Serving Britain's shoppers a little better every day.

11 April 2018

Dave Lewis – CEO
Alan Stewart – CFO

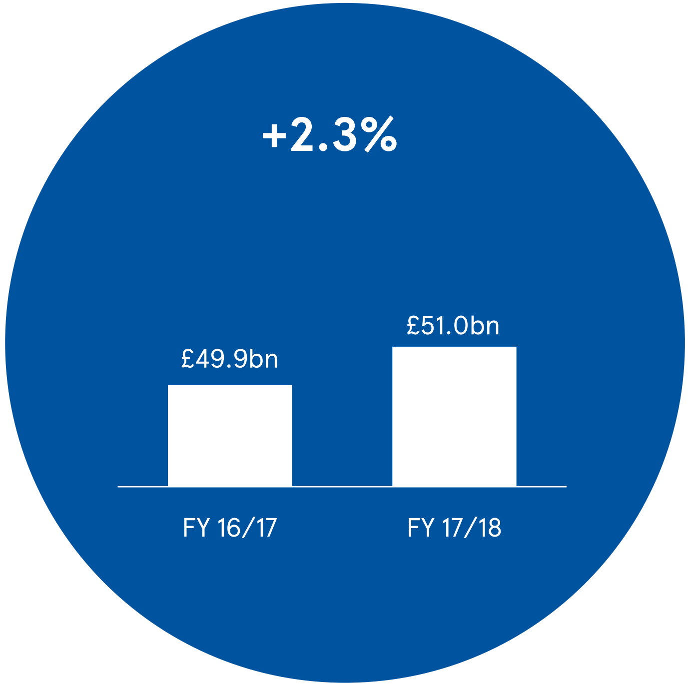
Agenda.

- Full year results
- Three years on:
    - Six strategic drivers
    - Four key stakeholders
- Looking ahead and Booker

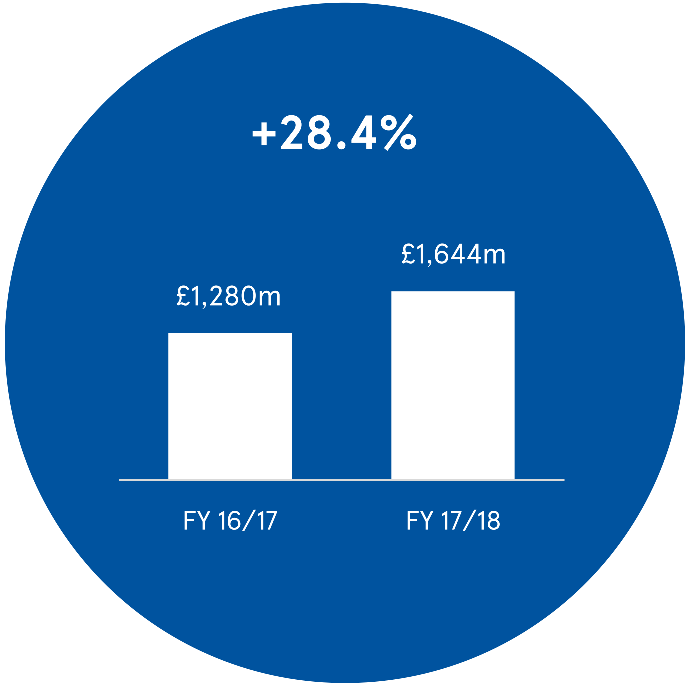
FY results.

TESCO

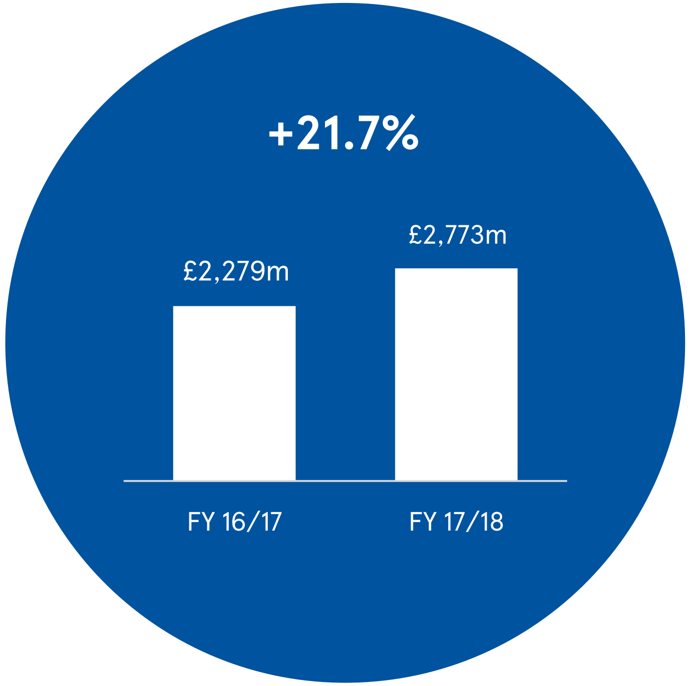
A year of progress



Positive sales growth[1]



Strong profit growth[2]



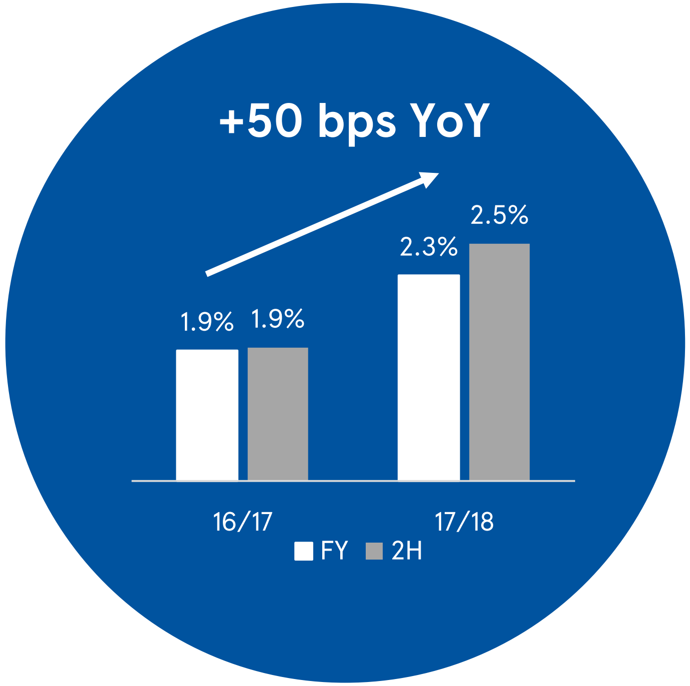
Strong retail cash generation[3]

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.

UK performance

Emphasis on fresh food volumes

More customers shopping with us[1]



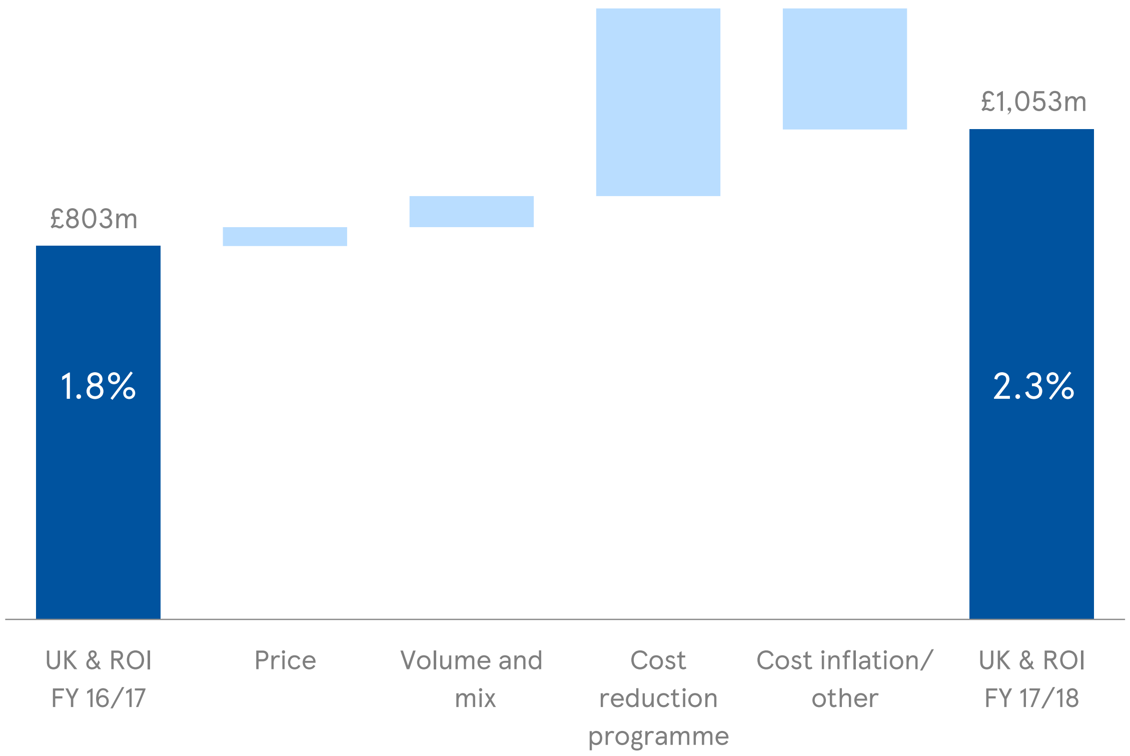
Improved profitability

1. Kantar data for the 52 weeks to 25 February 2018.

UK & ROI

- Strong sales:
  - >2% LFL in every quarter; 2.4% in 4Q
  - UK fresh food volume up 0.7%, outperforming the market by 1.7%[2]
  - Own Brand increased to 51% of sales
- Improved profitability:
  - £404m saved through cost savings plan
  - 2H operating margin strengthened to 2.5%
- £1.9bn cash generated from operations

Operating profit and margin[1]

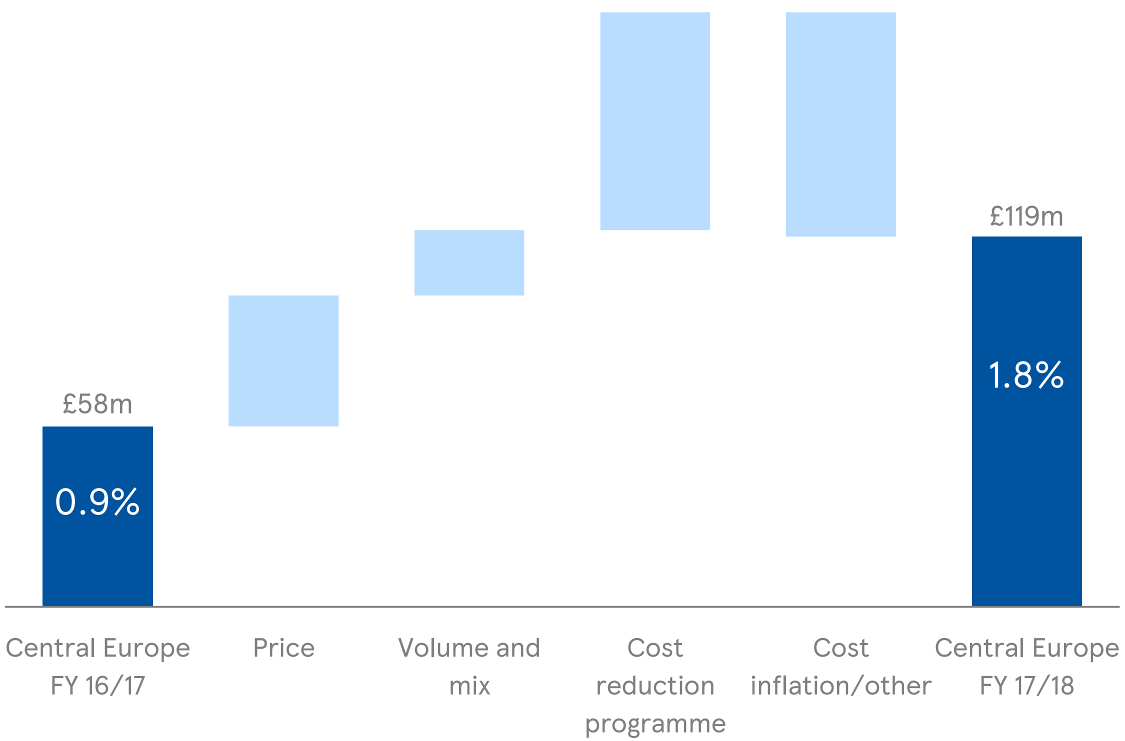


1. Before exceptional items.
2. Data is for the 52-weeks ending 25 February and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.

Central Europe

- Focused sales growth:
  - Food like-for-like sales growth +1.2%
  - Small store like-for-like sales growth +3.2%
- Profit more than doubled to £119m
  - £70m saved through cost savings plan
- £389m cash generated from operations

Operating profit and margin[1]

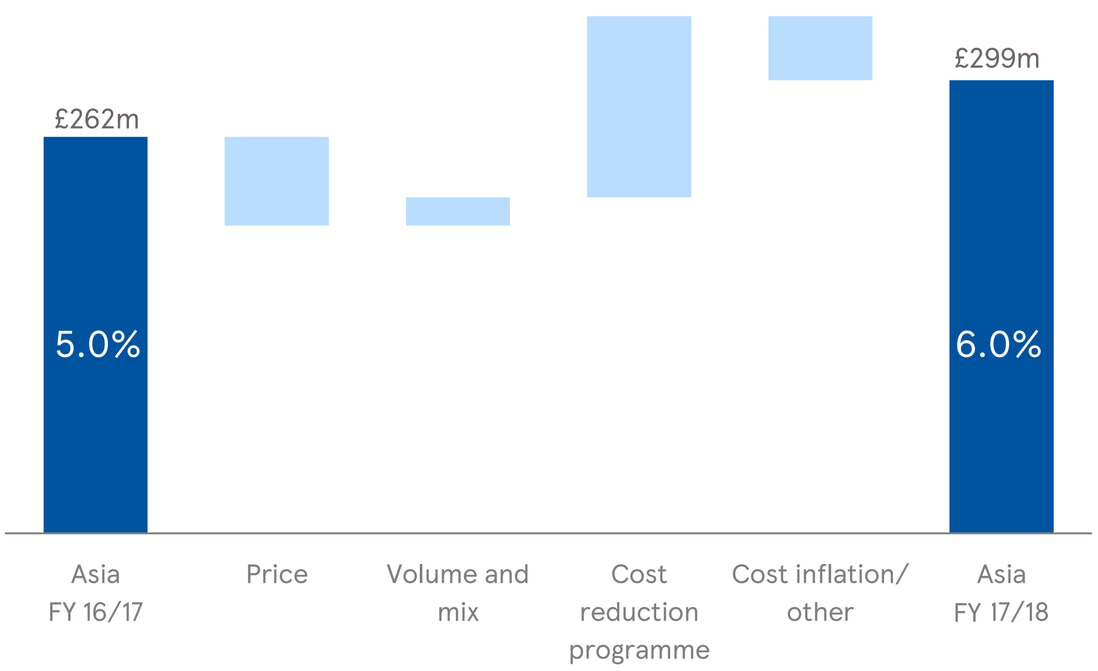


1. Before exceptional items.

Asia

- Strategic actions to focus on sustainable, profitable sales growth
  - Bulk sales impact of c.(6)%
  - 44% reduction in short-term couponing
- Further improvement in profitability despite full year deflation of c.(1)%
  - Operating margin up 99b.p.
  - £120m saved through cost savings plan
- £490m cash generated from operations

Operating profit and margin[1]



1. Before exceptional items.

Tesco Bank

- 4.1% growth in active customer accounts
- Operating profit before exceptional items up 10%
- 16% growth in lending balances, driven by secured lending
  - Mortgage lending growth of 39%
  - Proportion of secured lending increased to 26%
- Balance sheet remains strong with a Risk Asset Ratio of 19.3%
- IFRS 9 Financial instruments applied from 25 February 2018
  - £166m impact on opening retained earnings for FY 18/19

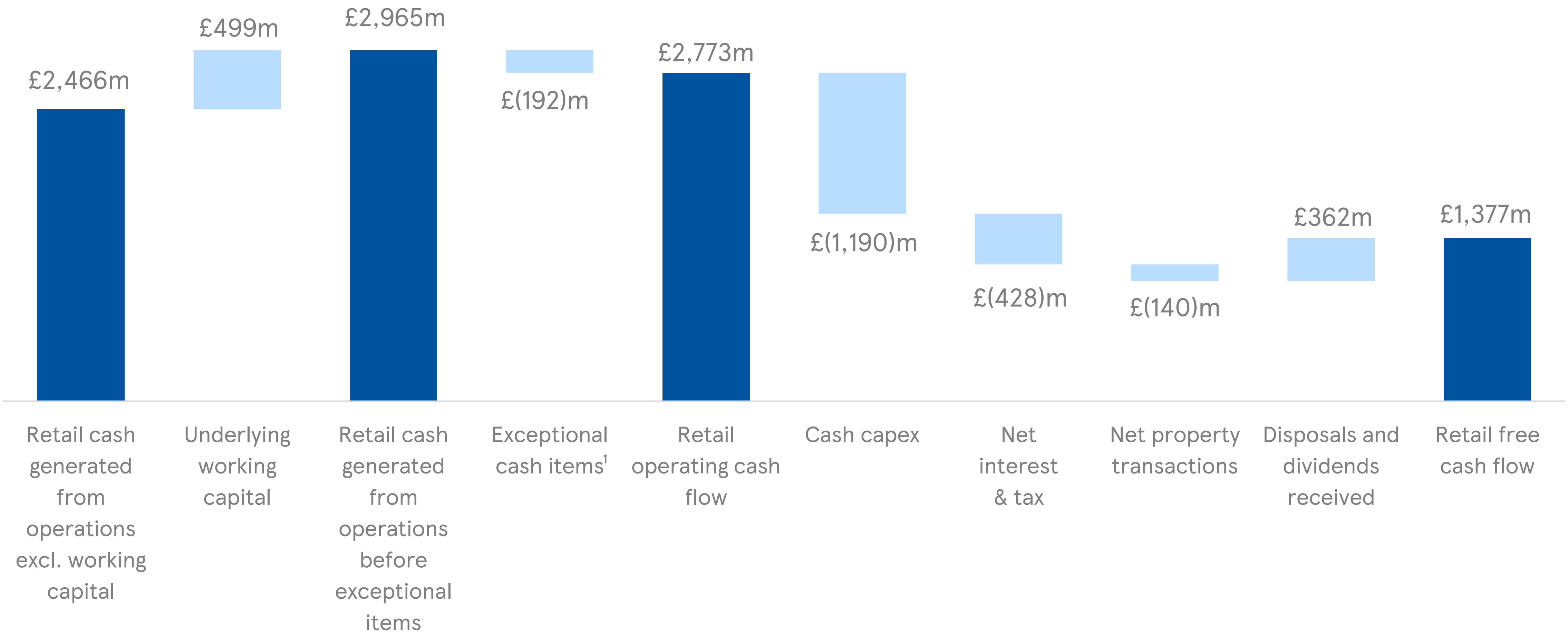
TESCO Bank

Tesco Bank

	FY 17/18	Change
Lending to customers	**£11,522m**	**15.7%**
Secured lending	£3,001m	39.2%
Unsecured lending	£8,522m	9.2%
Bad debt: asset ratio	**1.3%**	**(0.2)%**
Operating profit pre exceptional items	**£173m**	**10.2%**
Cost: income ratio[1]	59.7%	2.6% improvement
Net interest margin	3.9%	(0.1)%
Tier 1 capital ratio	**16.1%**	**(0.6)%**
Total capital ratio	**19.3%**	**(0.7)%**

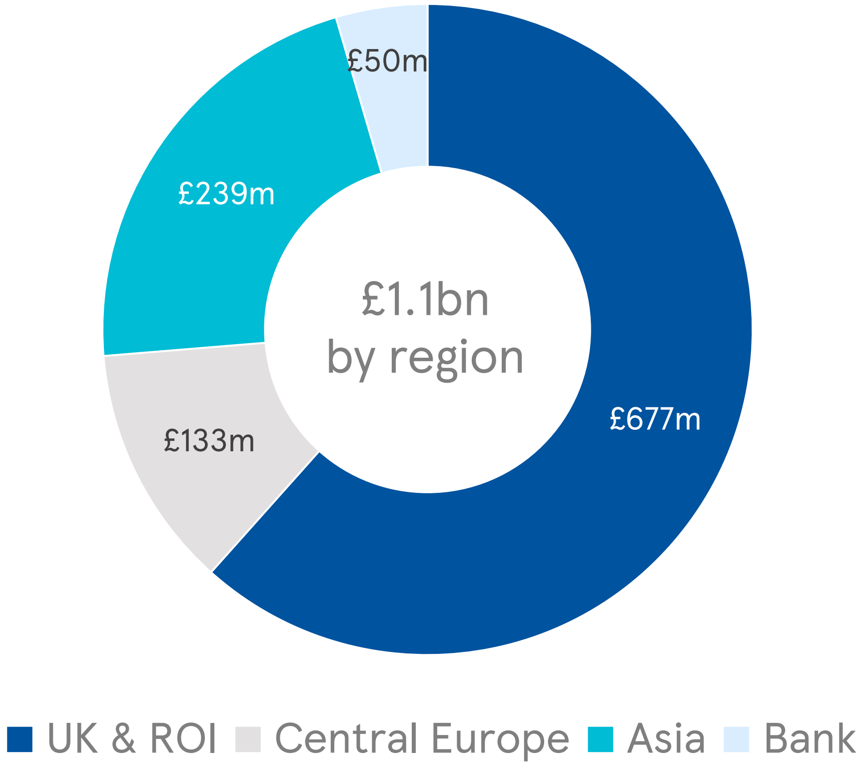
1. FY 17/18 adjusted for £(23.8)m customer redress and FY 16/17 adjusted for £(45)m customer redress and £(21.8)m in restructuring; Statutory cost: income ratio FY 17/18 61.6% and FY 16/17 71.4%.

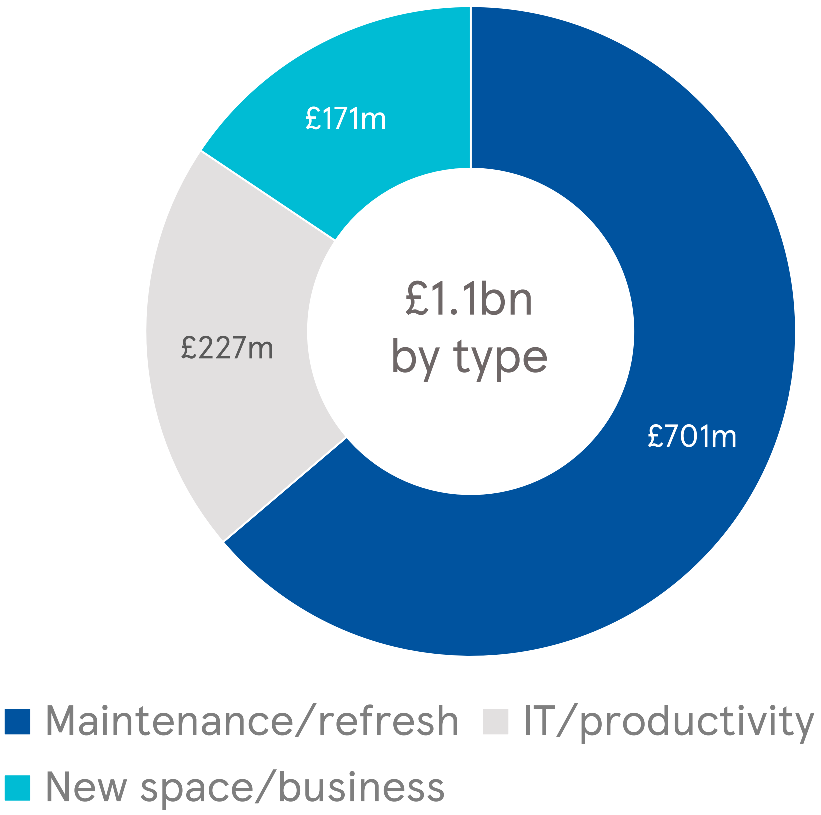
Sources and uses of cash



1. Exceptional cash items includes £(120)m of restructuring payments, £(92)m utilisation of onerous leases, £(149)m for payments in relation to the Deferred Prosecution Agreement with the SFO and shareholder compensation payments, offset by a £160m VAT refund and £9m of other items.

Capital expenditure

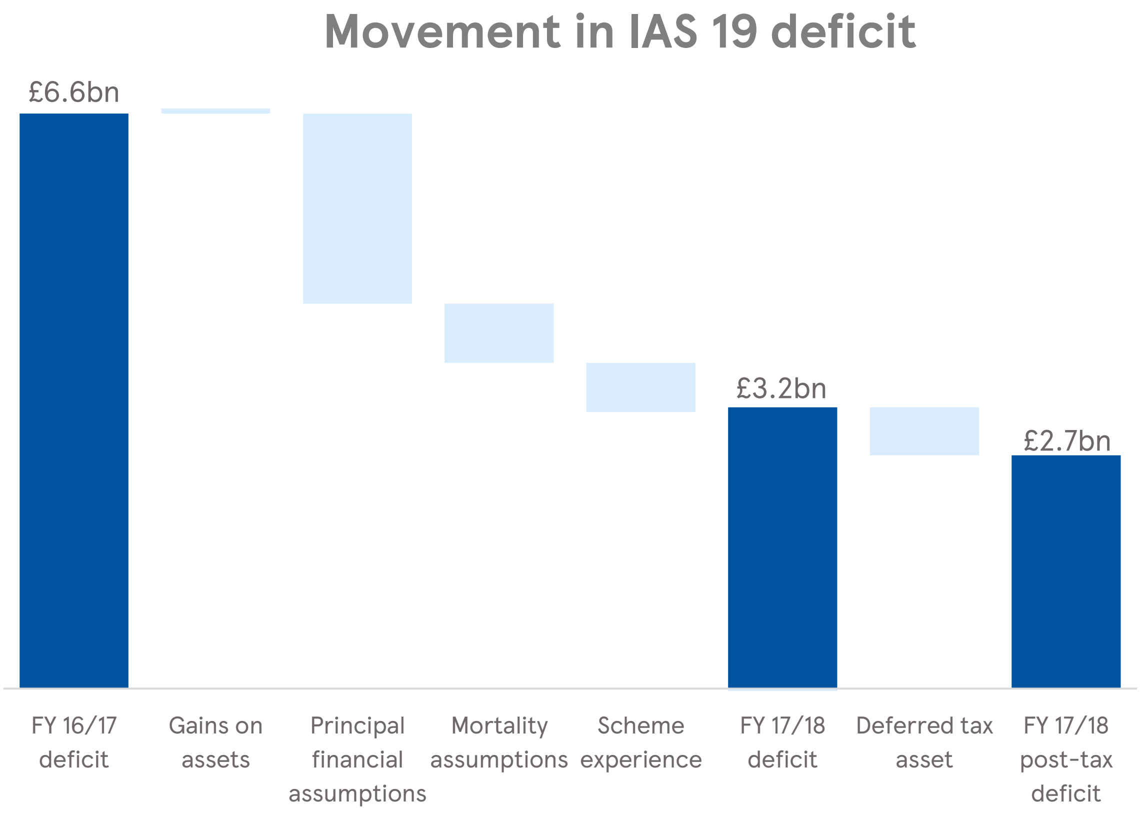




FY 18/19 onwards capex guidance: between £1.1bn and £1.4bn

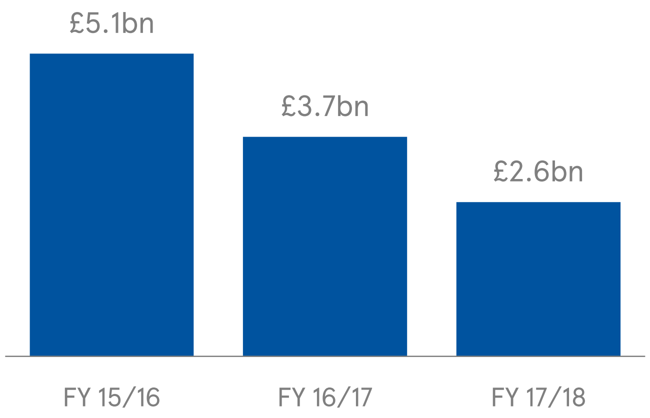
Pension

- Triennial pension review concluded
  - Small increase in annual contributions to £285m p.a. from April 2018
  - Actuarial deficit as at March 2017: £3.0bn
- IAS 19 pension deficit reduced to £2.7bn
- Discount rate more appropriately reflects corporate bond yields over life of liabilities

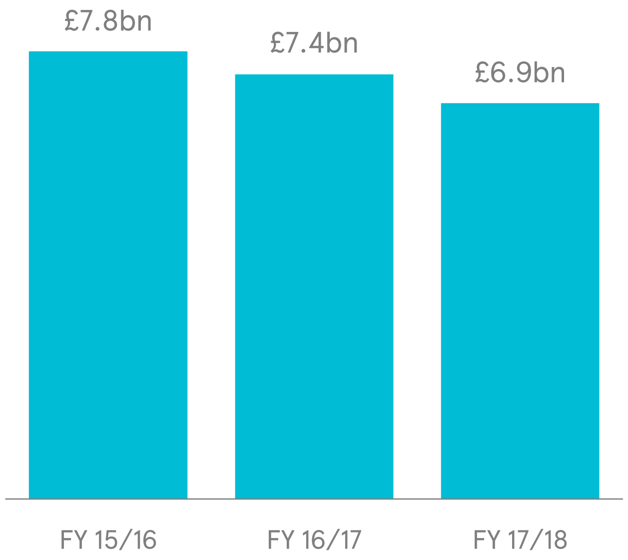


Balance sheet progress

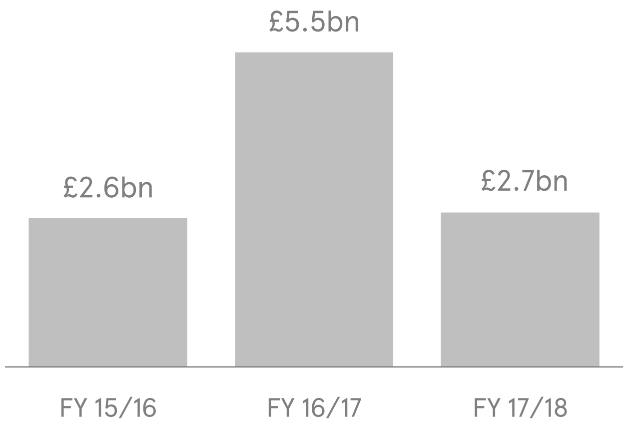
Net debt



Lease commitments



Pension deficit



Total indebtedness £12bn (down from £21bn in 2014)

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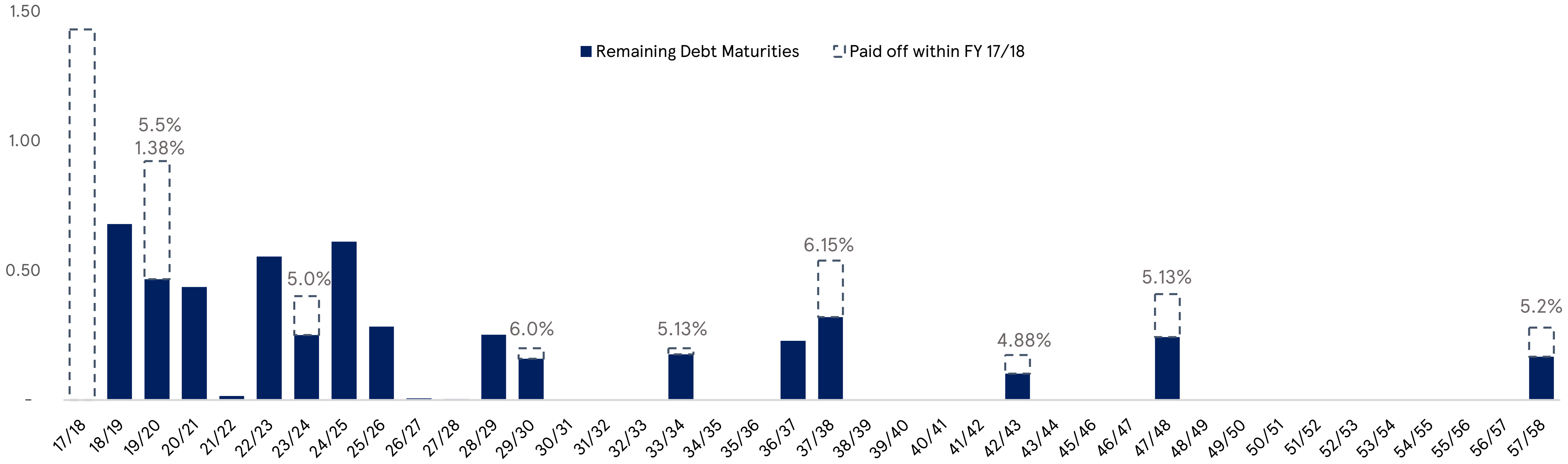
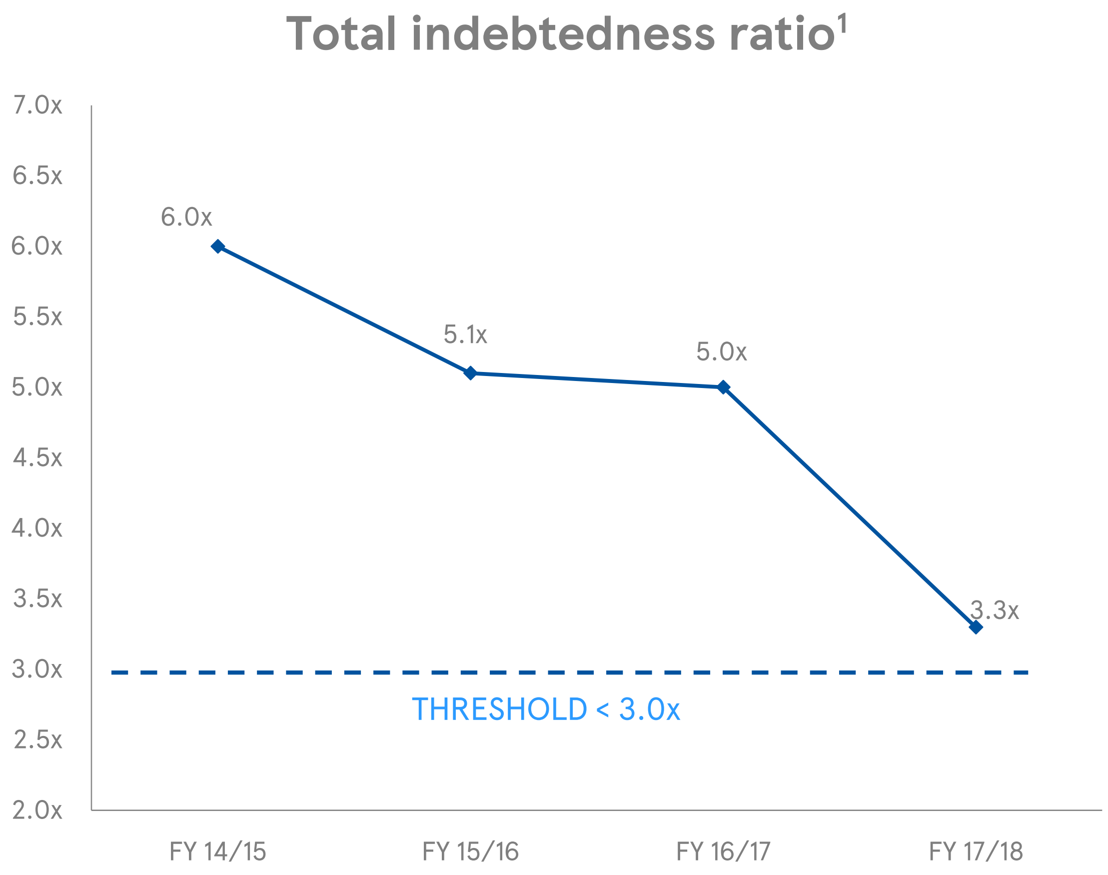
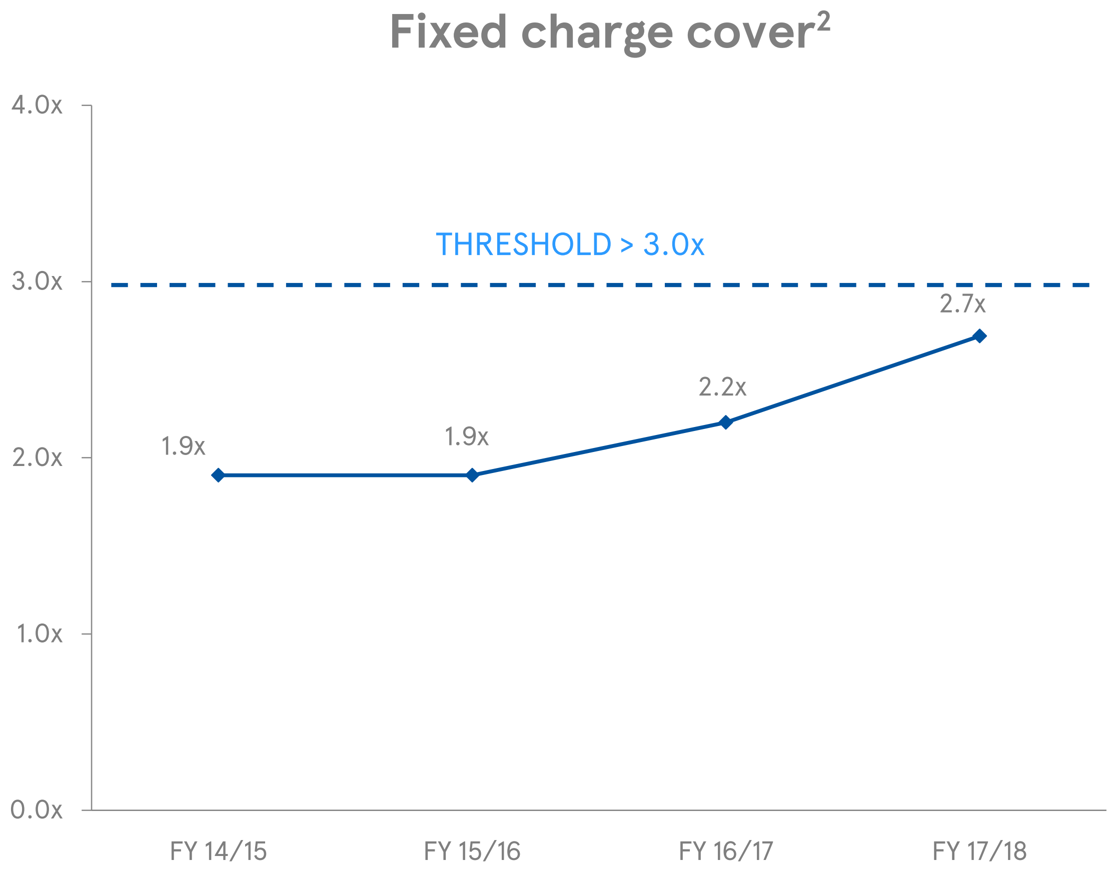
Debt reduction

- Repayment of £2.7bn of outstanding debt during FY 17/18:
  - £1.4bn maturities
  - Tender offers in July (£500m) and October (£800m)
  - c.£50m annualised interest savings



Improving debt metrics



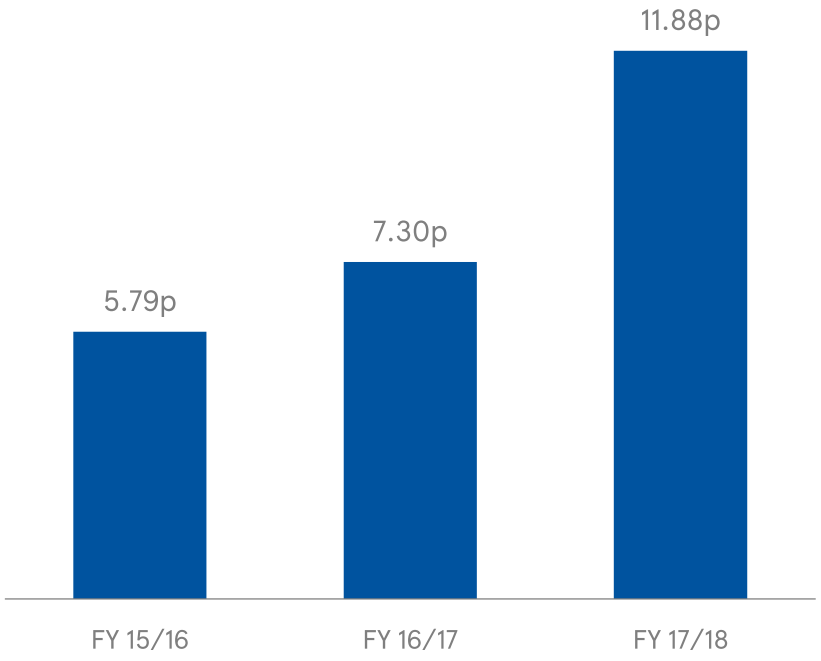


1. Net Debt + defined pension deficit (net of tax) + discounted operating lease commitments / EBITDAR
2. EBITDAR / (Net finance costs (before exceptional charges, IAS 19 net pension finance costs and IAS 30 fair value remeasurements) + Retail operating lease expense)

Earnings per share

	FY 17/18	% change
Operating profit[1]	**£1,644m**	**28.4%**
JVs & Associates[1]	£(6)m	80.0%
Net finance costs[2]	£(356)m	24.1%
Profit before tax[3]	**£1,282m**	**63.5%**
Taxation	£(309)m	(64.4)%
Profit after tax[3]	**£973m**	**63.3%**
Diluted weighted average number of shares (m)	8,192	0.3%
Diluted EPS[3]	**11.88p**	**62.7%**

Three year progress[4]



Commitment to offset any future dilution from share scheme issuance

1. Before exceptional items.
2. Before exceptional items, IAS 19 net pension finance costs and IAS 39 'Financial instruments' - fair value remeasurements.
3. Before exceptional items, IAS 19 net pension finance costs and IAS 39 fair value remeasurements attributable to owners of the parent.
4. Adjusted diluted EPS before exceptional items, net pension finance costs and fair value remeasurements, on a continuing operating basis

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Final dividend

- 2p final dividend
- Ex-dividend date 17 May 2018; Payment date 22 June 2018
- Total cash cost of c.£164m (payable in FY18/19)
- Targeting cover of around two times earnings in medium term

Guidance

Operating margin	3.5% to 4.0% Group operating margin by 19/20
Operating costs	Reduce operating costs by a further £1.5bn by 19/20
Retail cash generation	Generate £9bn of cash from operations by 18/19
Working capital	Underlying decrease of around £0.2bn per annum
Pension deficit contribution	£285m per annum from April 2018 (previously £270m)
Capex	£1.1bn - £1.4bn per annum
Net finance costs[1]	c.4% of long-term debt per annum
Effective tax rate	Decreasing to c.20% over medium term
Dividend	Targeting cover of around 2 times EPS in medium term Broadly one-third : two-thirds split between interim and final
Debt metrics	Total indebtedness less than 3.0x EBITDAR Fixed charge cover greater than 3.0x
Booker	Consolidated from 5 March 2018

1. Before exceptional charges, IAS 19 net pension finance costs and IAS 39 fair value remeasurements.

Financial summary.

- Continued strong growth in sales (+2.3%), profit (+28.4%), cash (+21.7%) and earnings (+62.7%)
- Increased profitability ➡ 3.0% Group operating margin in second half
- £594m cost savings in year; £820m savings to date
- £2.7bn debt repaid in year
- Total indebtedness down £4.4bn to £12.3bn
- Dividend reinstated: interim 1.0p + final 2.0p

Three years on.

Six strategic drivers.

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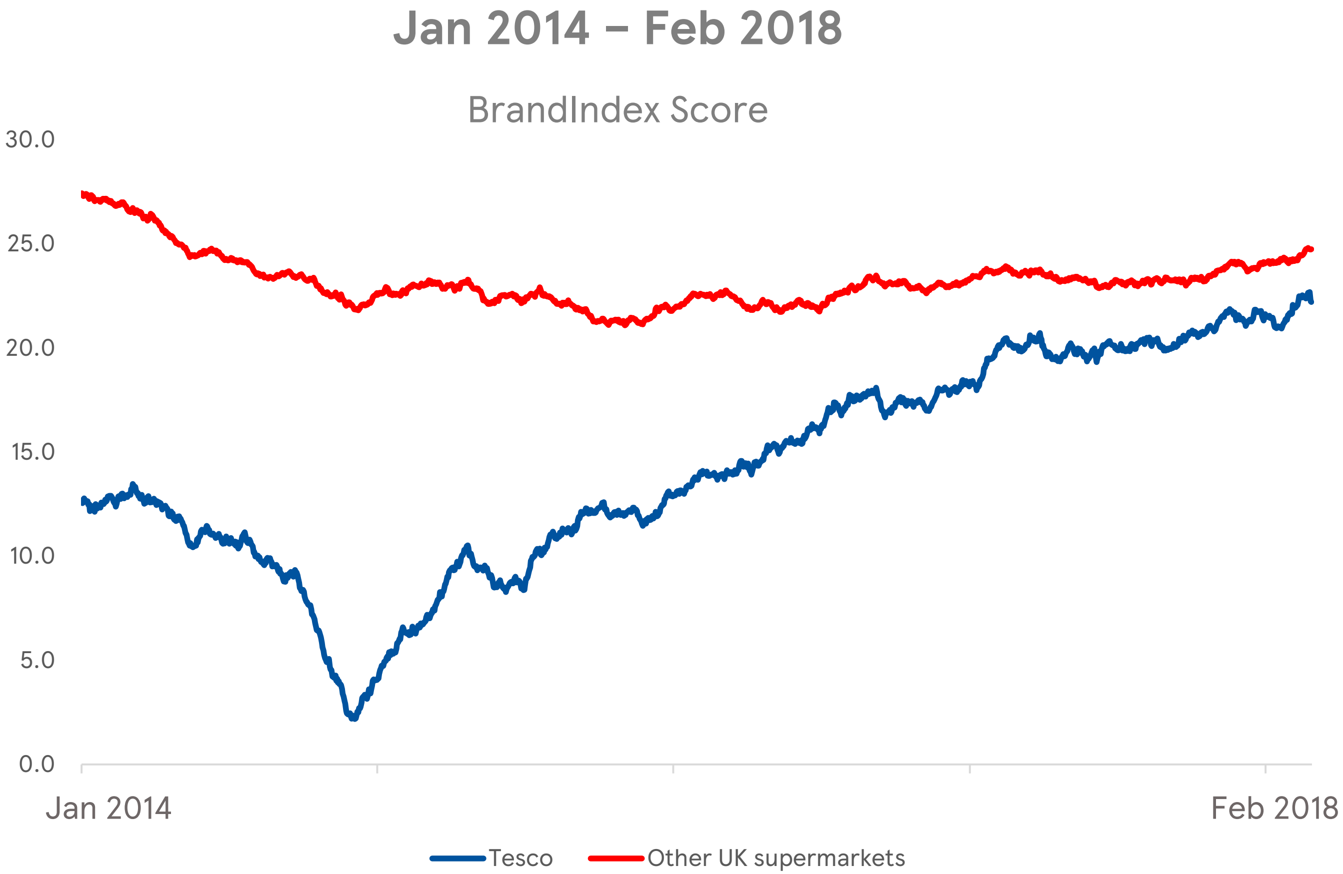
A differentiated brand

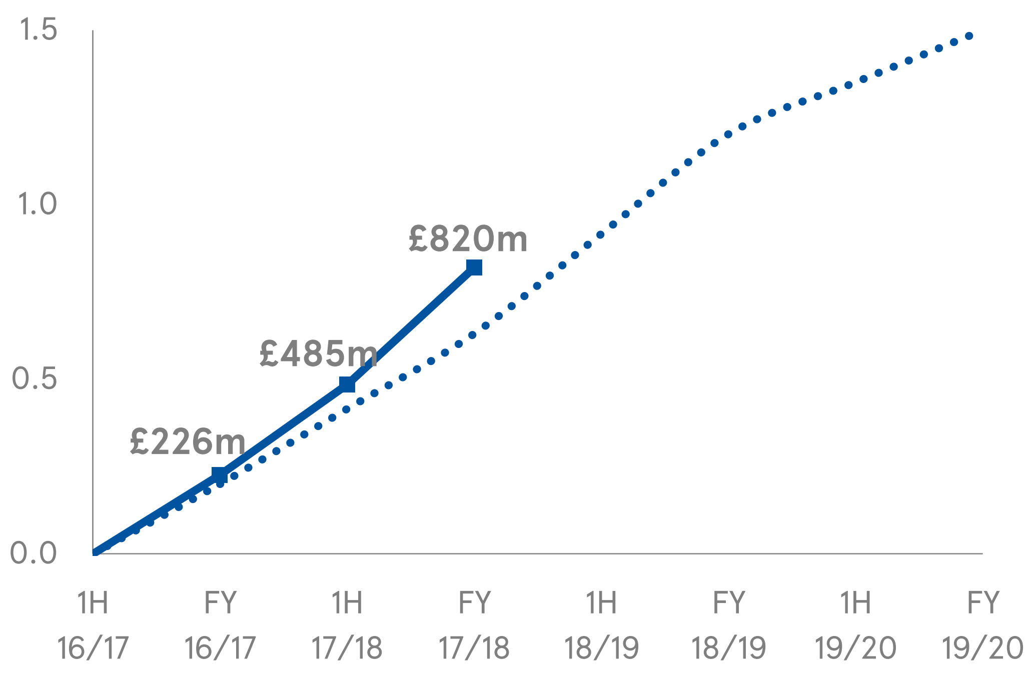


	14/15	17/18	Change
NPS[1]	38.7	53.7	+15.0
Quality perception[2]	12.5	24.7	+12.2
Value perception[2]	6.5	18.8	+12.3

1. Reflects % of Fans minus 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 YouGov Brand perception measures of quality and value.

Reduce operating costs by £1.5bn

Cumulative cost savings



Cost savings towards £1.5bn target

Store operating model

Logistics and distribution

Goods not for resale

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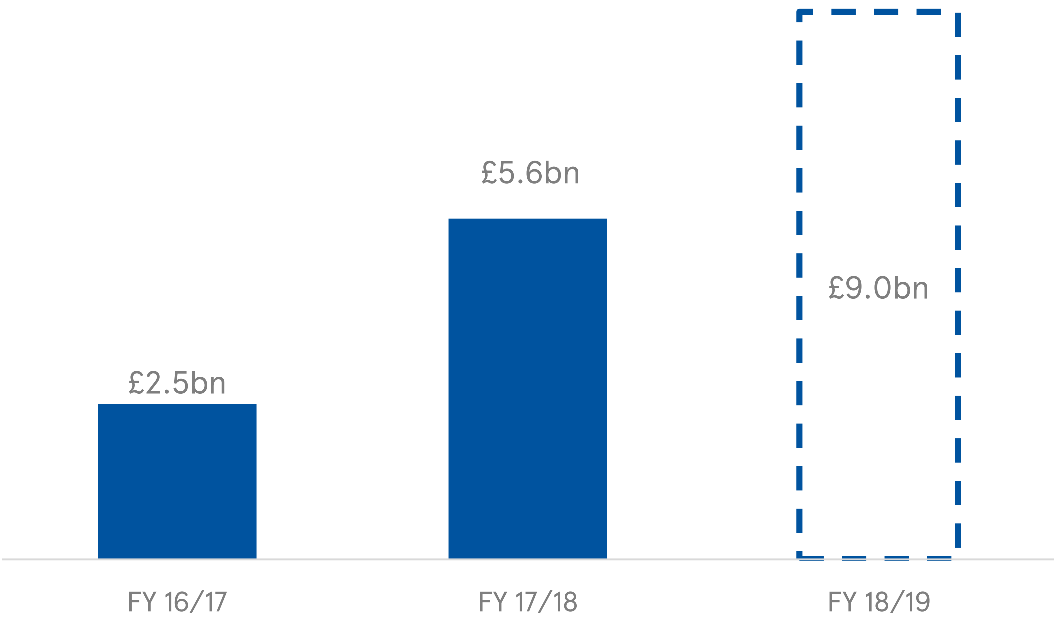
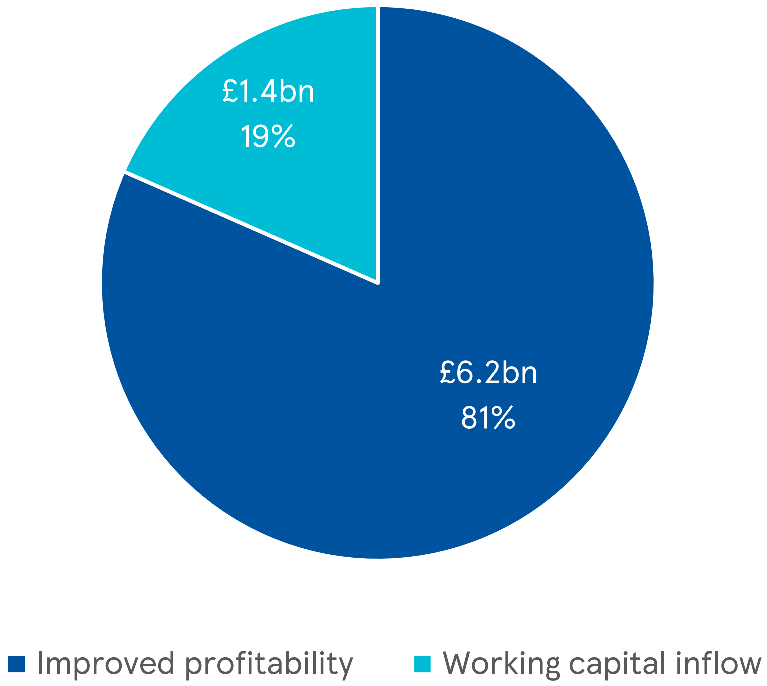
Generate £9bn cash from operations

Feb 2016 – Feb 2018

Cumulative retail cash generated from operations[1]



Sources of cash – three years to Feb 2018

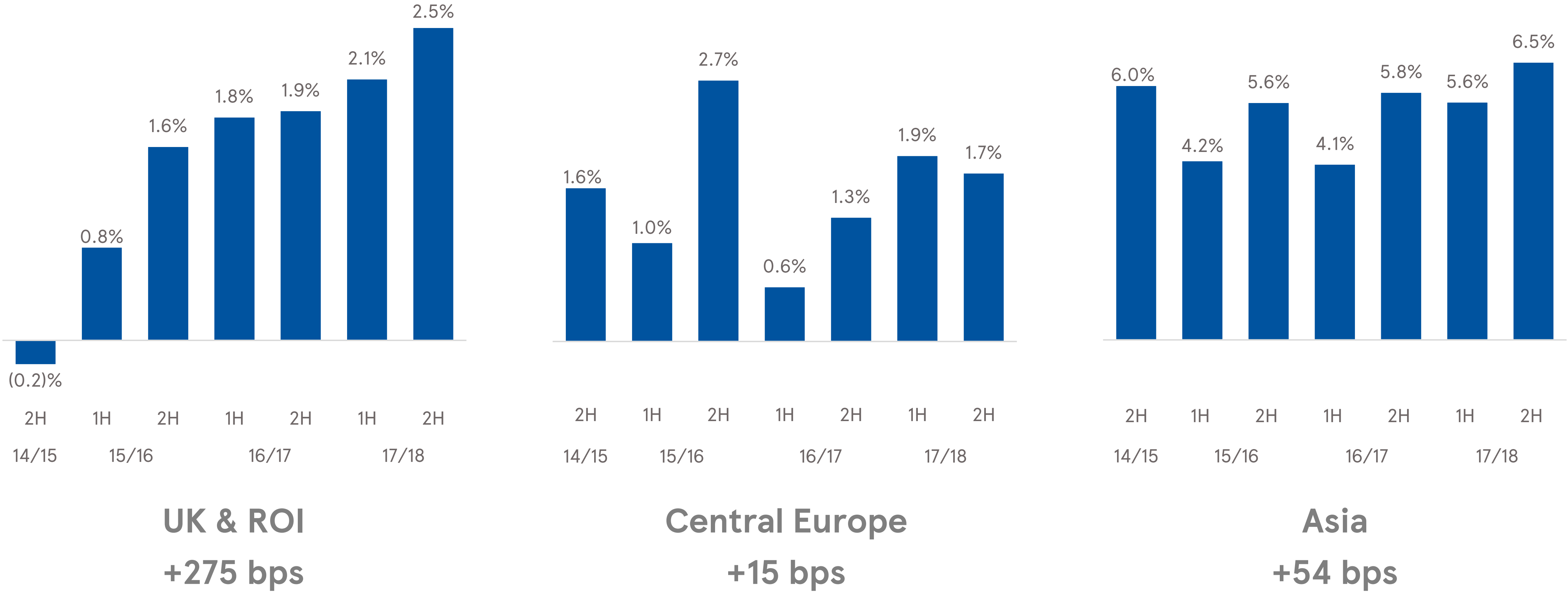


1. Cumulative retail cash generated from operations excluding pension deficit repayments.

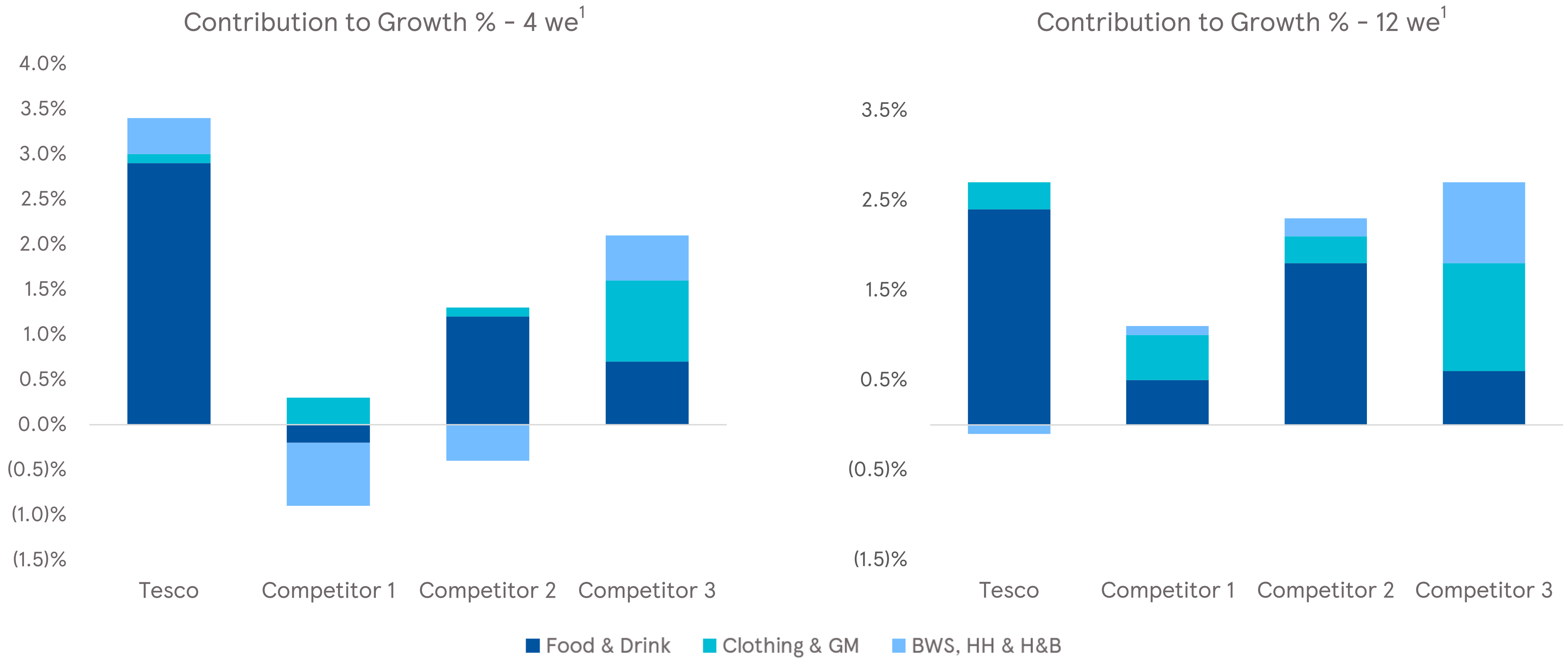
Maximise the mix to achieve a 3.5% - 4.0% margin

Matrix as shared in October 2016. Colour of boxes illustrates indicative margin percentage relative to total (blue – above average, green – at average, red - below average).

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



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

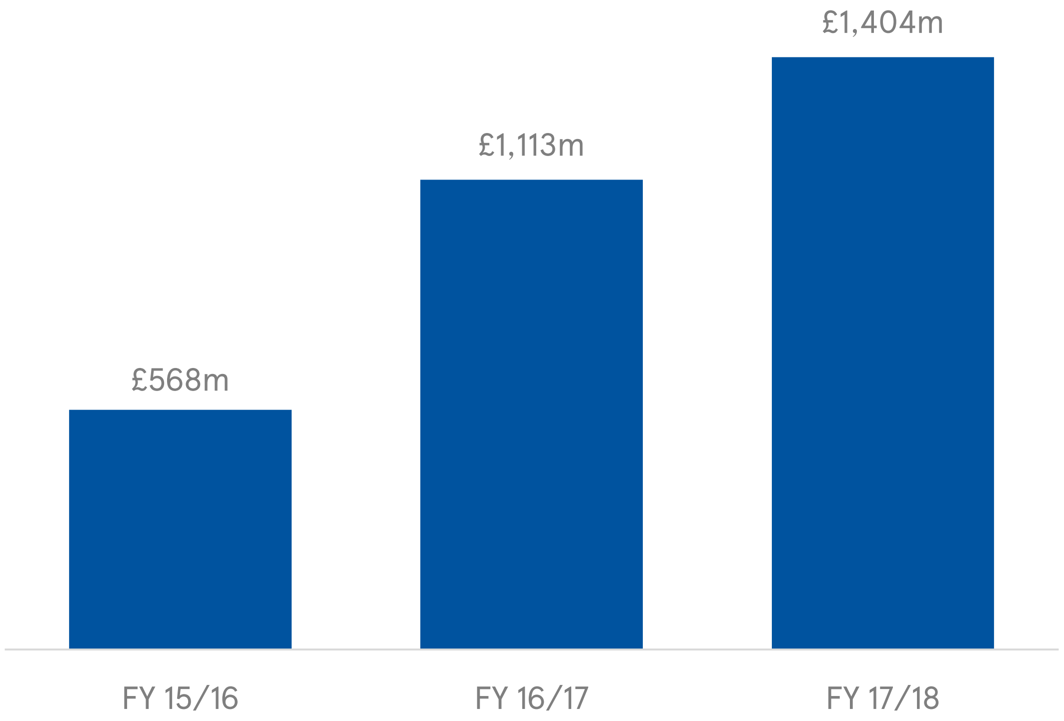


1. Kantar Performance Summary – 4 week and 12 week ending 25 February 2018.

Maximise value from property

Feb 2015 – Feb 2018

Cumulative value from property proceeds[1]

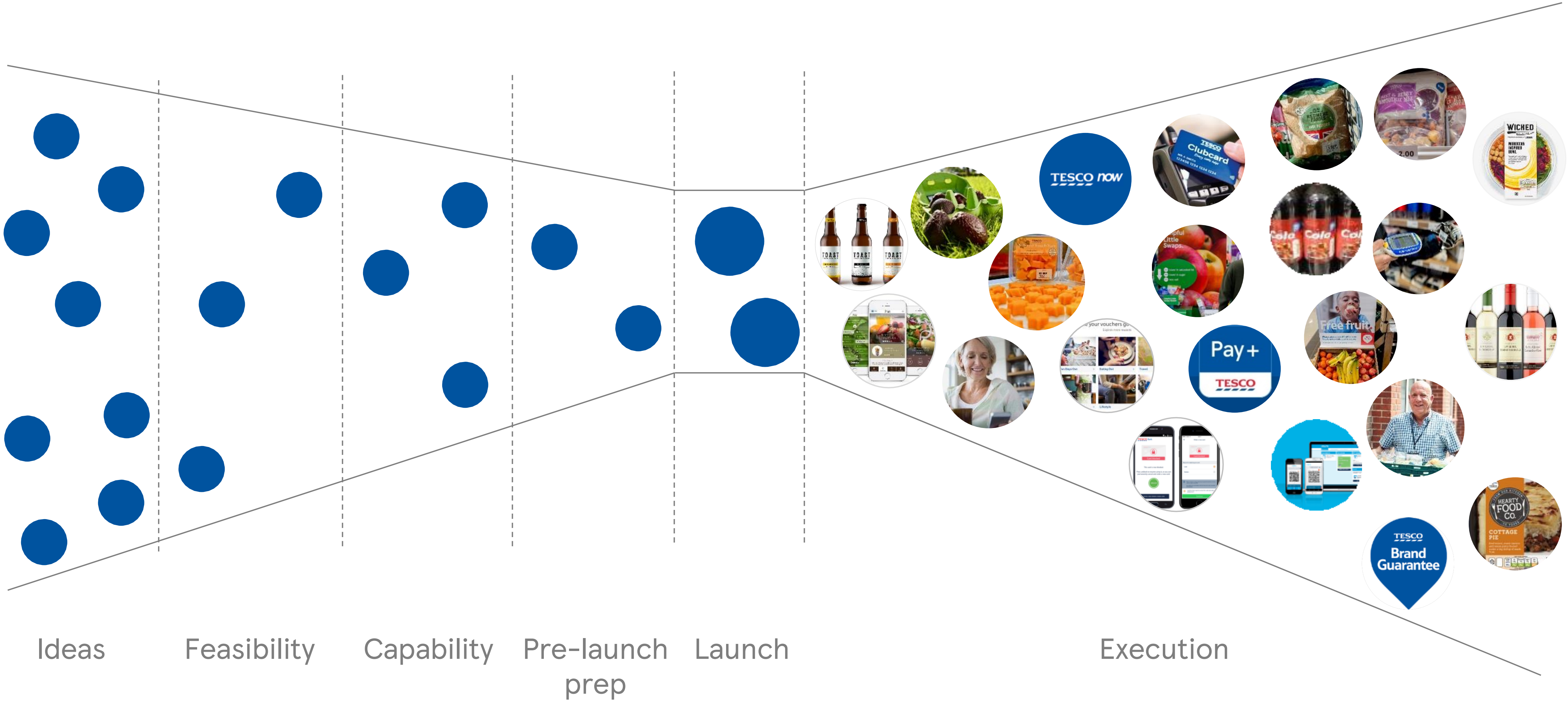


Three year progress

- **Freehold proportion[2]: 41% to 52%**
- **Proceeds released: £1.4bn**
- **Space repurposed: 2.6m sq.ft**

1. Proceeds from sale of property, plant and equipment, investment property, intangible assets and non-current assets classified as held for sale and development stock.
2. Represents freehold proportion for the UK & ROI.

Innovation


TESCO now
Pay+
TESCO
TESCO
Brand
Guarantee
Free fruit
Ideas
Feasibility
Capability
Pre-launch
prep
Launch
Execution

Innovation

Own Brand

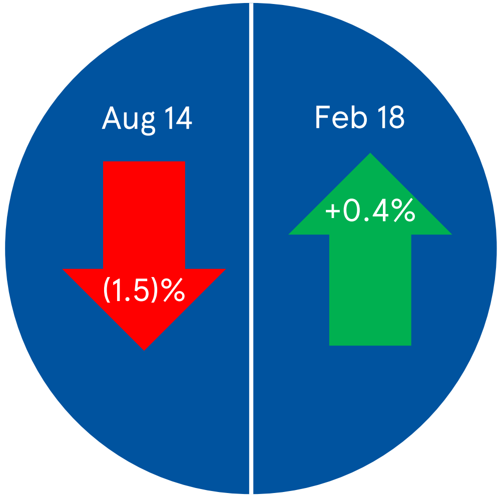
Clubcard

Pay+

Our four key stakeholders.

Three years on: Customers

Net promoter score[1]



Food market share[2]

Loyalty[3]

Brand perception[4]

1. Reflects % of Fans minus 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. Year on year growth in Food & Drink market share per Kantar 4 week data for August 2014 and February 2018.
3. Reflects % increased in customers who are now (>50%) loyal to Tesco per Kantar.
4. Based on YouGov Brand Index which is a score based upon 6 component questions covering quality, value, reputation and satisfaction.

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Three years on: Colleagues

Great place to work[1]

Great place to shop[2]

Customer-facing colleagues
⬆ 18,443

Management roles
⬇ 5,900

Transformation[3]

+10.5%
⬆
+3.1%
⬆
0%

Investment in colleagues[4]

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 for the Group.
2. Reflects the net promoter score on recommending Tesco as a great place to shop as part of our ‘What Matters To You?’ survey undertaken every January and August for the UK.
3. Increase in customer facing hourly paid colleagues from September 2014 to February 2018; reduction in manager roles within store and office structures.
4. Based on pay investment from 2015 to 2018 for our circa 250,000 customer facing hourly store colleagues.

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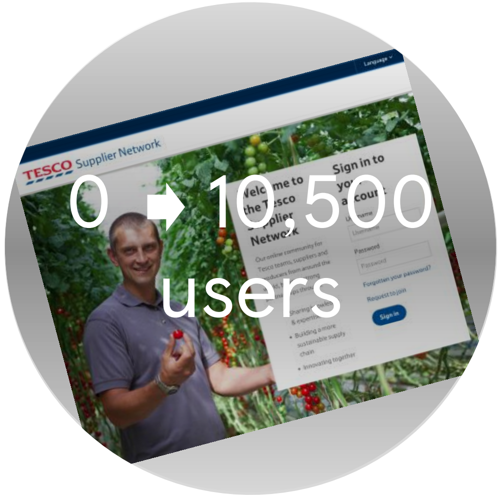
Three years on: Suppliers

Supplier Viewpoint[1]

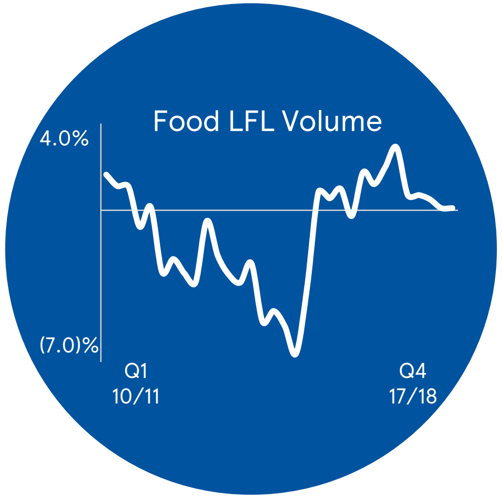


Supplier Network

ADVANTAGE

17/18: **1st**
16/17: **1st**
15/16: **4th**
14/15: **4th**

Supplier Advantage survey[2]



Growing volumes[3]

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 annual Supplier Viewpoint survey.
2. Third party organisation, Advantage, run an annual report to capture feedback on supplier and retailer performance.
3. Represents like-for-like UK food volumes.

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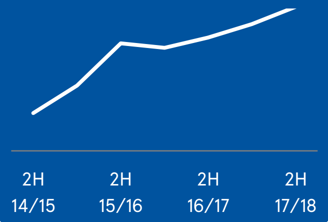
Three years on: Shareholders

Losing share to all

3.0% Group operating margin



Loss-making in UK

Negative free cash flow

£(2.6)bn net debt

£(8.5)bn Net debt

Three years on: Shareholders

£12bn
total
indebtedness

Capital discipline

£1.1bn - £1.4bn/yr

11.88p
EPS

Dividend
Reinstated:
3.0p/share

£21bn
total
indebtedness

Significant
capital expenditure

5.70p
EPS

Dividend
cut

In the UK, creating the leading food business.

TESCO

Booker results (unaudited)

- Q4 customer satisfaction up further 0.3% on Q3, to 85.7%
- Q4 like-for-like sales up 9.9%
- c.£195m FY 17/18 operating profit before exceptional items
- c.£120m FY 17/18 net cash

Joining forces

Investors back Tesco's £4bn deal to merge with Booker

Gurpreet Narwan

Shareholders have backed Tesco's £4billion takeover of Booker, effectively clearing away the final hurdle to the combination of Britain's biggest supermarkets group with the country's leading wholesaler.

Despite some opposition and boardroom divisions, investors on both sides supported the deal yesterday, paving the way for the formation of a grocery company with annual revenues of more than £60billion.

Just over 85 per cent of Tesco's investors approved the deal and 83 per cent of Booker shareholders voted in favour. Last year the takeover sailed through a review by the Competition and Markets Authority, which concluded that it would not lead to

had raised concerns about the deal. Glass Lewis said last week that the premium offered by Tesco "clearly lags regional trends", and added: "We see little cause for Booker investors to support what appears to be a less-than-compelling control transaction."

Institutional Shareholder Services also recommended that Booker shareholders should reject the offer, under which, it said, Tesco "appears to be getting the better deal".

With the shareholders' support secured, Dave Lewis, chief executive of Tesco, will lead the enlarged business, while Charles Wilson, head of Booker, will run Tesco's British business.

Mr Lewis said: "This merger is about growth, bringing together our retail and wholesale skills to create the UK's leading food business. [It] opens up new

On time, as proposed

At least £175m

Significant cost synergy potential

At least £25m

Significant revenue growth potential

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Unlocking new growth

Range optimisation

New innovative formats

Expanded delivered offer

Click & Collect, Mobile, Banking

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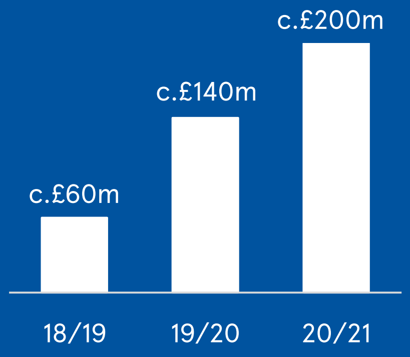
Synergies

£200m
over 3 years



Synergies

< £145m
over 3 years

Exceptional costs

£2.5bn

Revenue aspiration

TESCO

Minimum change, maximum impact

Purpose	'Serving Britain's Customers a little better every day'
Values	1. No one tries harder for customers 2. We treat people how they want to be treated 3. Every little help makes a big difference
Operating Principles	Health Safe + Legal Customer satisfaction Cash profitability 20/80: Minimise change for maximum benefit 'One Team' with specialised channel expertise (Retail, Wholesale, Online) YCDBSOYA - Speed

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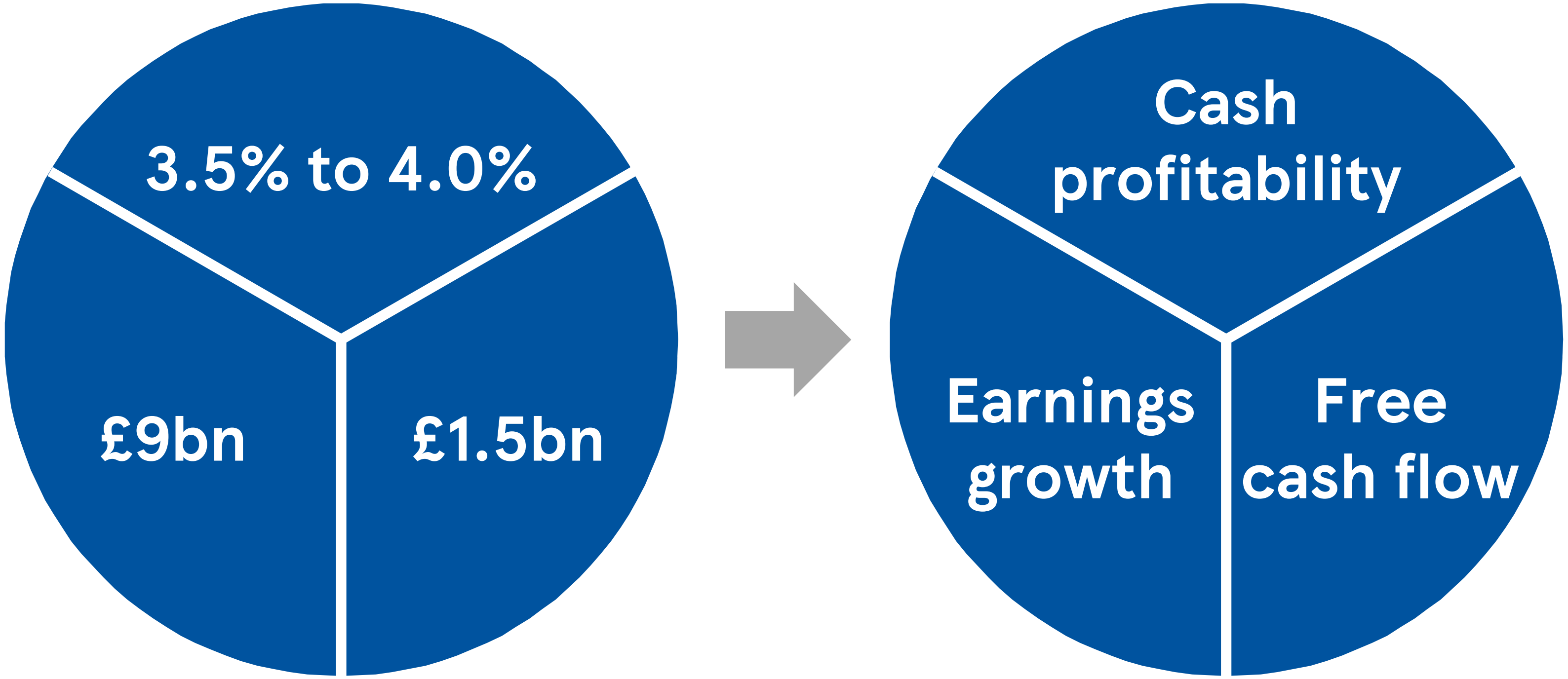
Sustainable value creation for shareholders



Tesco medium-term ambitions

Underlying philosophy

Summary.

- Delivering against our six strategic drivers
- Continued momentum in our performance
  - Sales up, profits up, cash up, debt down
  - Shifting the mix <u>and</u> more customers are shopping at Tesco
  - Balance sheet significantly strengthened
- Very confident that the UK's leading food business can unlock significant future growth
- Improving shareholder returns

Q&A.

BAKER
Special Offers
Tomatoes & Peppers
Bananas
TESCO
Natalie

TESCO

Appendix.

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Segmental performance

	Sales				Operating profit before exceptional items			
	FY 17/18	FY 16/17	Change constant rates[1]	Change actual rates[1]	FY 17/18	FY 16/17	Change constant rates	Change actual rates
UK & ROI	£38.7bn	£37.7bn	2.2%	2.5%	£1,053m	£803m	30.3%	31.1%
Central Europe	£6.3bn	£6.0bn	(1.6)%	6.1%	£119m	£58m	89.7%	105.2%
Asia	£4.9bn	£5.2bn	(9.4)%	(4.4)%	£299m	£262m	7.6%	14.1%
Bank	£1.1bn	£1.0bn	3.9%	3.9%	£173m	£157m	10.2%	10.2%
Group	**£51.0bn**	**£49.9bn**	**0.6%**	**2.3%**	**£1,644m**	**£1,280m**	**25.9%**	**28.4%**

1. Change shown on a comparable days basis.

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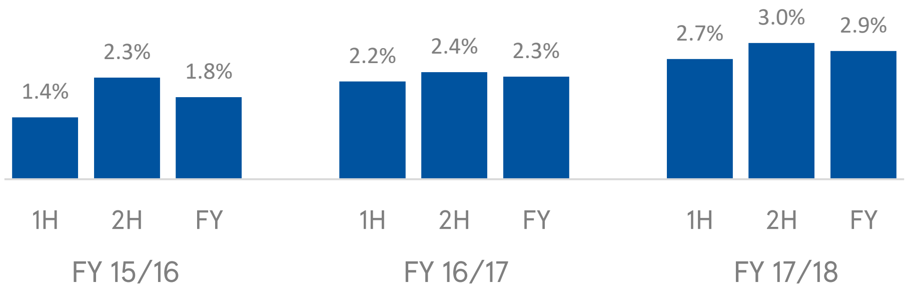
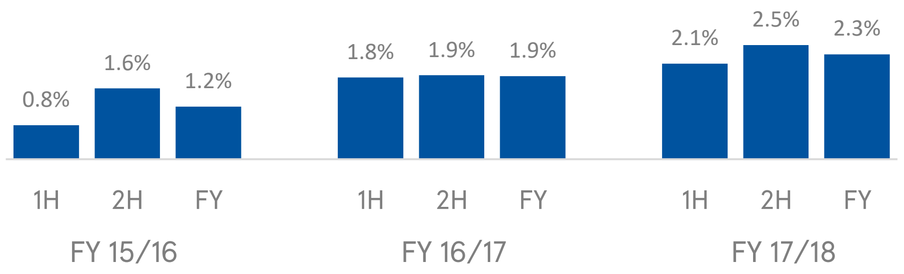
Margin progression

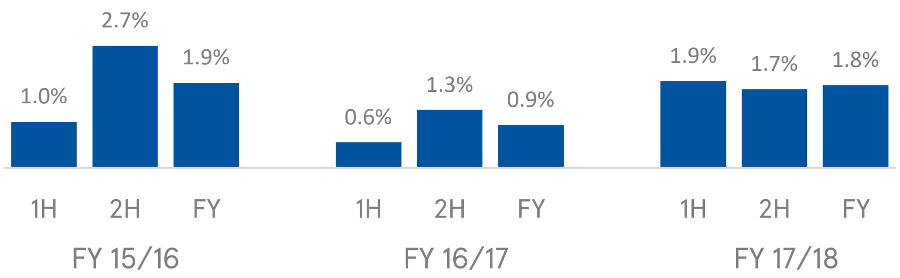
Group



UK & ROI



Central Europe



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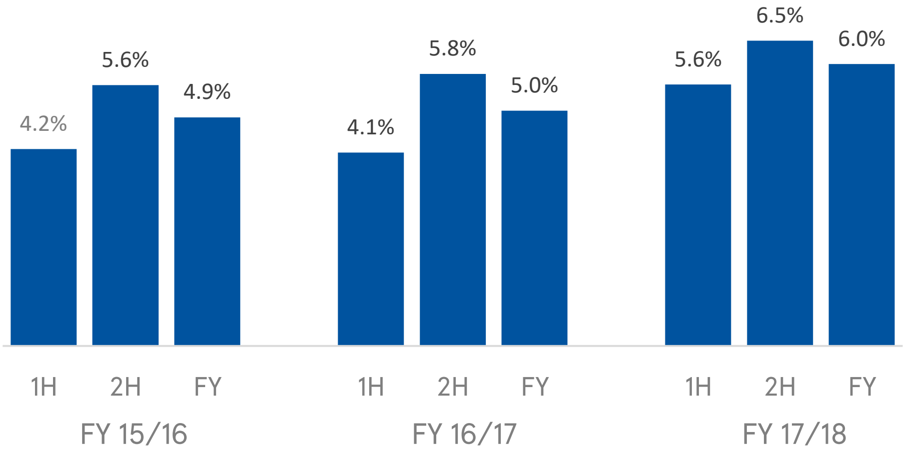

Operating margin shown before exceptional items.

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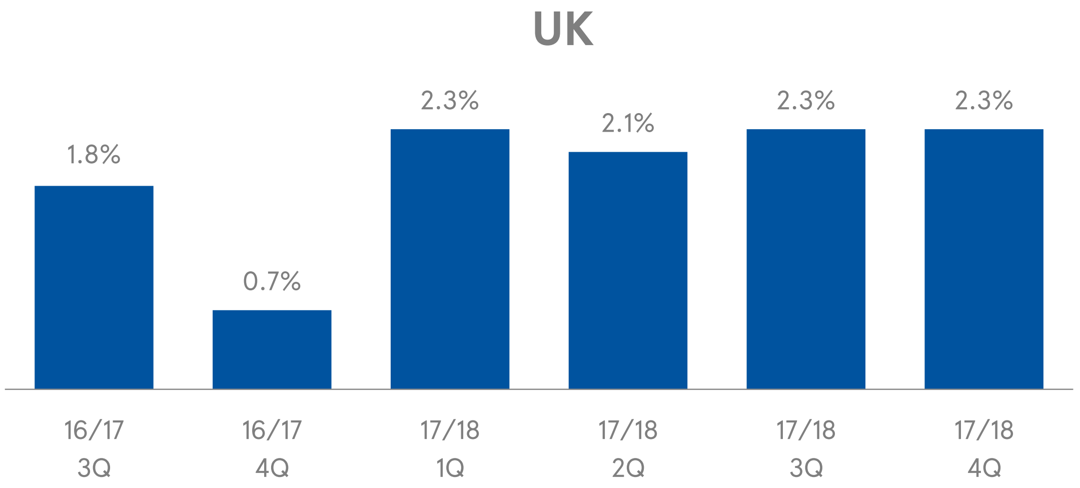
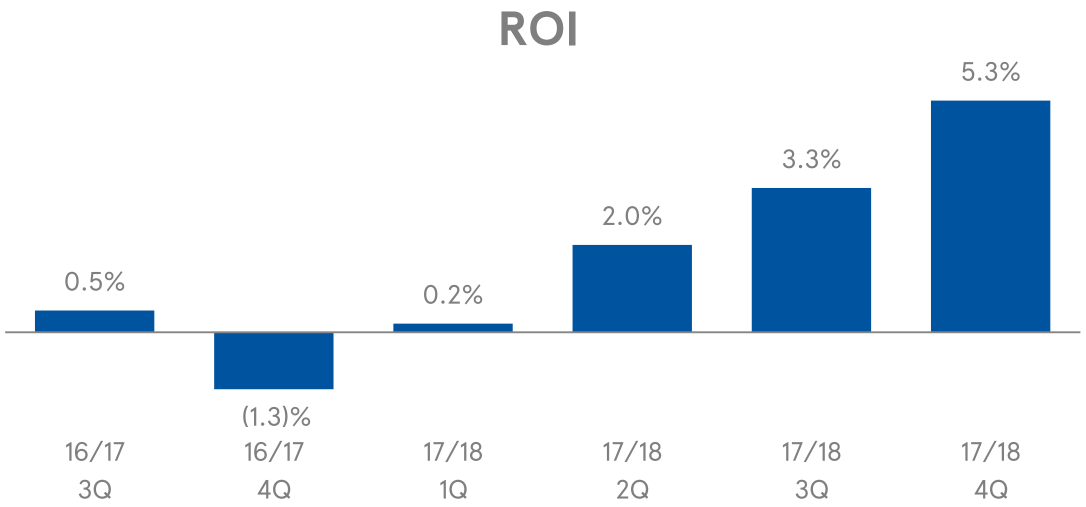
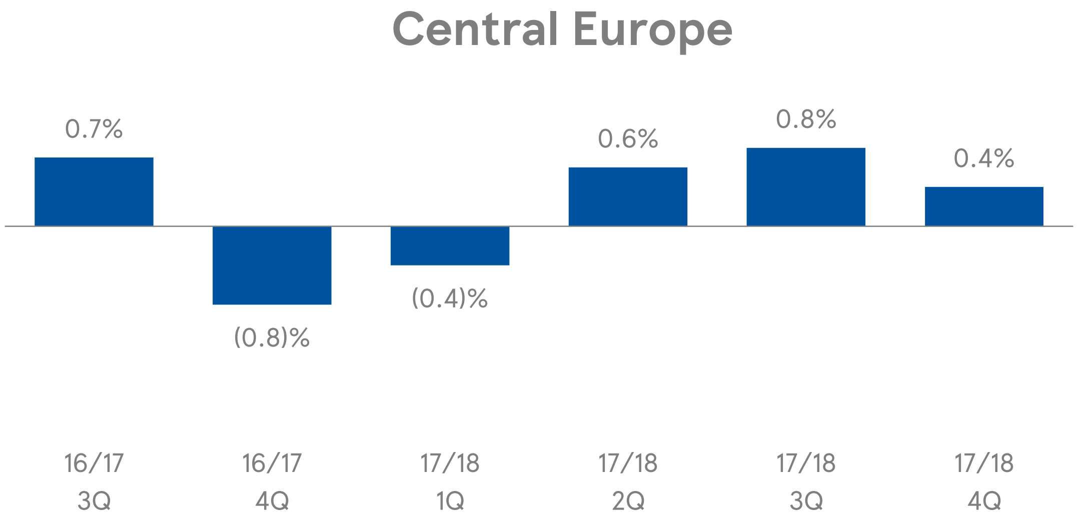
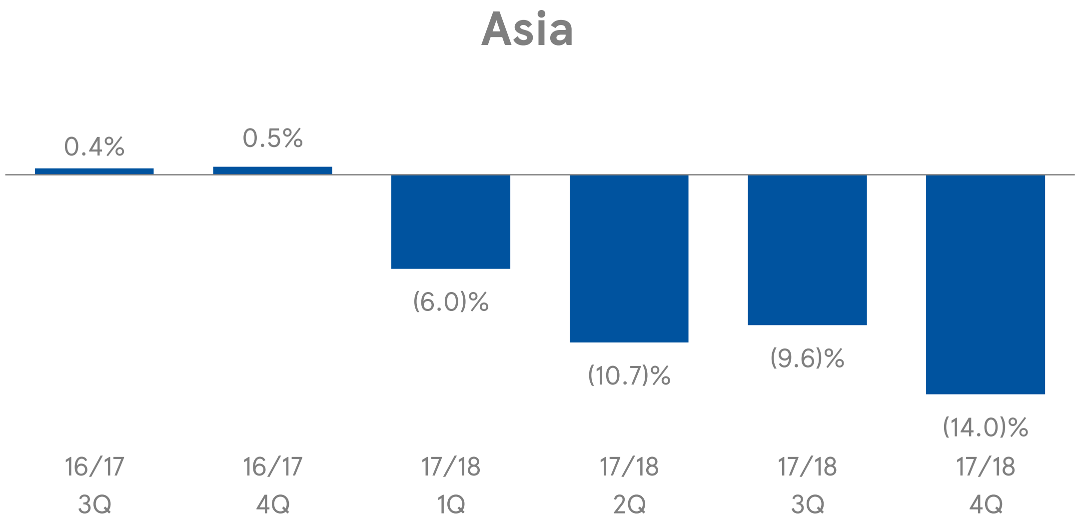
Like-for-like sales performance[1]





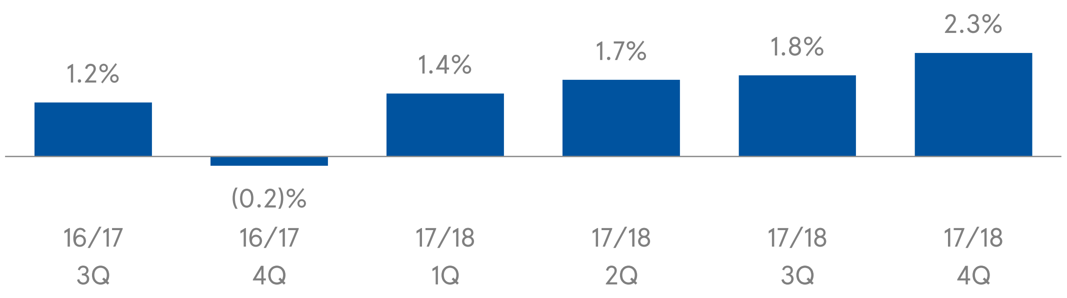




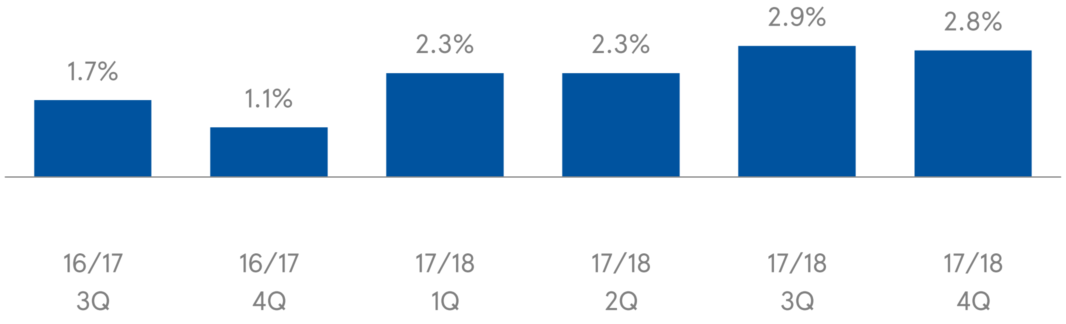
1. Exc. VAT, exc. Fuel.

UK like-for-like sales performance[1] by format

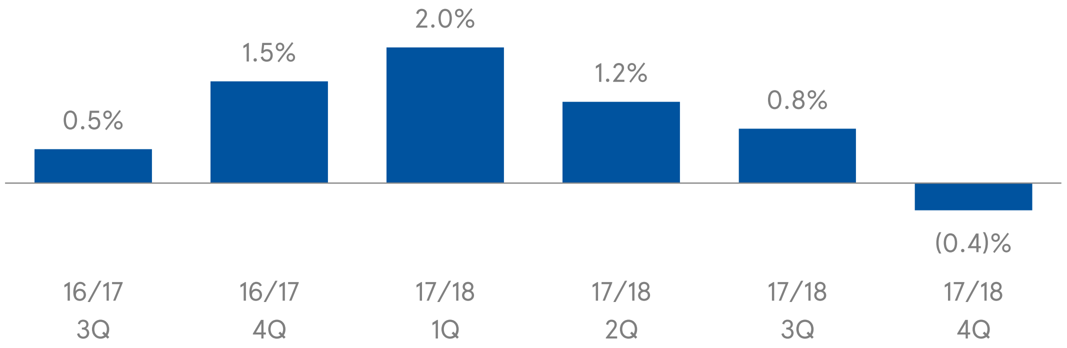
Extra



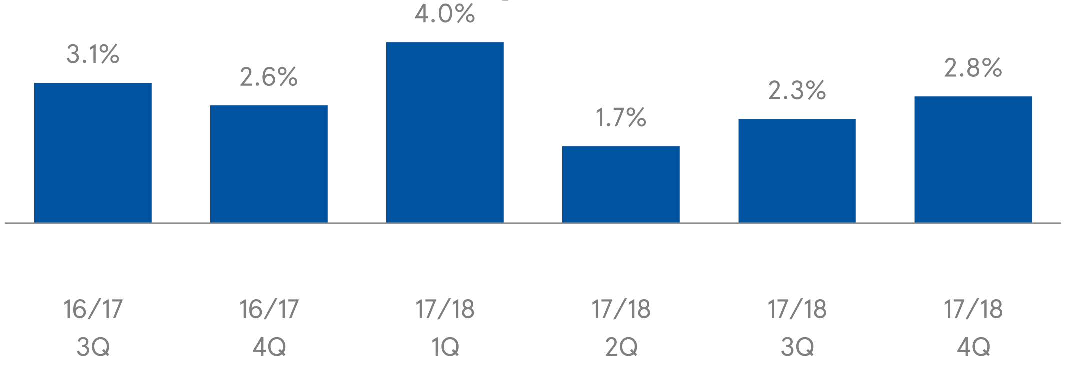
Superstores



Metro



Express



Online FY 17/18: Grocery 5.1% General Merchandise & Clothing (11.3)%

1. Exc. VAT, exc. Fuel.

Exceptional items

	FY 17/18	FY 16/17
Restructuring and redundancy	£(102)m	£(199)m
Property transactions	£79m	£165m
Disposal of opticians business	£38m	-
Interchange legal settlement	-	£57m
Amounts (provided)/released in relation to SFO and FCA obligations	£25m	£(235)m
Profit on the sale of Lazada	£124m	-
Tesco Bank customer redress	£(24)m	£(45)m
Net impairment (loss)/reversal of non-current assets and onerous lease provisions	£53m	£(6)m
Total exceptional items in operating profit	**£193m**	**£(263)m**

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Disclaimer.

This document may contain forward-looking statements that may or may not prove accurate. Forward-looking statements are statements that are not historical facts; they include statements about Tesco's beliefs and expectations and the assumptions underlying them. 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.

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