

Serving shoppers a little better every day.

3 October 2018

Dave Lewis – CEO
Alan Stewart – CFO



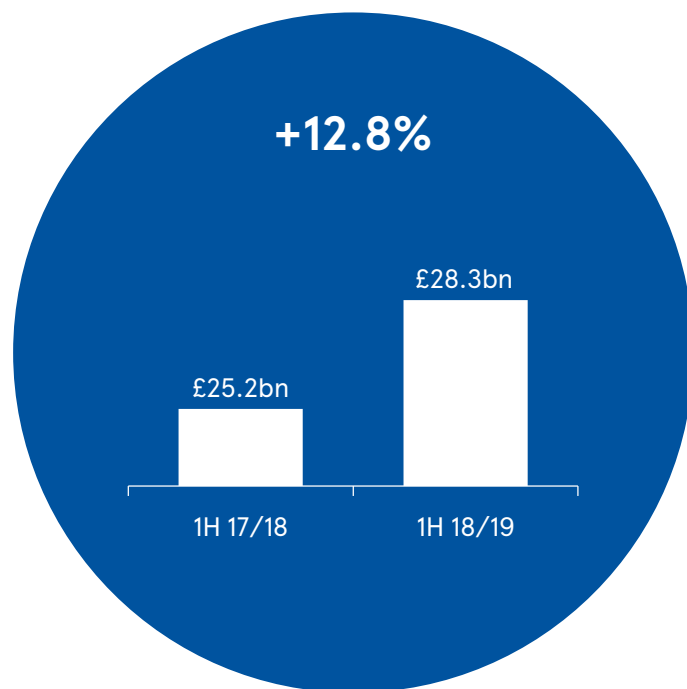
Agenda.

- Half year results
- Six strategic drivers
- Creating value for our four key stakeholders

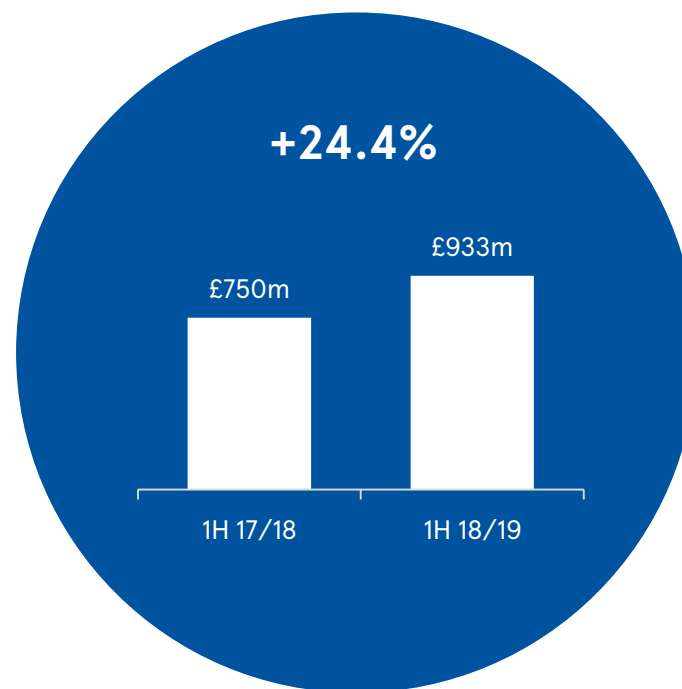
1H results.



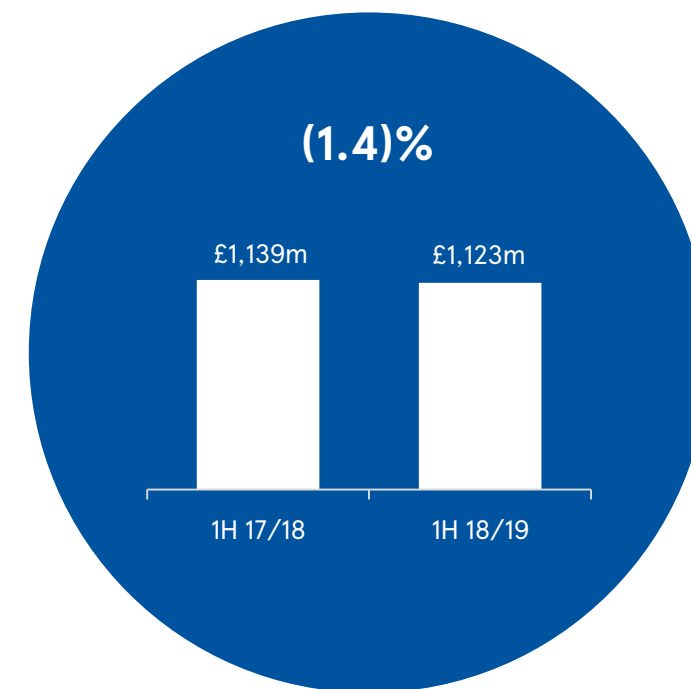
Group performance



Positive sales growth¹



Strong profit growth²

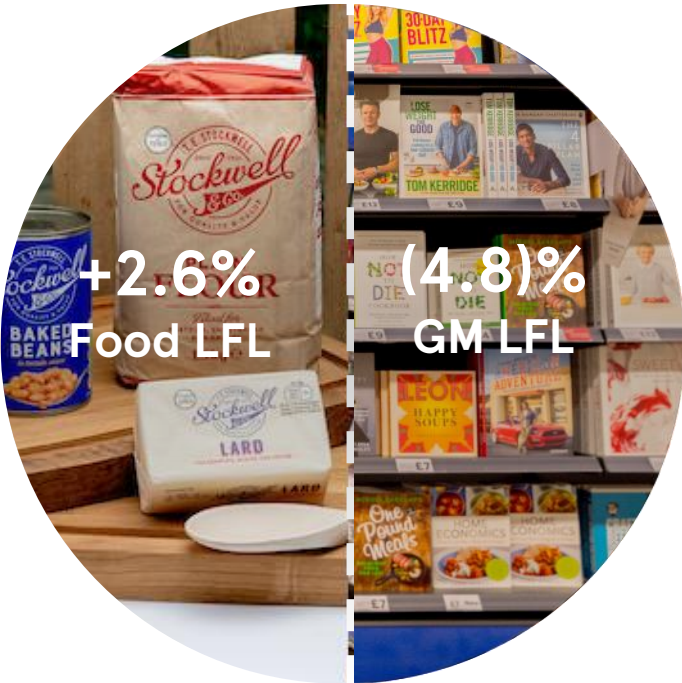


Strong retail cash generation³

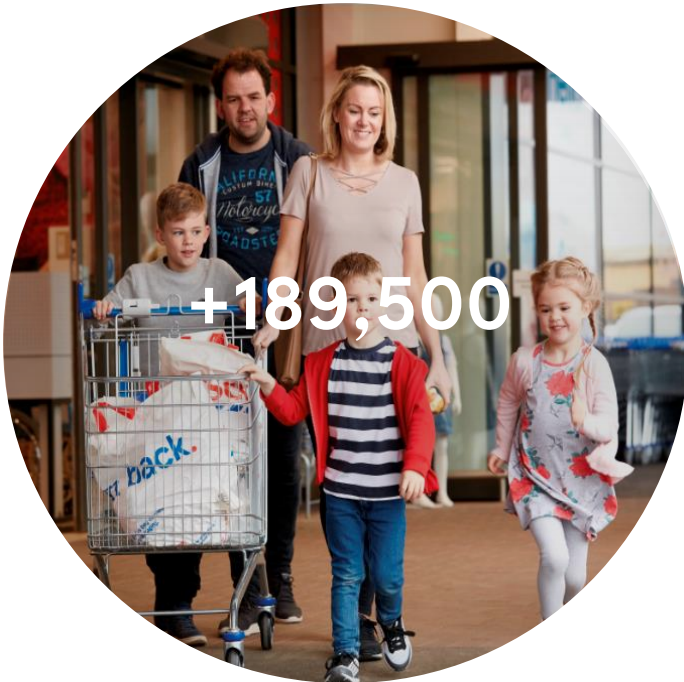
1. Group sales growth at actual rates on a comparable days and a continuing operations basis and includes an adjustment to last year's figures to reflect a change in the reporting of consignment sales.
2. Group operating profit before exceptional items and amortisation of acquired intangibles on a continuing operations basis.
3. Retail cash generated from operations on a continuing operations basis.

Note: All prior year numbers and growth rates above do not include Booker in the base. Last year figures restated for impact of IFRS 15.

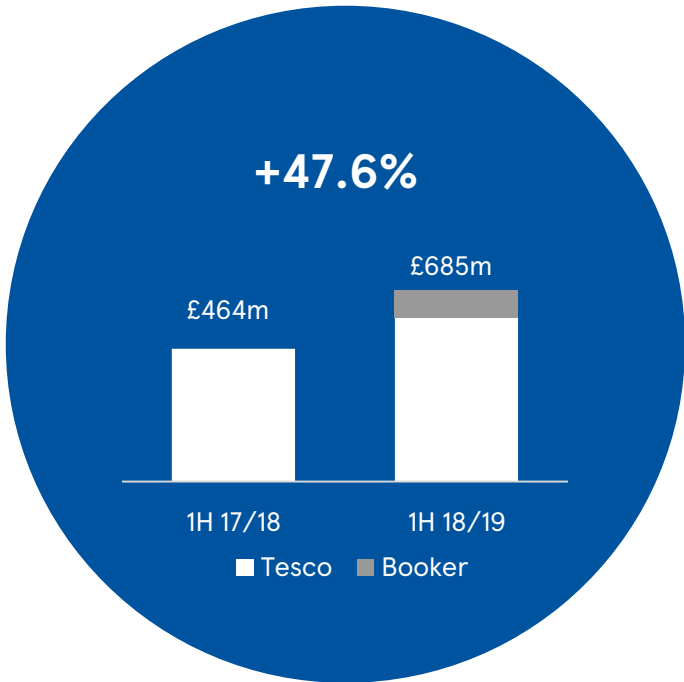
UK & ROI performance



Continued focus on food



More customers shopping with us¹

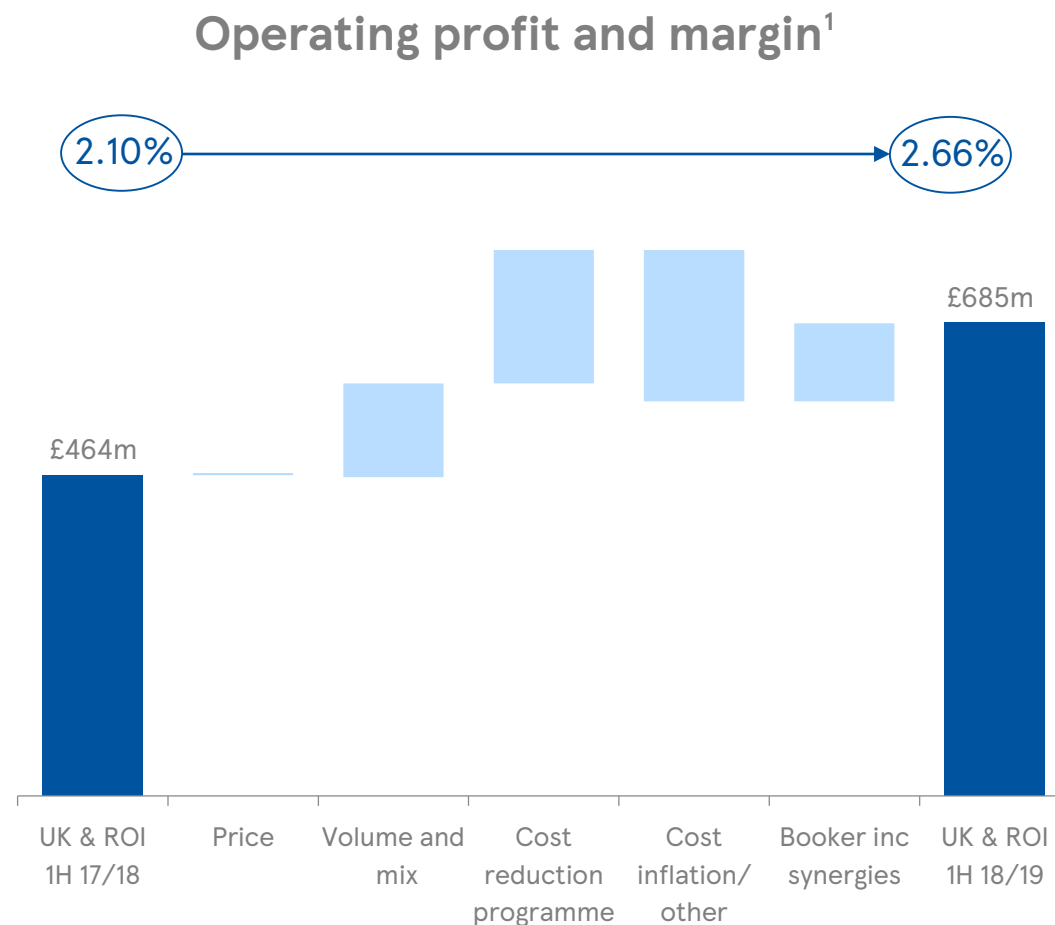


Improved profitability

1. KantarWorldpanel UK data for the 52 weeks ending 9 September 2018.

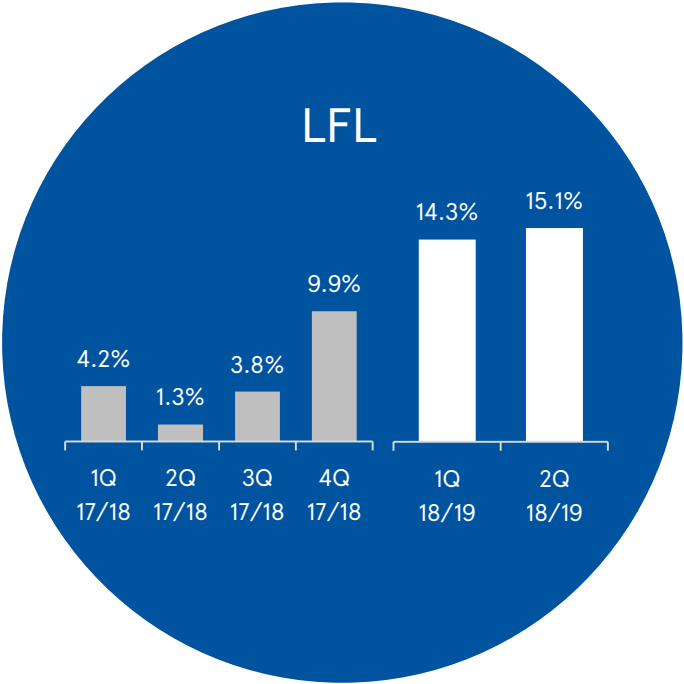
UK & ROI

- Booker consolidated from 5 March 2018
- Continued strong LFL sales performance; 1H +3.8%, 2Q +4.2%
- Improved profitability:
 - 1H margin +56bps YoY
 - £171m saved through cost savings plan
- Closed Tesco Direct in July
 - 1H 18/19 sales: £92m; £(23)m loss



1. Before exceptional items and amortisation of acquired intangibles.

UK & ROI – Booker



Strong sales



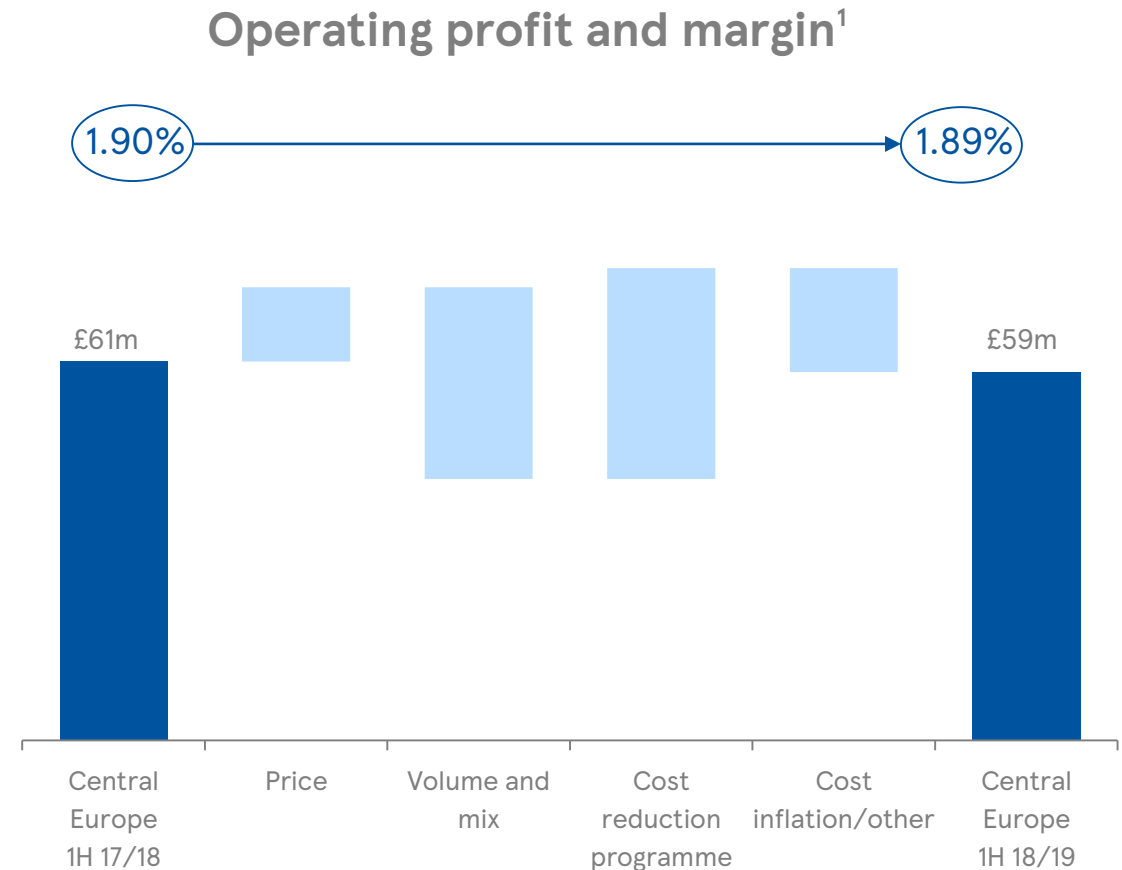
Profit contribution
(pre-synergies)



Synergies on track

Central Europe

- Sales impacted by trading laws in Poland
 - 13 fewer days impacting CE LFL by (1.2)%
 - 18 store closures and a further 13 announced
- Operating profit £59m
 - Year-on-year decline reflects £9m property profits last year
 - £34m saved through cost savings plan

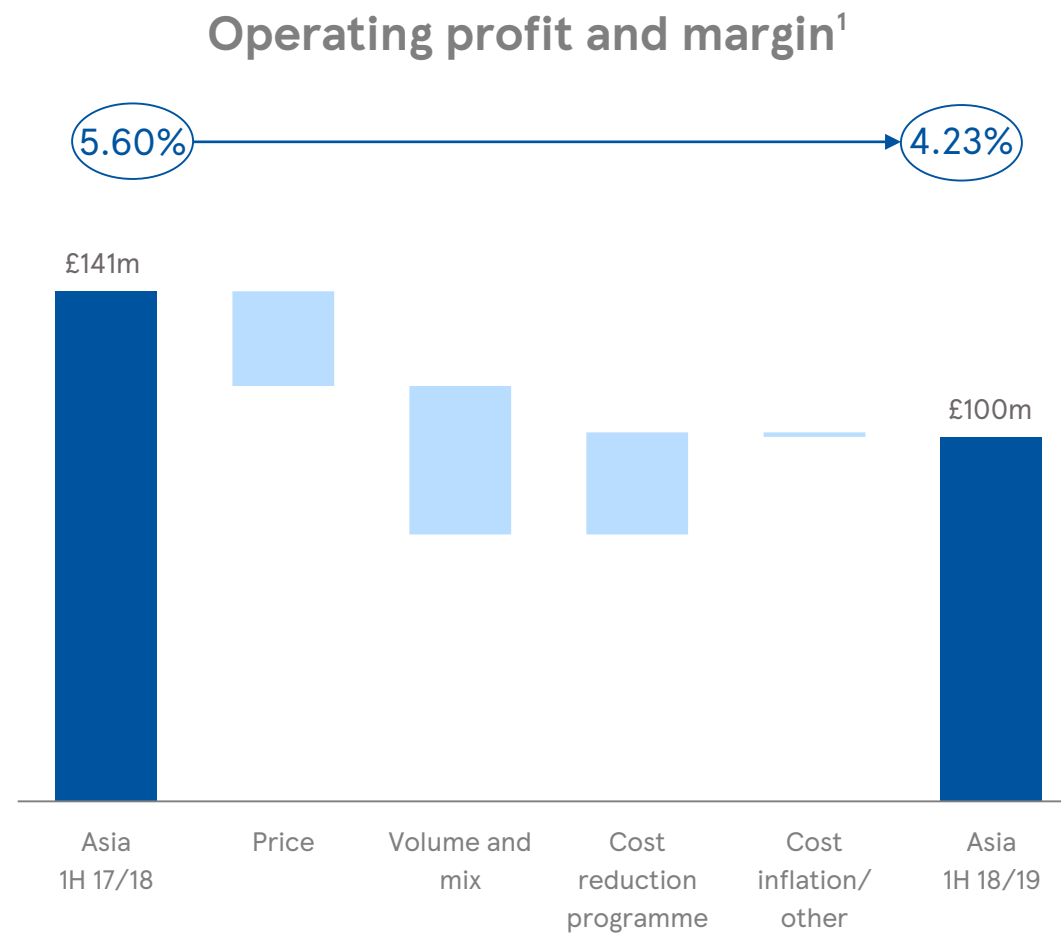


1. Before exceptional items.

Asia

- 1Q LFL : (9.0)% ➔ 2Q LFL: (4.8)% following annualisation of bulk-selling
- LFL sales in Thailand impacted by:
 - Significant changes to sales mix and promotional strategy
 - Government welfare cards c.(2)% LFL
 - Deflationary effect from price investment
- Profitability decline driven by significant price investment and repositioning of offer
- Impact to continue in 2H

1. Before exceptional items.



Tesco Bank

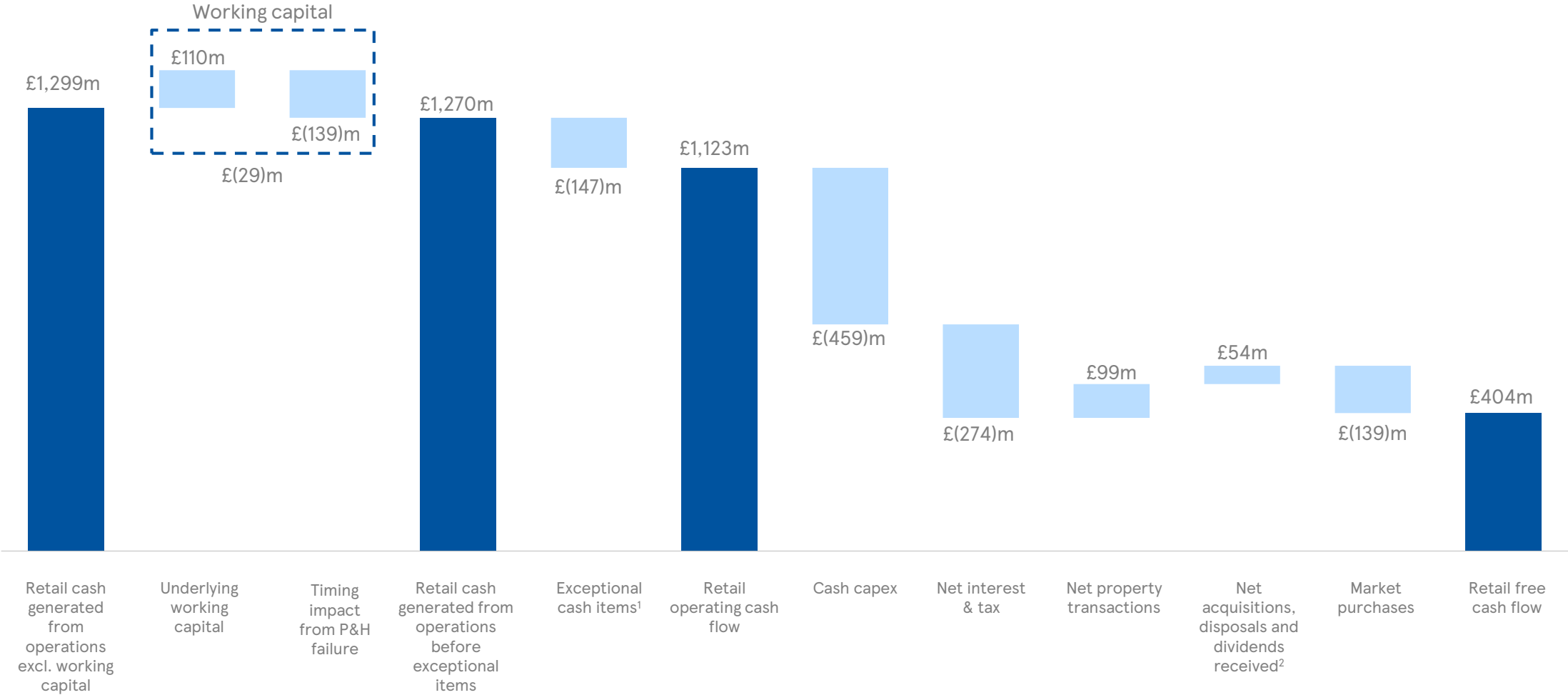
- Strong retail banking performance
 - Operating profit before exceptional items up 6% to £89m
- Continued focus on secured lending
 - Mortgage lending growth of 38%
 - Proportion of secured lending increased to 29%
- IFRS 9 Financial instruments applied from 25 February 2018
 - £166m impact on opening retained earnings for FY 18/19

Tesco Bank

	1H 18/19	Change
Lending to customers	£12,144m	12.8%
Secured lending	£3,504m	37.9%
Unsecured lending	£8,640m	5.1%
Bad debt: asset ratio	(1.5)%	(0.2)%
Operating profit pre exceptional items	£89m	6.0%
Cost: income ratio ¹	56.5%	3.3% improvement
Net interest margin	3.8%	(0.2)%
Tier 1 capital ratio	16.0%	(0.7)%
Total capital ratio	18.2%	(1.6)%

1. 1H 18/19 exceptional items includes £(16.4)m provision for FCA fine, £(7.0)m customer redress and £1.6m restructuring provision release. Statutory cost: income ratio 1H 18/19 61.8% and 1H 17/18 59.6%.

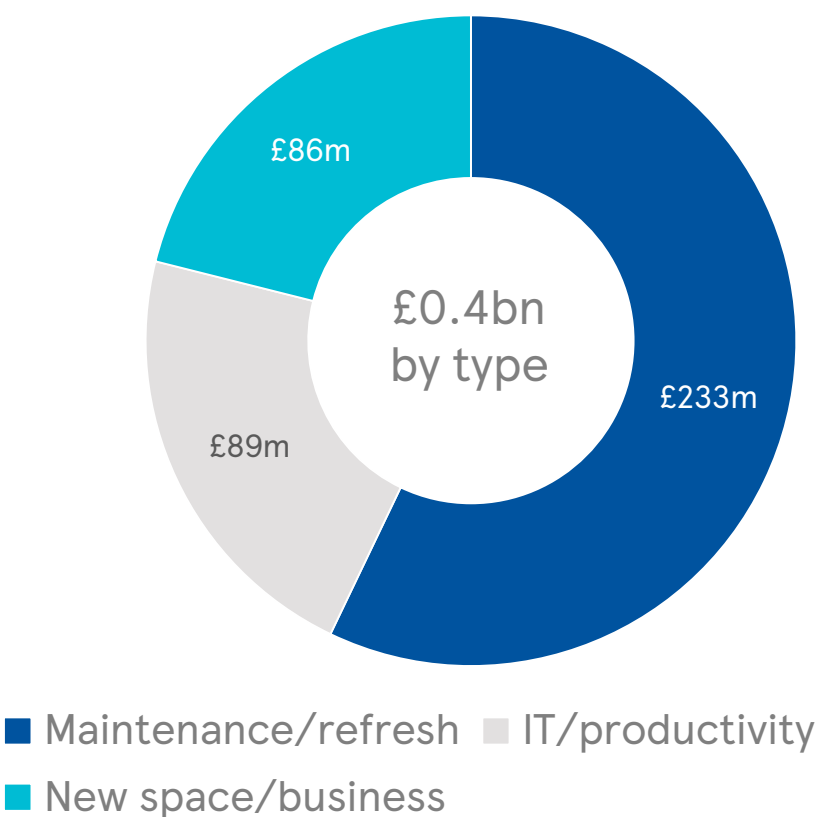
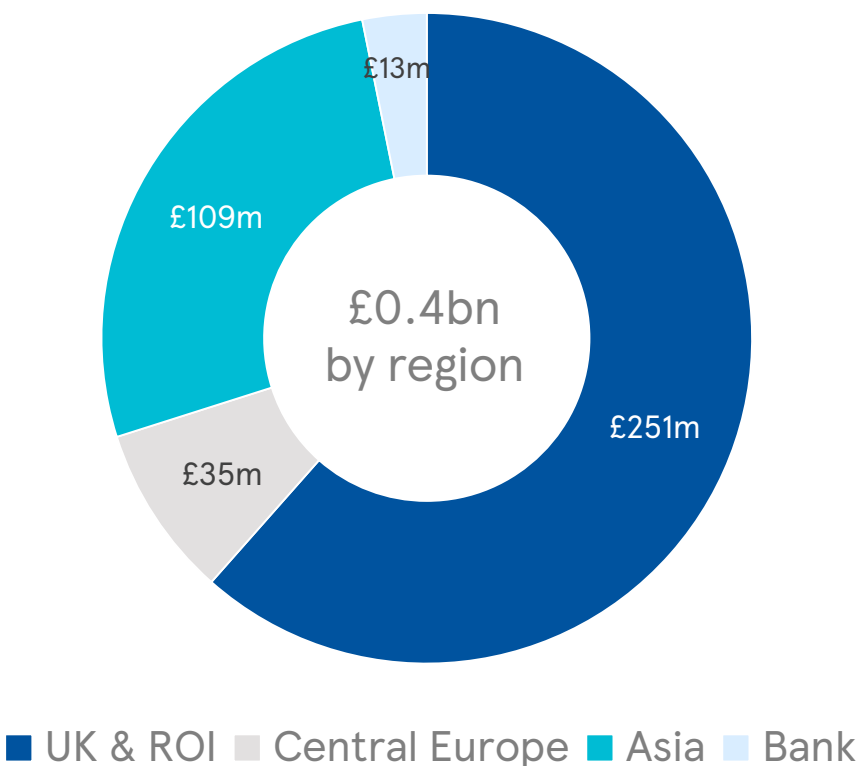
Sources and uses of cash



1. Exceptional cash items includes £(88)m of restructuring payments, £(32)m utilisation of onerous leases, £(27)m for payments in relation to Shareholder Compensation Scheme payments.

2. The cost of major acquisitions and disposals are removed from the Group's free cash flow.

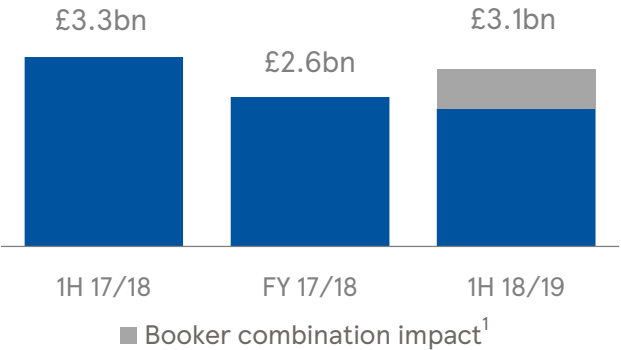
Capital expenditure



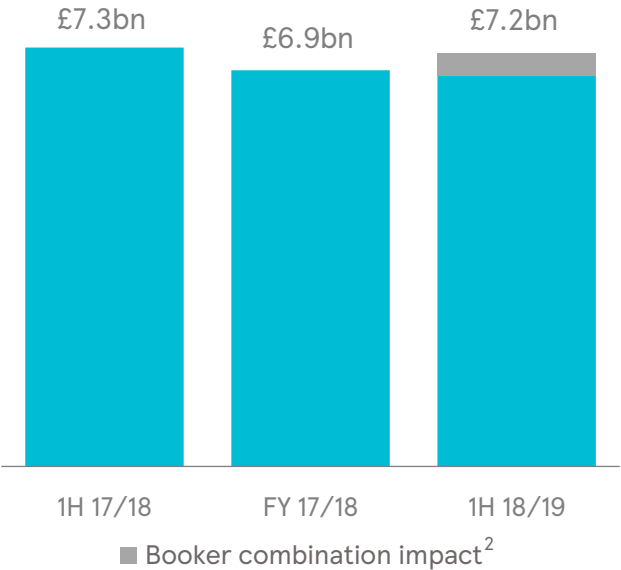
FY 18/19 capex guidance: no more than £1.2bn
FY 19/20 onwards capex guidance: between £1.1bn and £1.4bn

Balance sheet progress

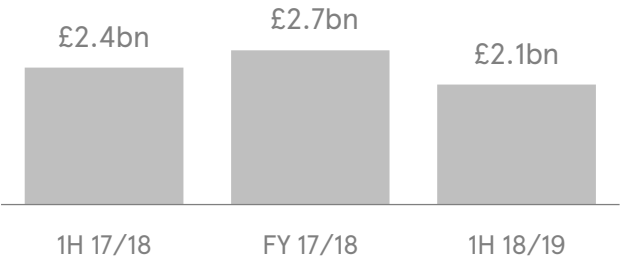
Net debt



Lease commitments



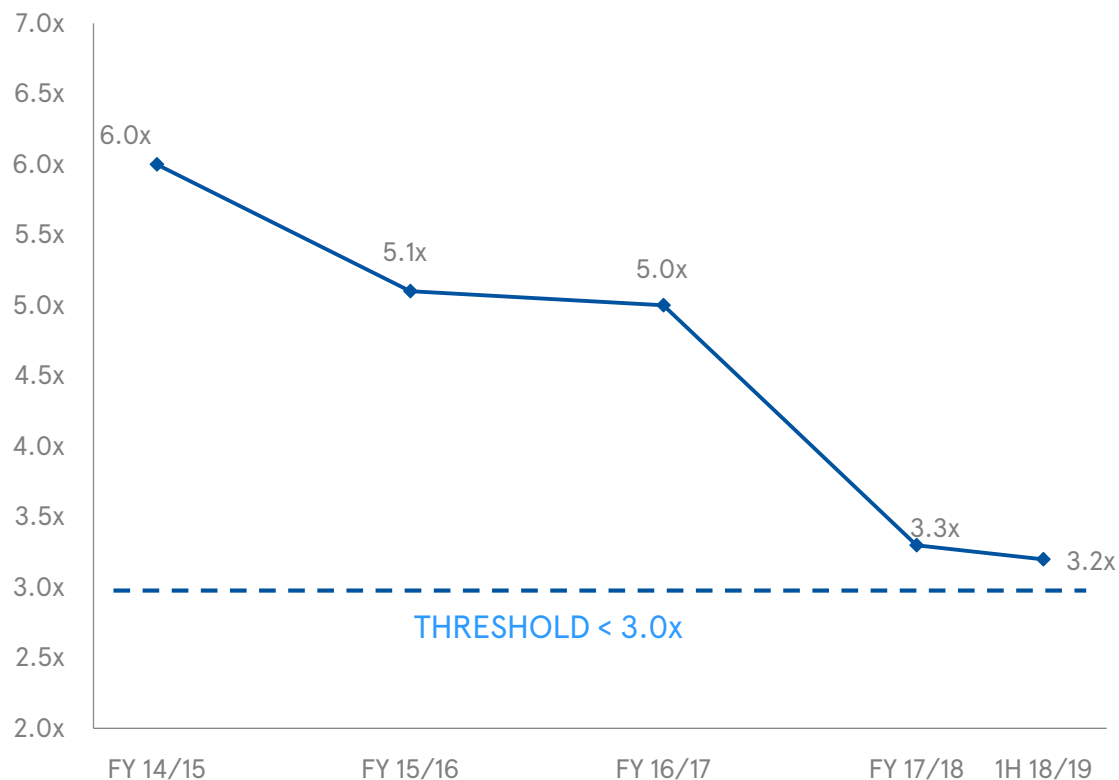
Pension deficit



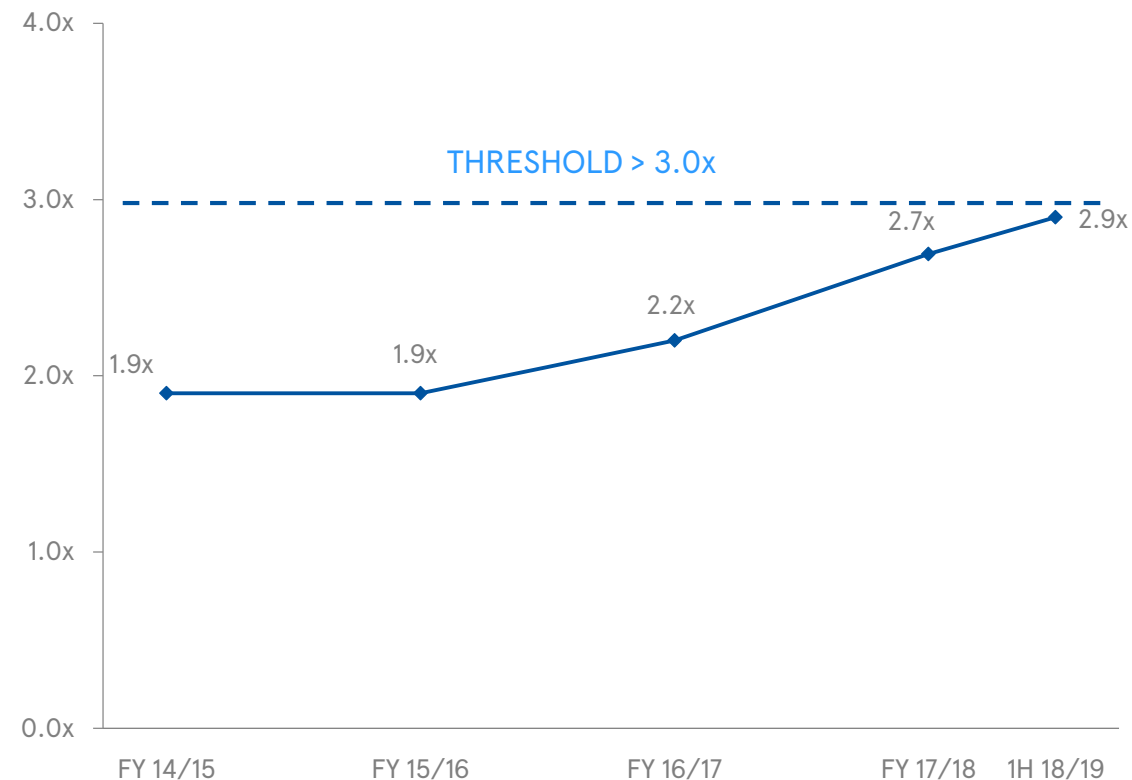
1. Cash outflow of £0.7bn relating to Booker
2. Additional £0.4bn of lease commitments relating to Booker

Improving debt metrics

Total indebtedness ratio¹



Fixed charge cover²



1. Net Debt + defined pension deficit (net of tax) + discounted operating lease commitments / EBITDAR

2. EBITDAR / (Net finance costs (before exceptional charges, net pension finance costs and fair value remeasurements) + Retail operating lease expense)

Earnings per share

	1H 18/19	% change
Operating profit¹	£933m	24.4%
JVs & Associates ¹	£20m	66.7%
Net finance costs ²	£(147)m	25.0%
Profit before tax³	£806m	42.4%
Taxation	£(186)m	(45.3)%
Profit after tax³	£620m	41.6%
Diluted weighted average number of shares (m)	9,753	(19.3)%
Diluted EPS³	6.36p	18.4%

1. Before exceptional items and amortisation of acquired intangibles.

2. Before exceptional items, net pension finance costs and fair value remeasurements.

3. Before exceptional items and amortisation of acquired intangibles, net pension finance costs and fair value remeasurements attributable to owners of the parent.

Interim dividend

- 1.67p interim dividend, up 67%
- Ex-dividend date 11 October 2018; Payment date 23 November 2018
- Total cash cost of c.£164m
- 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
Capex	£1.1bn – £1.4bn per annum
Net finance costs¹	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

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

Financial summary.

- Strong financial performance in UK & ROI
- Specific challenges in Poland and Thailand
- Booker 'Joining Forces' synergies on track with £16m in 1H
- On track to achieve 2019/20 £1.5bn cost savings target
 - £241m cost savings in 1H; cumulative savings of £1.1bn
- Continuing improvement in debt metrics
- Interim dividend of 1.67p

Six strategic drivers.



Our six strategic drivers – a progress update

1. A differentiated brand

- Quality perception up +3.6, stable value perception

2. Reduce operating costs by £1.5bn

- Further cost savings of £241m achieved in 1H
- Cumulative cost savings of £1.1bn

3. Generate £9bn cash from operations

- £7.2bn cumulative retail cash generated from operations¹

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

- Group margin up 29bps to 2.94%
- Tesco Direct closed on 9 July

5. Maximise value from property

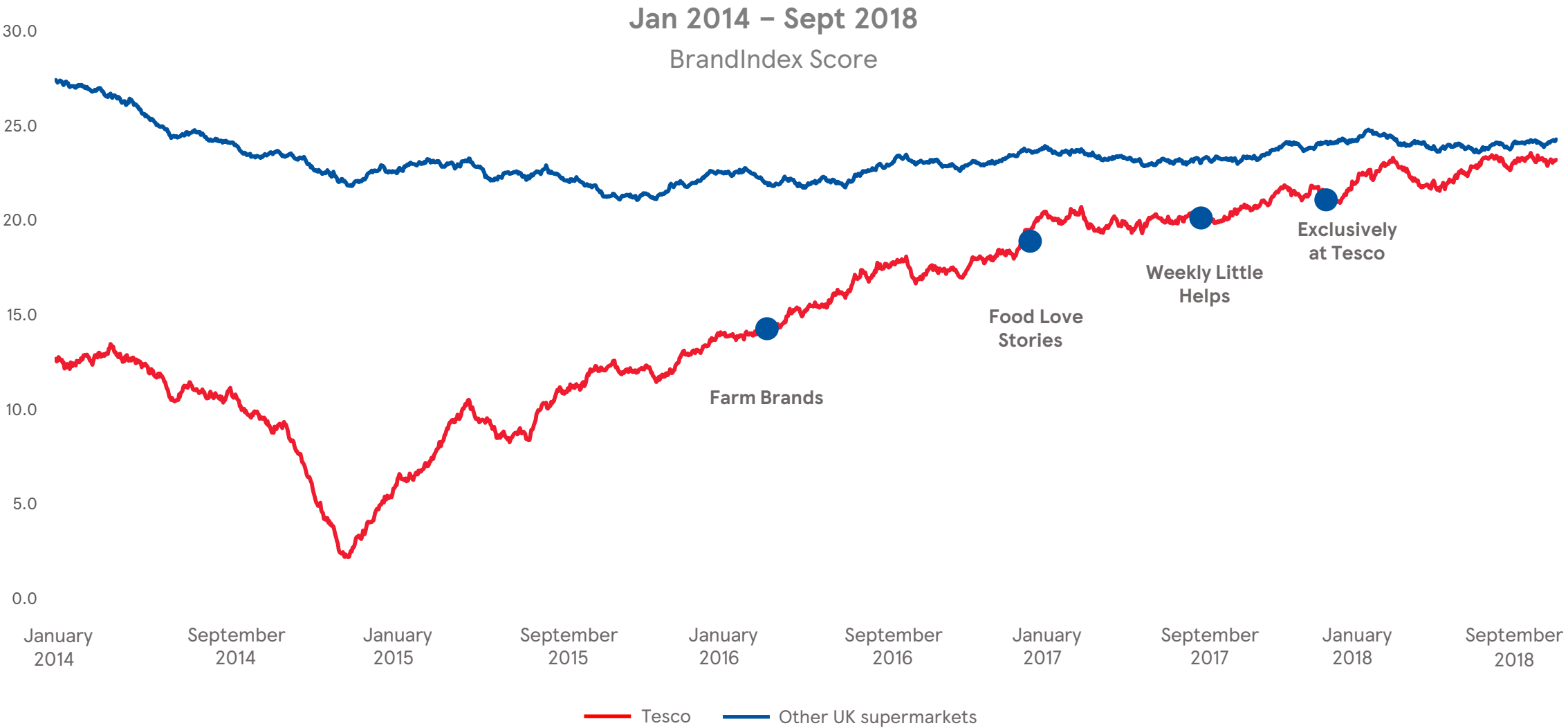
- Released a further £134m value from property
- One further store buyback announced in September

6. Innovation

- 5,038 of 10,000 Own Brand products re-launched
- Introduced 'Clubcard faster vouchers'

1. Cumulative retail cash generated from operations excludes pension deficit payments, cash outflows relating to SFO fine and shareholder compensation scheme payments and cash payments in lieu of colleague bonus shares.

Brand progress



Source: YouGov BrandIndex



Our four key stakeholders.



Customers



5,038
completed

Own Brand re-launch
on track



Exclusively at Tesco



72%

Customer penetration¹

1. Represents the percentage of customers who have bought at least one 'Exclusively at Tesco' product in the last 12 weeks.

Customers

Range Architecture	Food Brands @ Tesco	Quality Benchmark	Price Benchmark	Overall Preference	Relaunched to date
“Best”	Finest	Market leader in quality by food category	No Limit	10 / 10	638 products 72%
“Better”	Tesco	Sainsbury’s	Asda	8 / 10	4,076 products 47%
“Good”	Exclusively at Tesco	Aldi / Lidl	Aldi / Lidl	6 / 10	324 products 81%

Exclusively at Tesco



Find our best value brands in-store today.



Exclusively at
TESCO

Recycle





Exclusively at
TESCO

69p

Boswell Farms
Thin Cut
Beef Steaks
300g



Exclusively at
TESCO

£2.49

£1.09

Redmere Farms
White Potatoes 2.5kg



Exclusively at
TESCO

Exclusively at
TESCO



Find our best value brands in-store today.

Exclusively at Tesco



Exclusively at Tesco

£30.58



£32.41



Competitor A

£32.68



Competitor L

Prices based on a basket of 28 products as at **24 September 2018**. Basket compared to equivalent lines at lowest cost competitors.

Customers – Celebrating 100 years of great value



Champion for customers

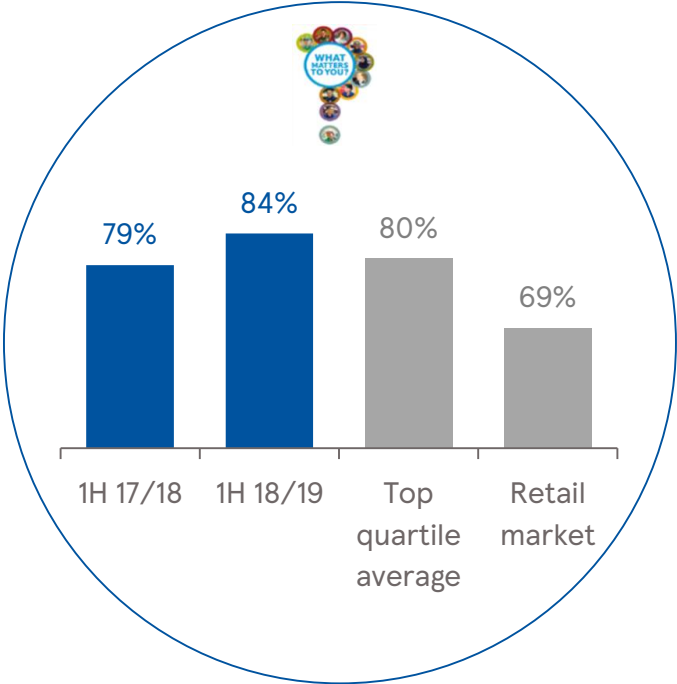


324 of c.400
launched

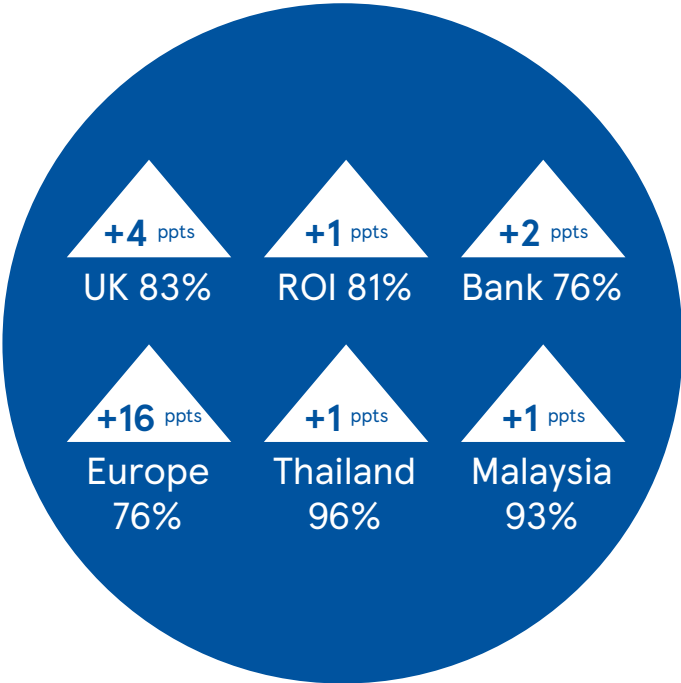


10-15 stores
c.£20m total capex

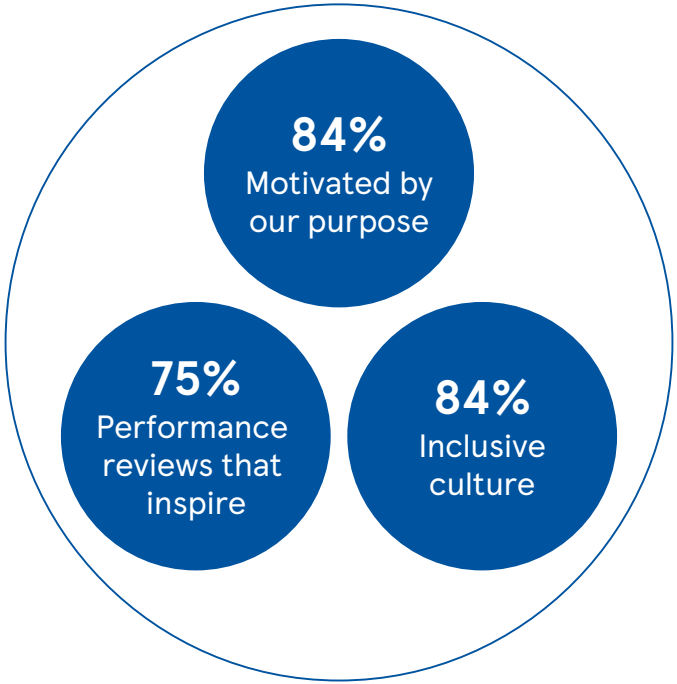
Colleagues



Great place to work¹



Increases in all markets¹



Group engagement

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.

Colleagues



Competitive pay¹



Employability and life skills



Commitment to health

1. Based on base pay rate outside London which excludes premium and skills payments for our circa 250,000 customer facing hourly store colleagues.

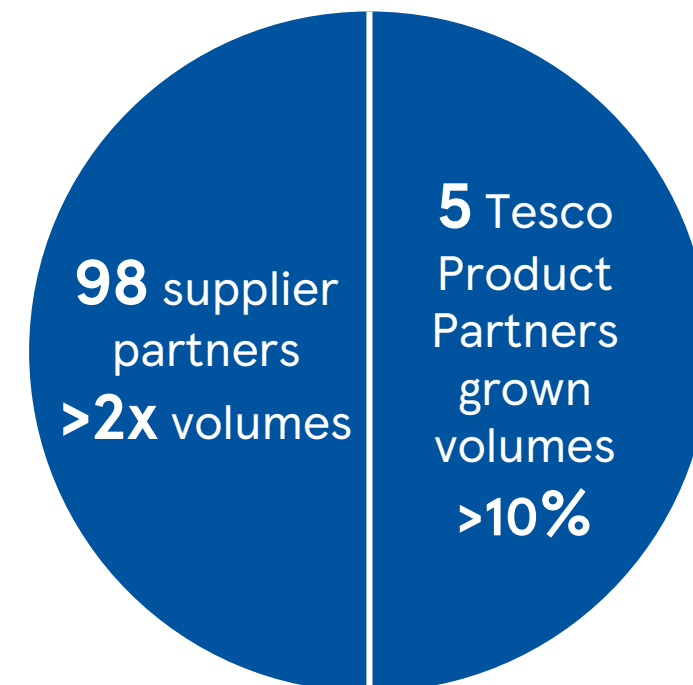
Suppliers



Supplier Advantage survey¹



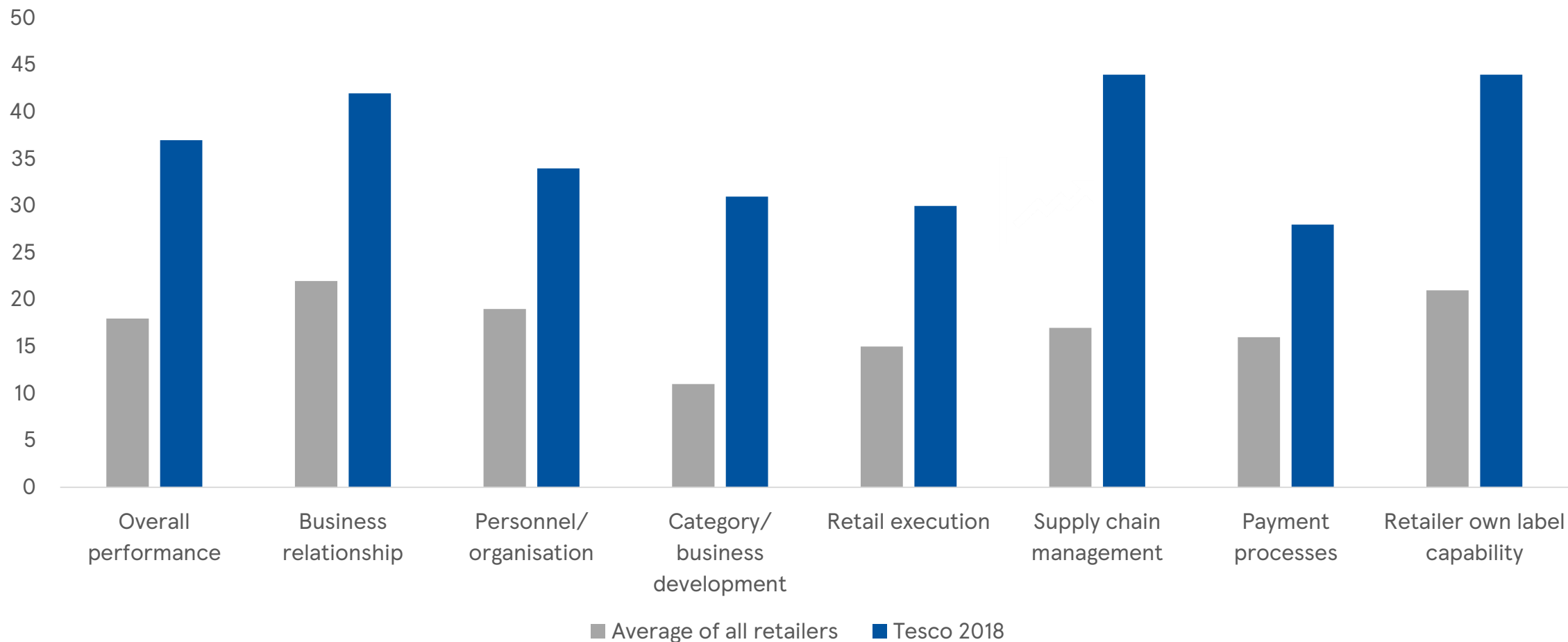
Long-term relationships



Project Reset

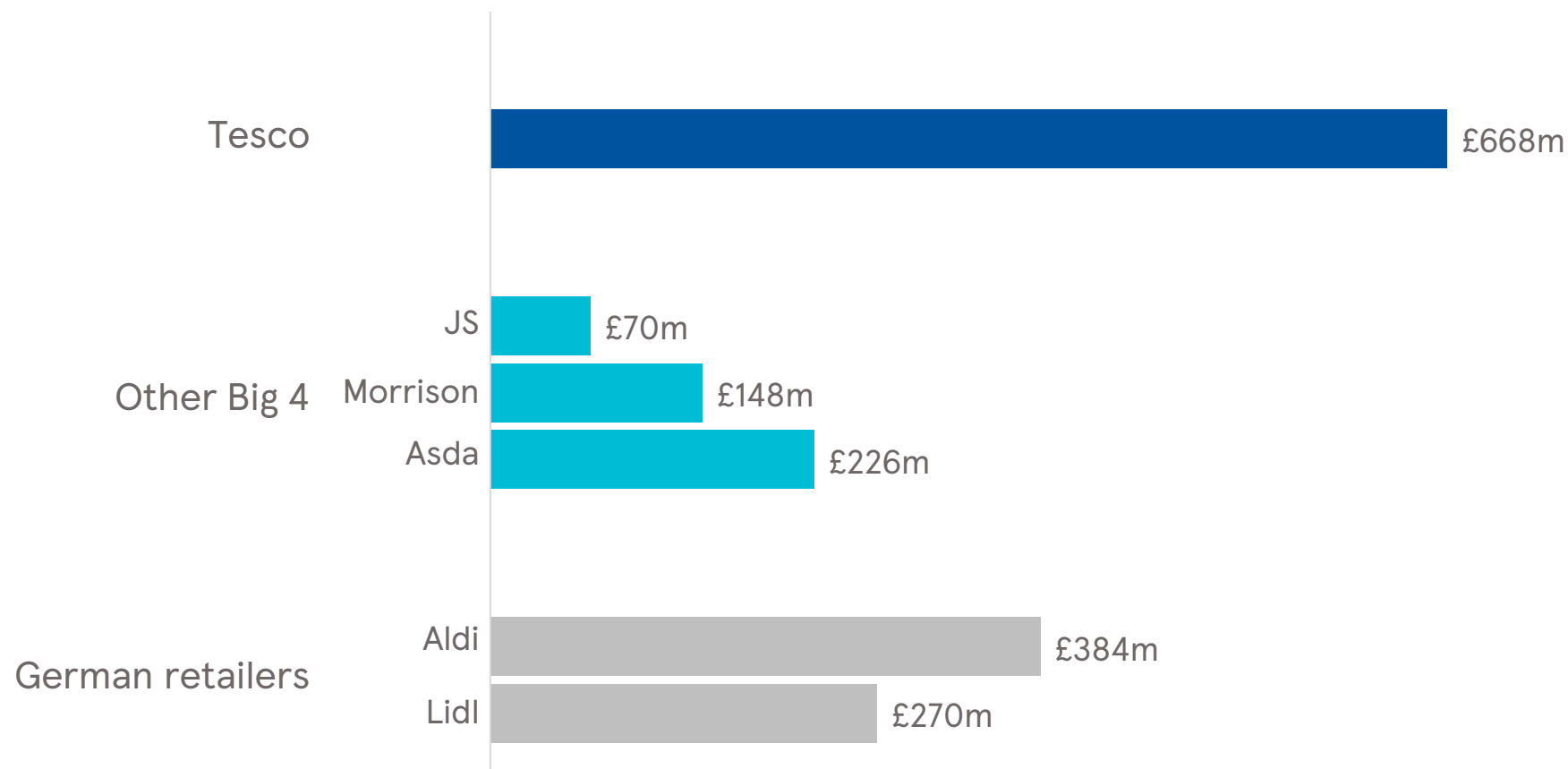
1. Third party organisation, Advantage, run an annual report to capture feedback on supplier and retailer performance.

Advantage Report 'Best in Class' Retailer



Source: The Advantage Group UK Ltd.
2018 Advantage Report Retailer® Programme - Major Multiples Channel.

UK quantum sales growth (actual/Kantar estimate)



Source: Tesco actual sales inc Booker; competitor data per KantarWorldPanel UK data for the 26 weeks Total Till Roll ending 26 August 2018.



Shareholders – Joining Forces with Booker



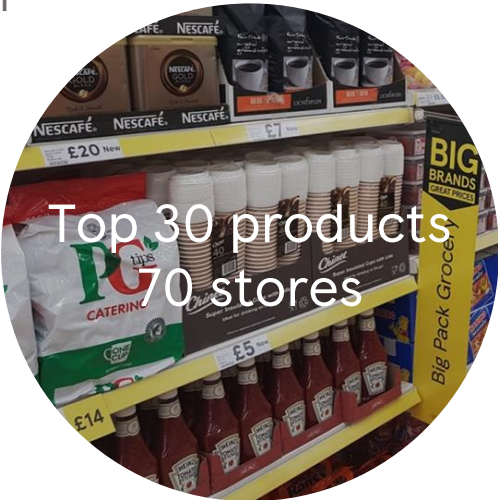
Driving faster growth



Gallions Reach



Utilising spare capacity



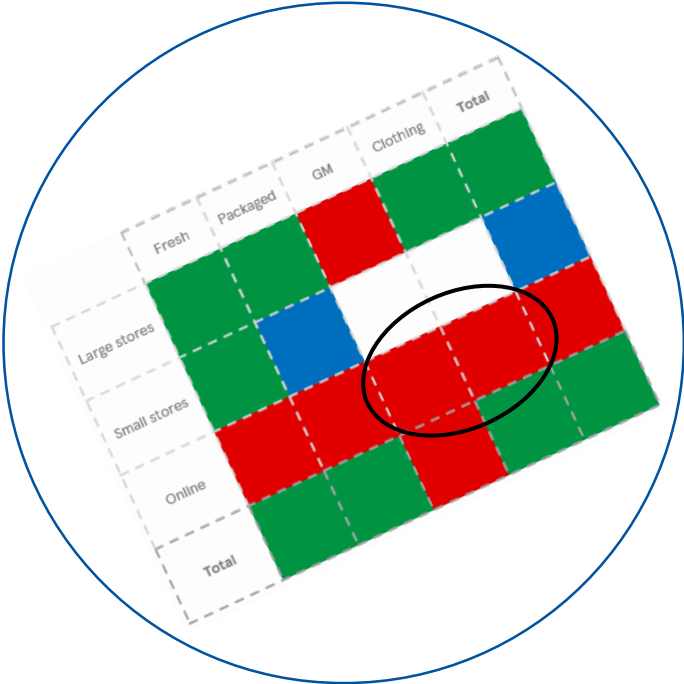
Big Pack offer



Shareholders – further strategic progress



Carrefour



Tesco Direct

+22%
customer growth

SMU  coop

 X5RETAILGROUP

dunnhumby

Thailand



Repositioning customer offer

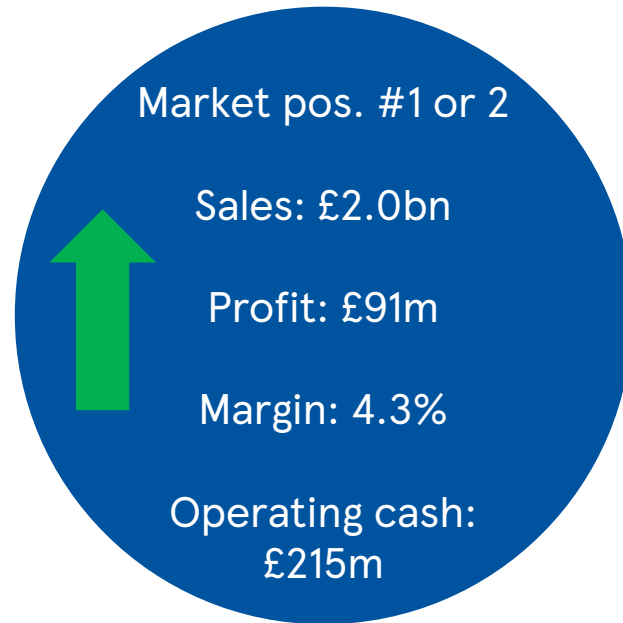


Realigning commercial model

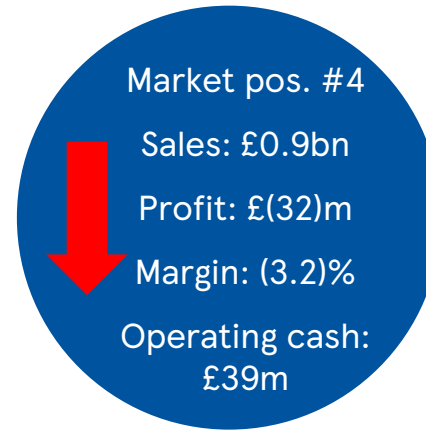


Attractive returns

Central Europe



Czech Republic +
Hungary + Slovakia

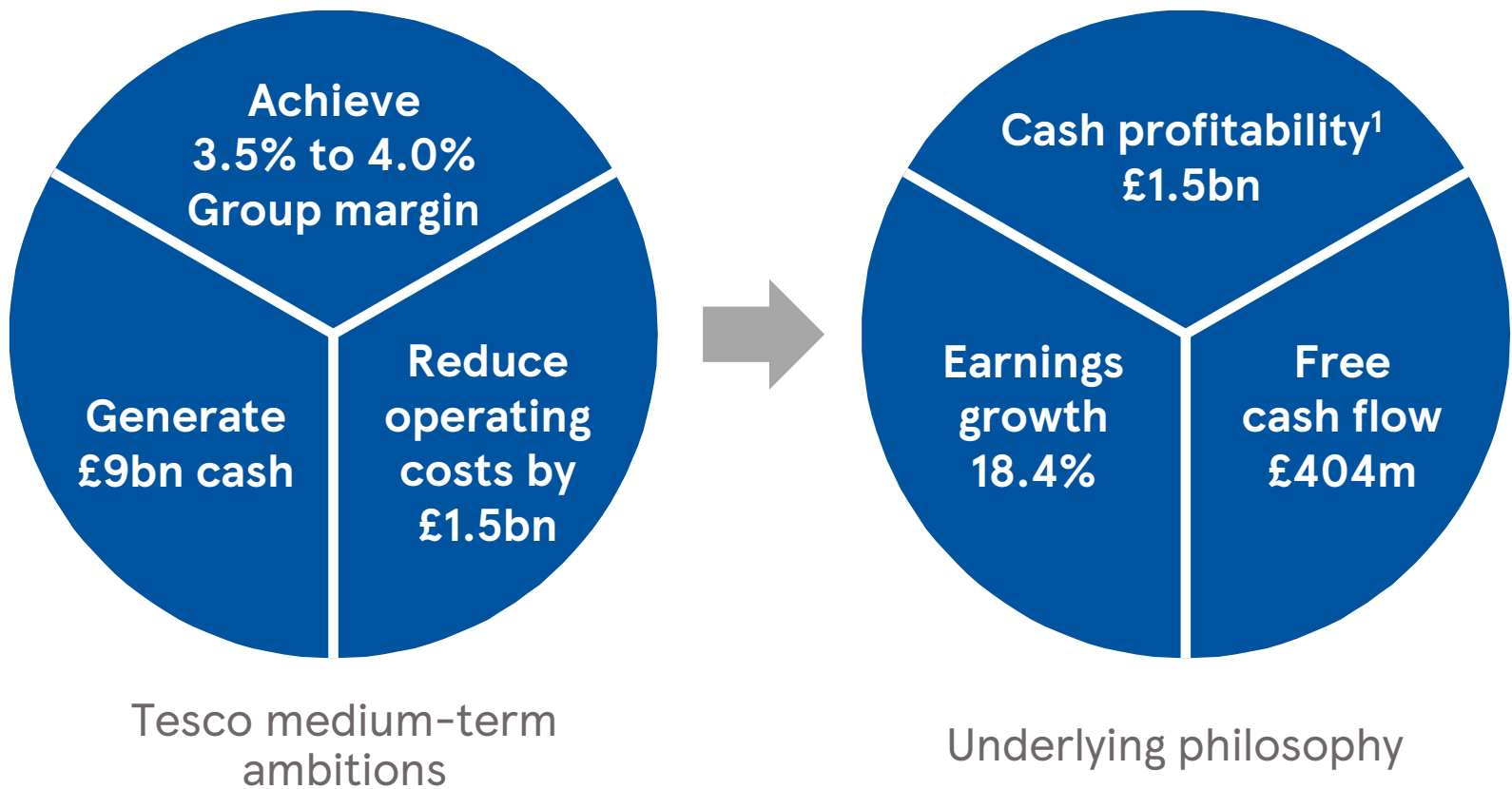


Poland

- Store closures
- Range reset
- Operating cost saving
- Asset disposal programme

Source: numbers as per 1H 18/19

Sustainable value creation for shareholders



1. Cash profitability refers to 1H 18/19 EBITDA.

Summary.

- Good start to the year – growth in sales, increased profitability and strong cash flow
- Continuing to invest in the quality and value of our offer
- Strong start ‘Joining Forces’ with Booker
- Addressing specific challenges in Poland and Thailand
- On track to deliver our medium-term ambitions
- Focus on strong, sustainable returns for shareholders
- Well set up for a strong centenary year

Q&A.



Appendix.



Segmental performance

Sales

	1H 18/19	1H 17/18	Change at constant rates ¹	Change at actual rates ¹
UK & ROI	£22.4bn	£19.0bn	17.7%	17.7%
Central Europe	£3.0bn	£3.1bn	(3.5)%	(2.7)%
Asia	£2.4bn	£2.5bn	(5.0)%	(4.1)%
Bank	£0.5bn	£0.5bn	4.2%	4.2%
Group	£28.3bn	£25.2bn	12.5%	12.8%

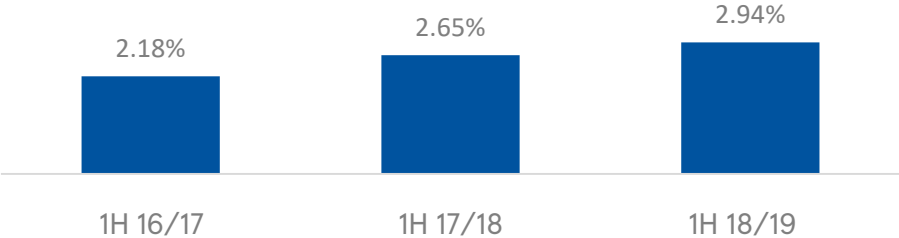
Operating profit before exceptional items and amortisation of acquired intangibles

	1H 18/19	1H 17/18	Change at constant rates	Change at actual rates
UK & ROI	£685m	£464m	47.0%	47.6%
Central Europe	£59m	£61m	(4.9)%	(3.3)%
Asia	£100m	£141m	(29.1)%	(29.1)%
Bank	£89m	£84m	6.0%	6.0%
Group	£933m	£750m	23.9%	24.4%

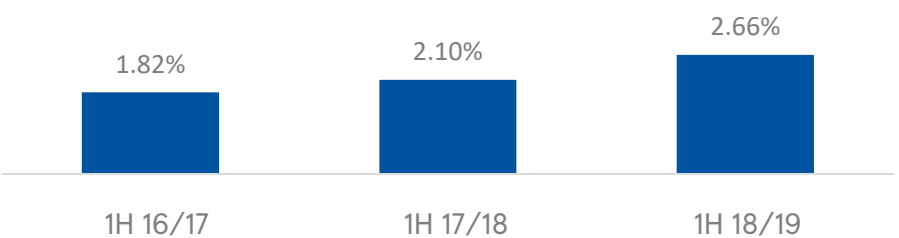
1. Change shown on a comparable days basis and includes an adjustment to last year's figures to reflect a change in the reporting of consignment sales.

Margin progression

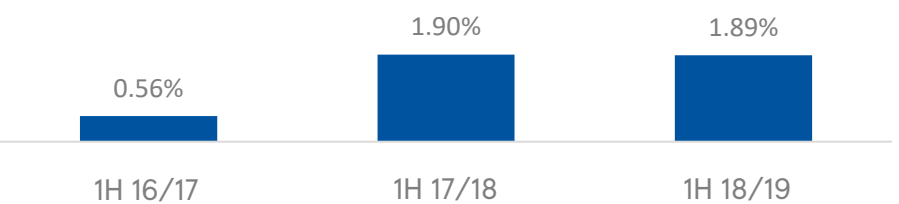
Group



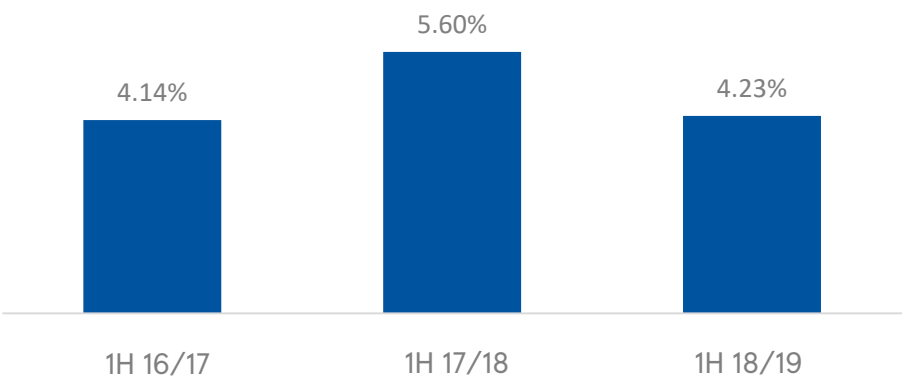
UK & ROI



Central Europe



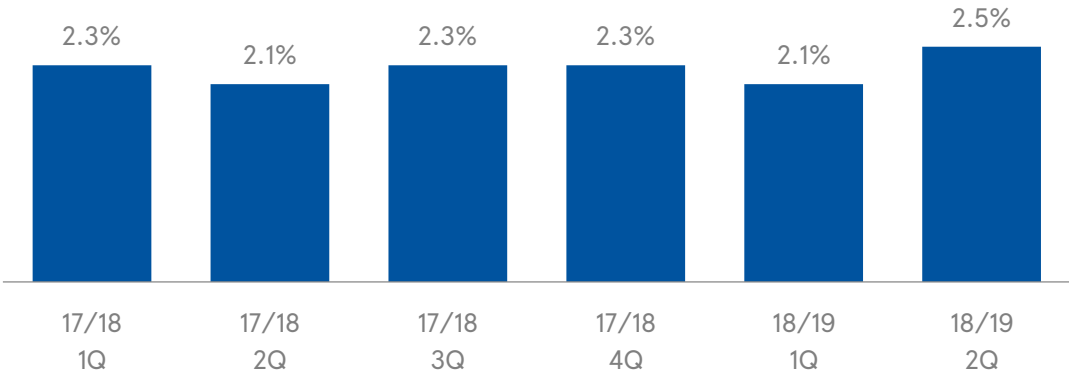
Asia



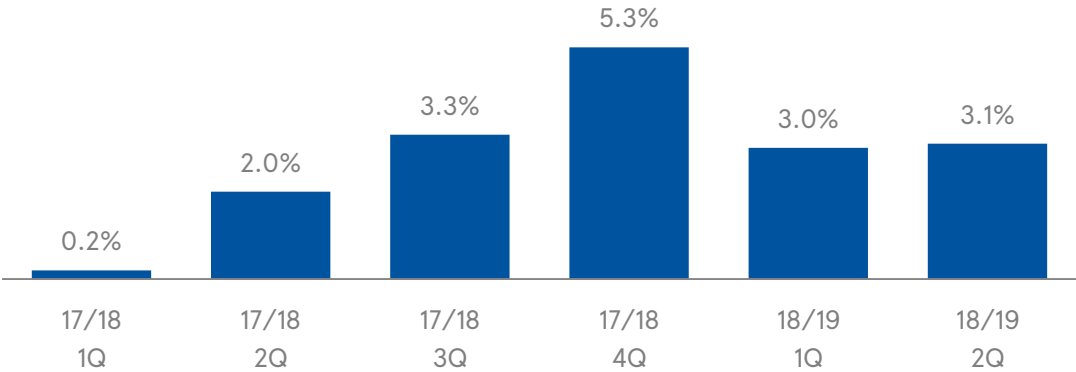
Operating margin shown before exceptional items and amortisation of acquired intangibles.

Like-for-like sales performance¹

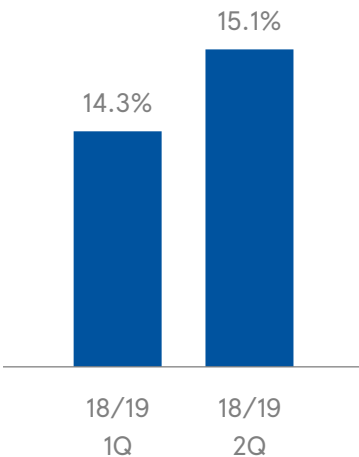
Tesco UK



ROI



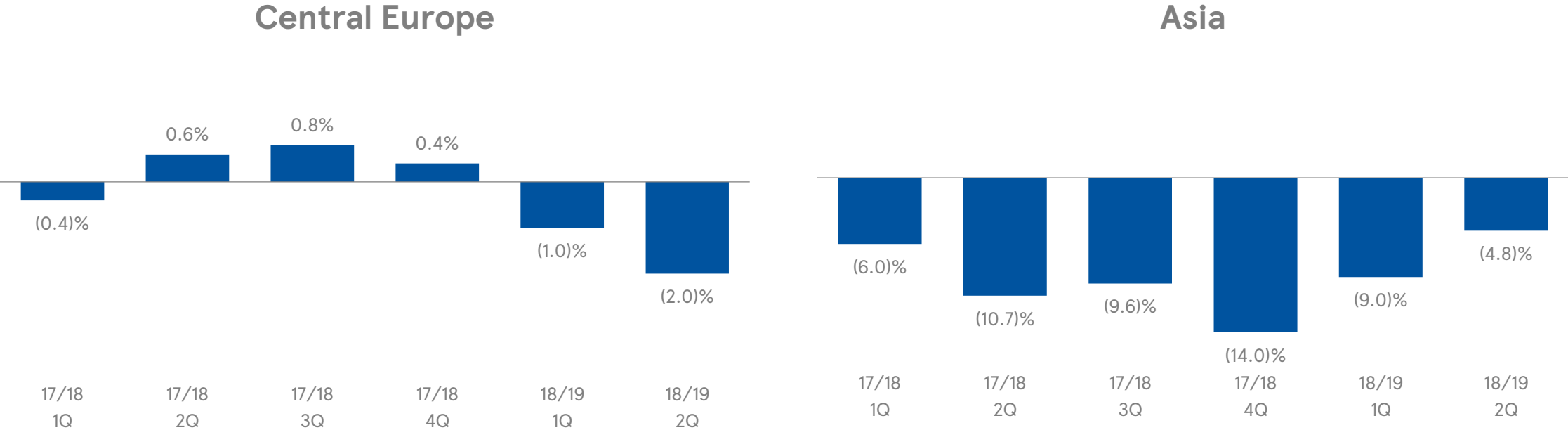
Booker



1. Exc. VAT, exc. Fuel.



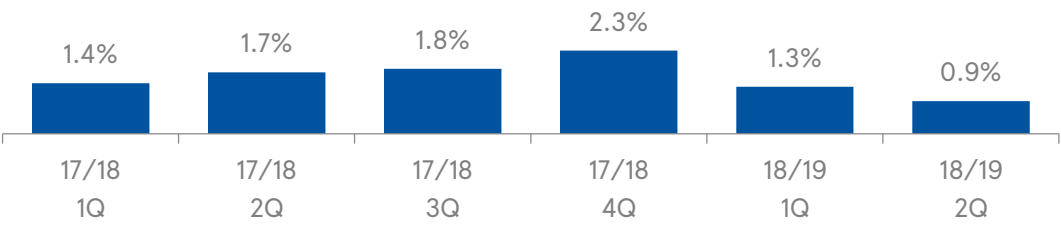
Like-for-like sales performance¹



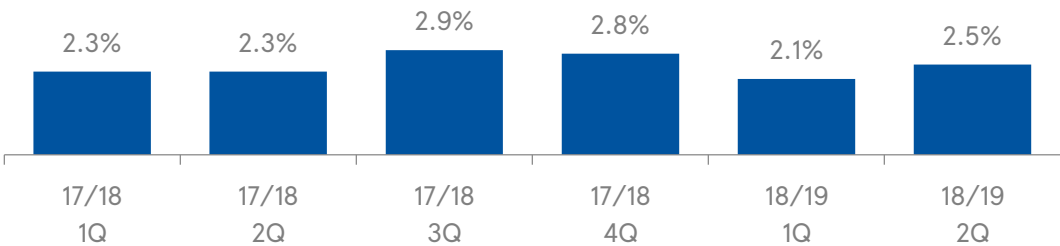
1. Exc. VAT, exc. Fuel.

UK like-for-like sales performance¹ by format

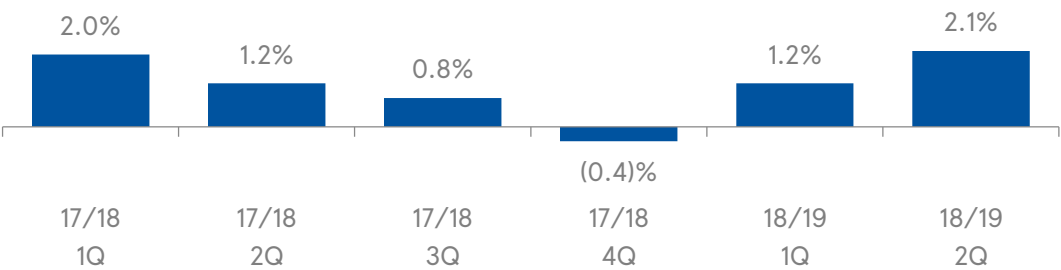
Extra



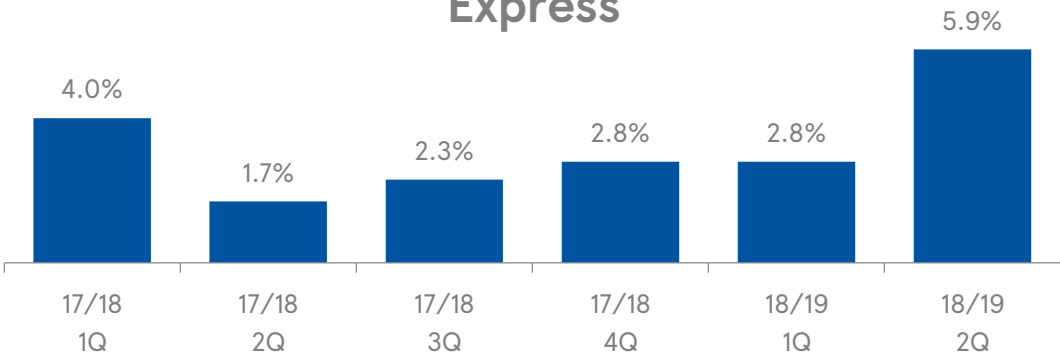
Superstores



Metro



Express



Grocery Home Shopping +3.5%

1. Exc. VAT, exc. Fuel.



Exceptional items and amortisation of acquired intangibles in operating profit

	1H 18/19	1H 17/18
Tesco Direct closure costs	£(57)m	-
Net restructuring and redundancy costs	£(22)m	£(63)m
Provision for customer redress	£(7)m	-
Release of amounts provided in relation to FCA obligations	£15m	-
Property transactions	£13m	£65m
Tesco Bank FCA provision	£(16)m	-
Profit on the sale of Lazada	-	£124m
Total exceptional items in operating profit	£(74)m	£126m
Amortisation of acquired intangible assets	£(40)m	-
Total exceptional items and amortisation of acquired intangibles in operating profit	£(114)m	£126m

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.