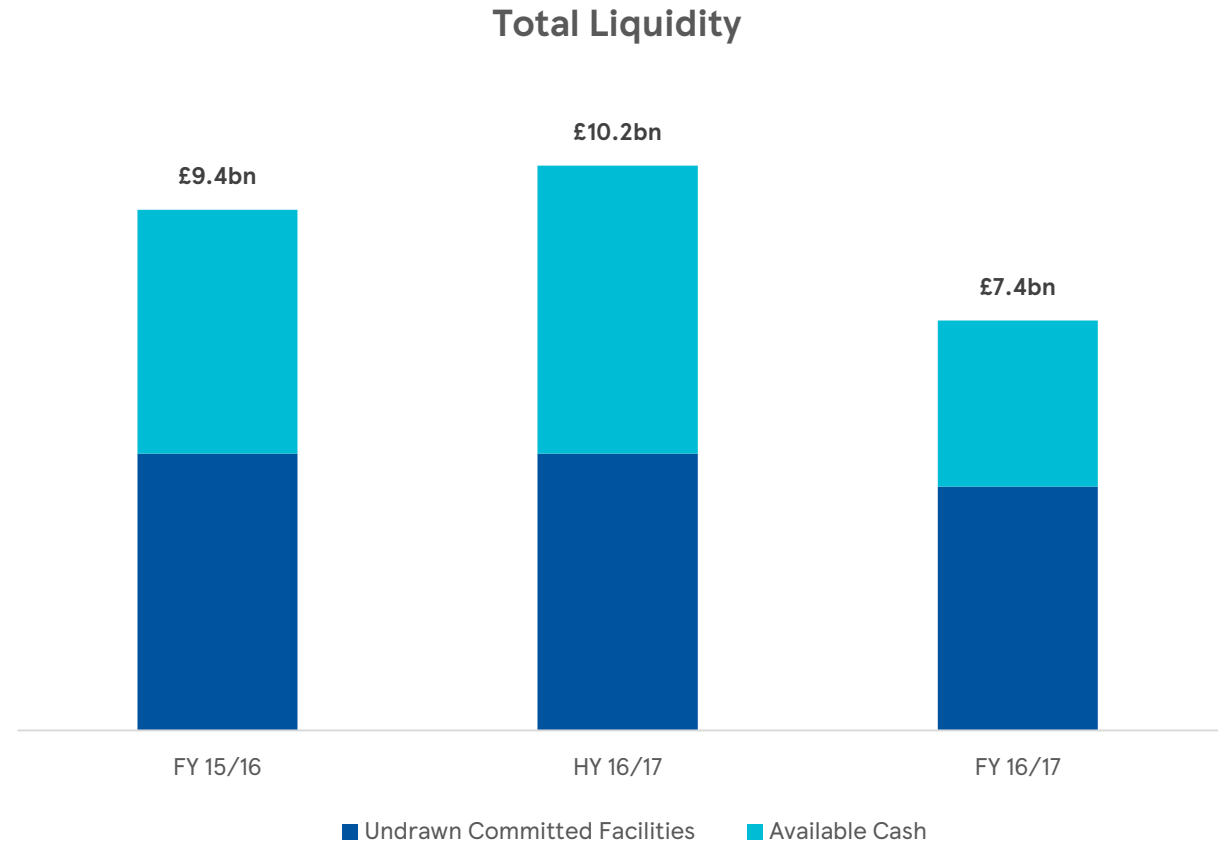
Liquidity Sources

£3.0bn available cash (Retail ex Bank)

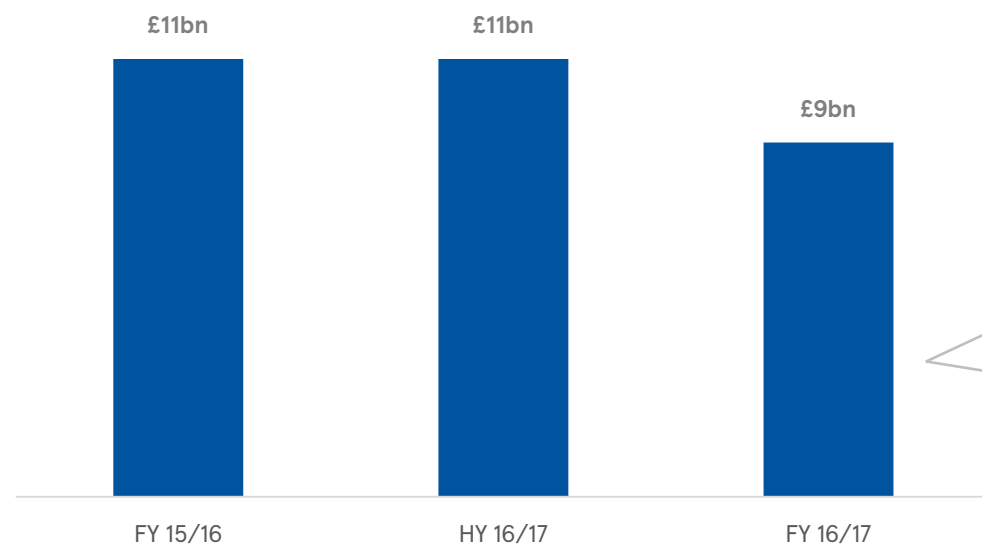
- excludes £0.8bn set aside for Booker
- net of overdrafts and cash in transit

£4.4bn of undrawn committed facilities

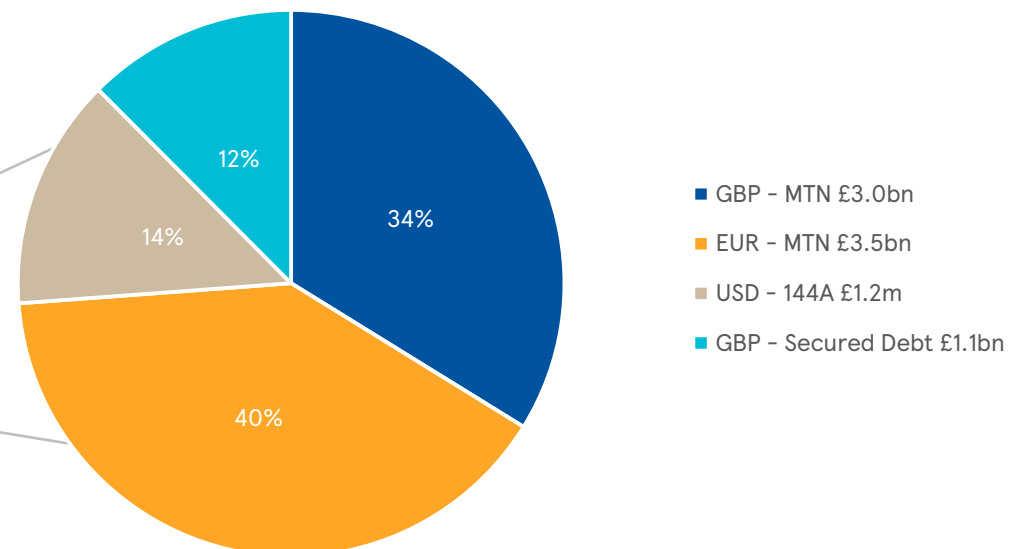
- £2.0bn maturing 2019
- £2.4bn maturing 2021



Outstanding Debt & Funding Programmes



Principal outstanding is shown after the impact of hedging
Excludes Tesco Bank and accrued interest



80% of outstanding debt is hedged back to GBP (remainder is in EUR)

Funding Programmes	Size
Euro Commercial Paper	£2bn
US Commercial Paper	\$4bn
EMTN Programme	£15bn

Unlocking new growth

TESCO & BOOKER
Creating the UK's leading food business

The collage consists of 23 small images arranged in a grid-like fashion. The images depict various aspects of the food business: staff members working in aisles, customers shopping with carts, food preparation in a kitchen, a delivery van, and staff interacting with customers. The central text 'TESCO & BOOKER' is in red and blue, with 'Creating the UK's leading food business' in blue below it.

The UK's leading food business

PRODUCT

CHANNELS

CUSTOMER



Incremental to standalone 3.5% - 4% margin ambition

The UK's leading food business



Growth



Synergies



Multiple



Geography



Product



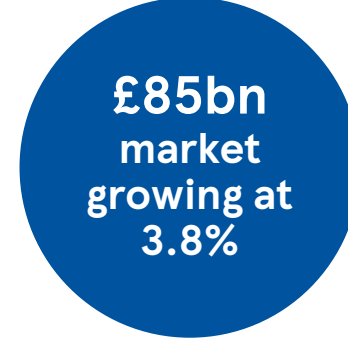
Channel



Expertise



Returns



Growth¹

1. Out of home market forecast for '15-'18.

Summary.

- Continuing to deliver on our six strategic drivers
- Results ahead of our expectations
 - 30% increase in Group operating profit before exceptional items
 - 60% increase in UK & ROI operating profit before exceptional items
 - Improved cash generation including a £387m underlying working capital benefit
- Further improvement in credit metrics as debt repaid
- Proposed merger with Booker unlocks new growth
- Well-placed to prosper in a challenging environment

Appendix – Debt Metric Calculations

(£m)	FY1617	H1 1617 (LTM)	FY1516
Net Debt	3.7	4.3	5.1
Pension Deficit	5.5	5.9	2.6
NPV of operating leases	7.4	7.8	7.8
Total Indebtedness	16.7	18.0	15.5
EBITDAR	3.3	3.2	3.1
Total indebtedness ratio	5.0x	5.6x	5.1x
EBITDA	2.3	2.1	1.9
Net Debt/EBITDA	1.6x	2.1x	2.7x
Operating Lease Expense	1.0	1.1	1.1
Finance Costs	0.5	0.5	0.5
Fixed Charges	1.5	1.6	1.6
Fixed Charge cover ratio	2.2x	2.0x	1.9x

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.