Serving shoppers a little better every day.

10 April 2019

Dave Lewis – CEO
Alan Stewart – CFO

TESCO

Agenda.

- Progress so far
- Full year results
- What's next?

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Progress so far.

Our six strategic drivers

1. A differentiated brand

2. Reduce operating costs by £1.5bn

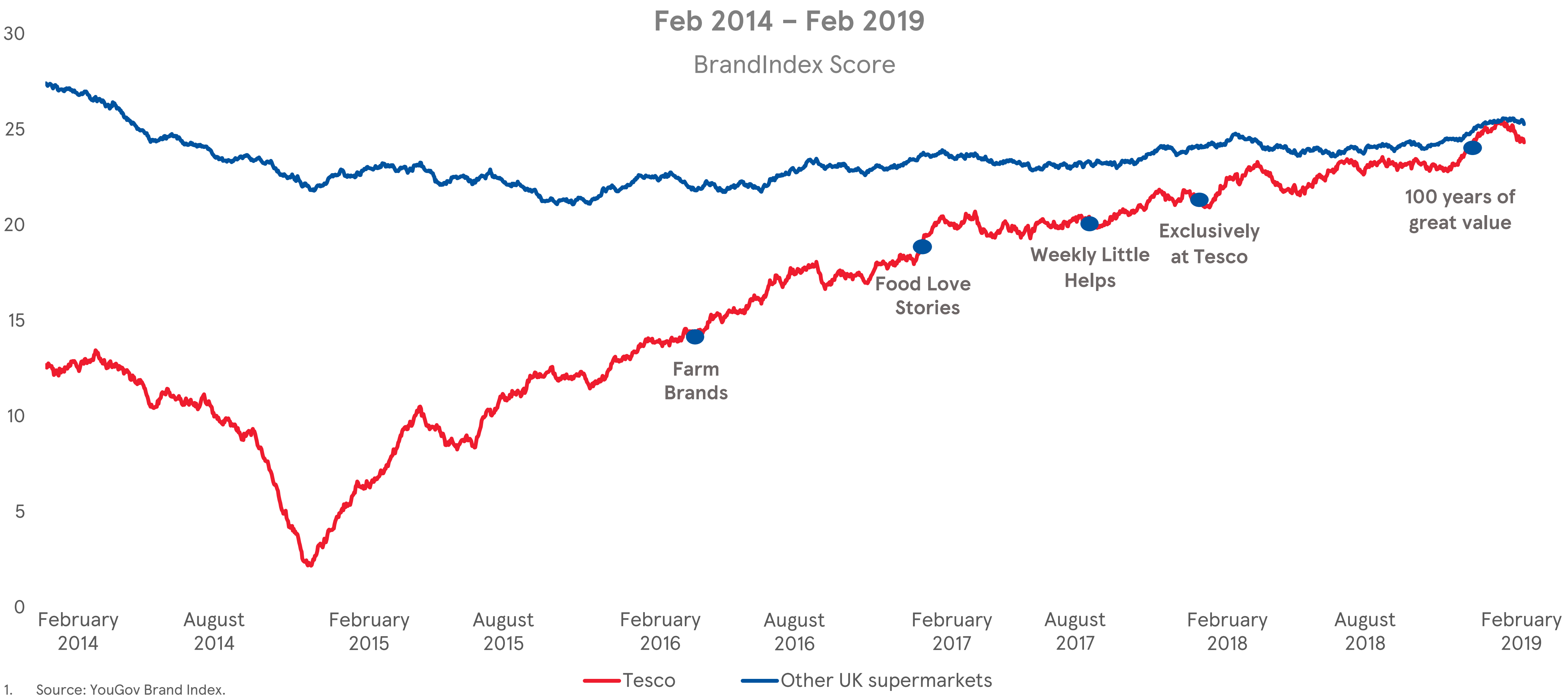
3. Generate £9bn cash from operations

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

5. Maximise value from property

6. Innovation

A differentiated brand



1. Source: YouGov Brand Index.

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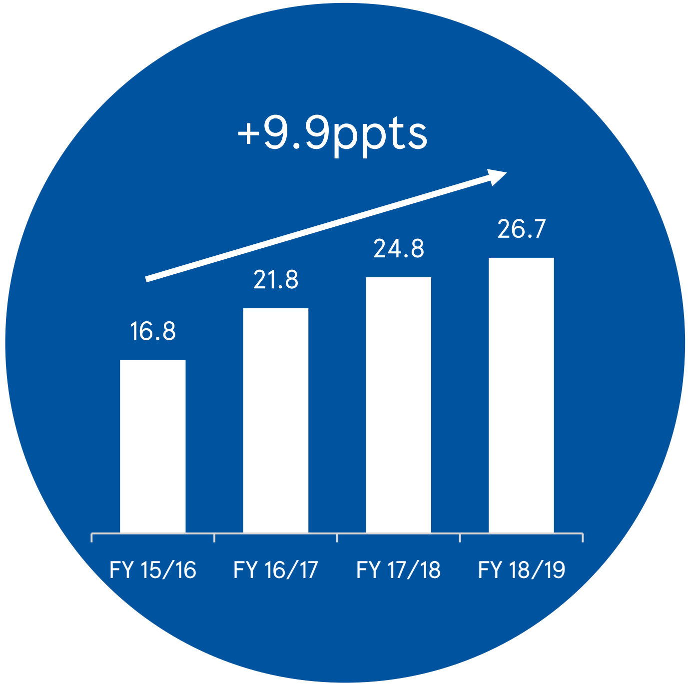
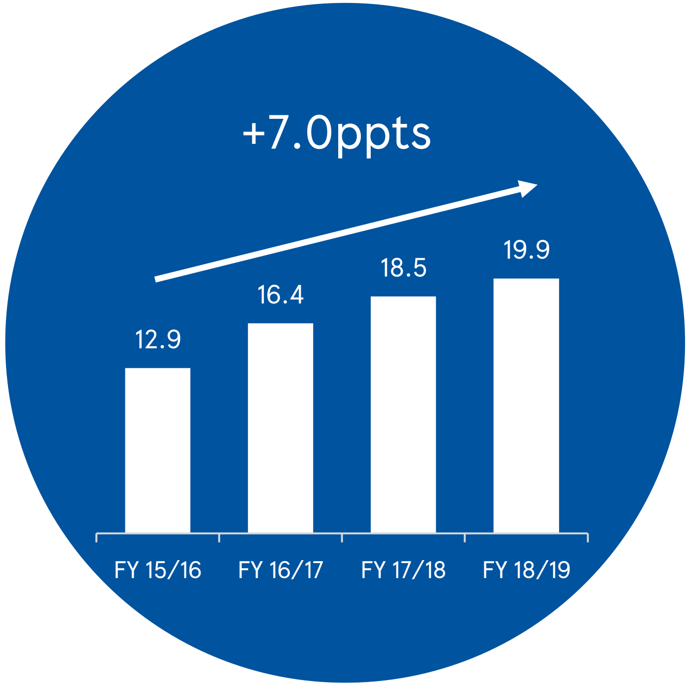
A differentiated brand



Quality perception[1]



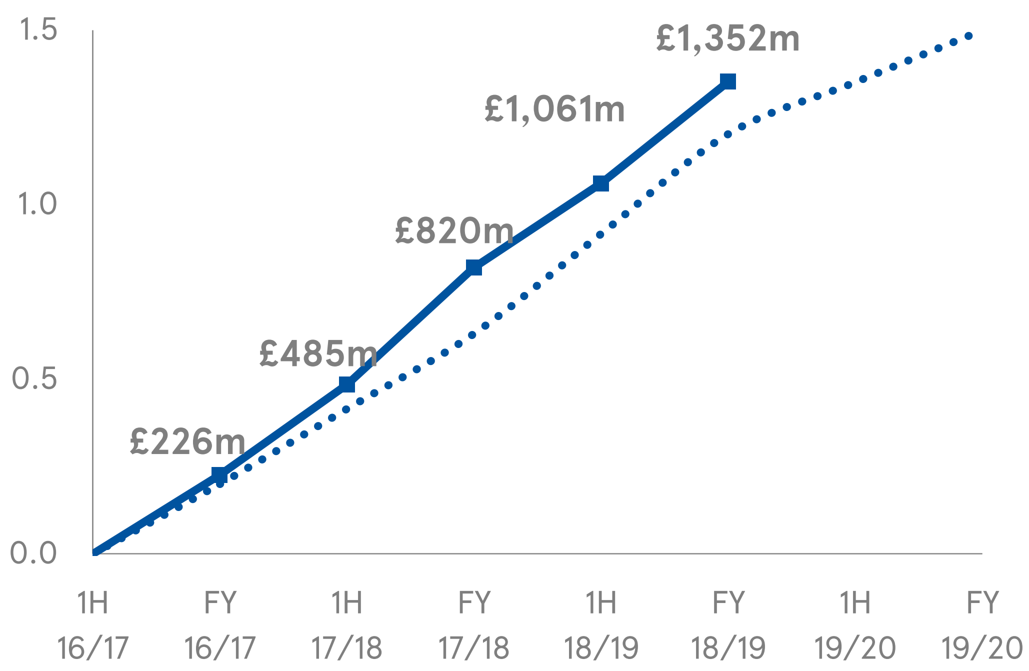
Value perception[1]

Effectiveness

1. Reflects YouGov Brand perception measures of quality and value on a 12 week rolling basis.

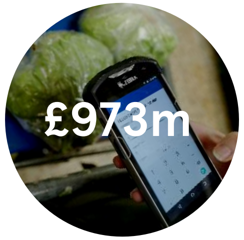
Reduce operating costs by £1.5bn

Cumulative cost savings



Cost savings towards £1.5bn target

By type:



Store operating model

Logistics and distribution

Goods not for resale

By geography:

UK&ROI

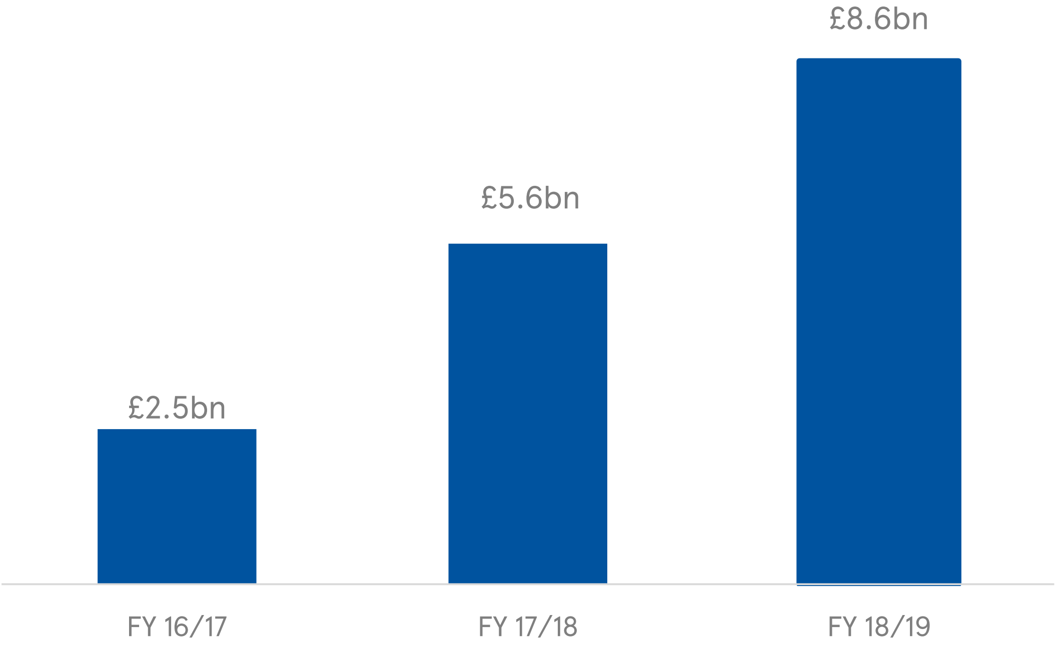
Central Europe

Asia

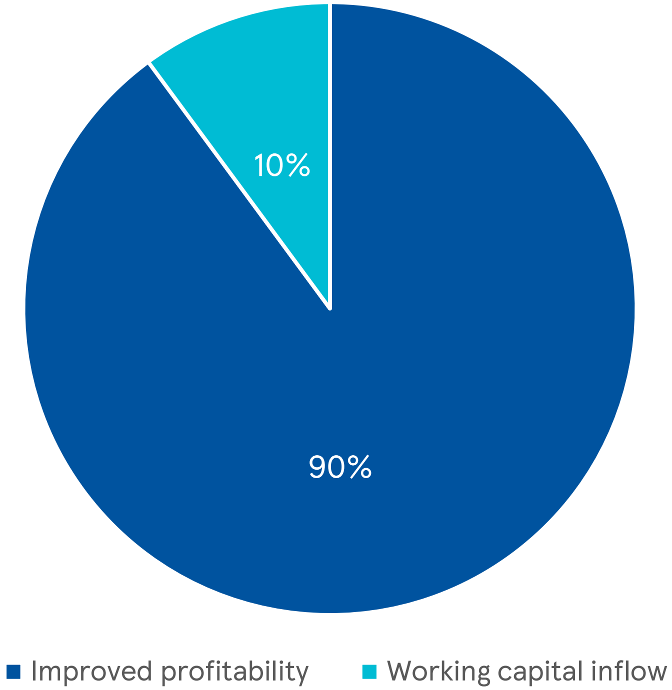
Generate £9bn cash from operations

Feb 2017 – Feb 2019

Cumulative retail cash generated from operations[1]



Sources of cash – three years to Feb 2019



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

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Maximise the mix

	2H 14/15		2H 18/19
UK&ROI:	(0.2)%	→	3.0%
CE:	1.6%	→	4.0%
Asia:	6.0%	→	7.4%
Group:	0.8%	→	3.8%

By geography[1]

TESCO direct

FY 17/18

Sales £405m

Loss £(94)m

By channel

By product[2]

1. Operating margin shown before exceptional items for 2H 14/15 to 2H 18/19 and excludes Booker.
2. Reflects the reduction in UK general merchandise sales in store over the last four years, as we continue to focus on more sustainable and profitable categories.

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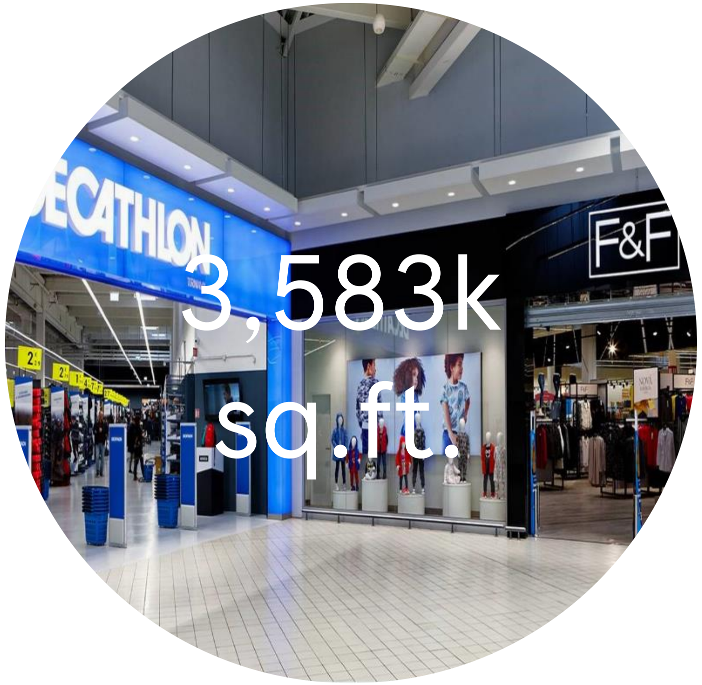
Maximise value from property

Proceeds released

Freehold proportion[1]



Repurposing

1. Represents UK & ROI freehold proportion by value for FY14/15 and FY18/19 (exc. Booker).

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Innovation

Product

15,607[1]

Customer

Services

1. Reflects the total amount of new products launched, or existing but significantly improved products launched in the UK&ROI over the last four years.

The bigger picture – 2015 to 2019

2014/15	2018/19
£49.3bn	£56.9bn

Quantum sales growth

2014/15	2018/19
£1.0bn	£2.2bn

Profit progression

2H 2014/15	2H 2018/19
0.8%	3.96% inc. Booker 3.79% exc. Booker

Delivering margin[1]

1. 2H 14/15 and 2H 18/19 operating margin shown before exceptional items and amortisation of intangible assets.
Note: all numbers are shown on a continuing operations basis.

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The bigger picture – 2015 to 2019

BOOKER

euphorium bakery

H+H

blinkbox

kipa

Dobbies

Home plus

giraffe

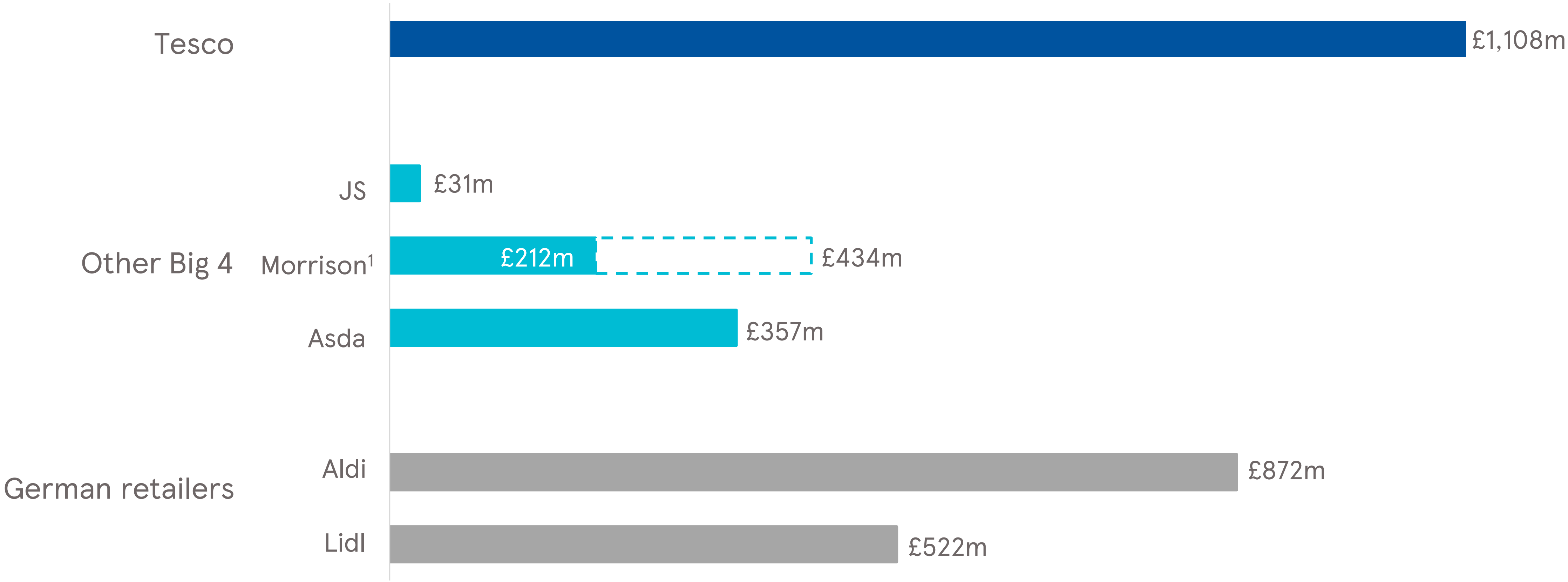
Portfolio

	2014/15	2018/19
Total indebtedness	£(22)bn	£(12)bn

Colleagues & suppliers	2014/15	2018/19
Great place to work[1]	70%	83%
Supplier viewpoint[2]	55%	81%

1. Reflects 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 % of UK & ROI 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.

Significant growth opportunities for our grocery suppliers



Source:
Tesco actual sales inc. Booker.
All other retail sales are based on KantarWorldPanel UK data for the 52 weeks Total Till Roll ending 24 February 2019.
1. The dashed outline shows Morrisons reported results (year ended 3 Feb 2019) in order to include wholesale sales.

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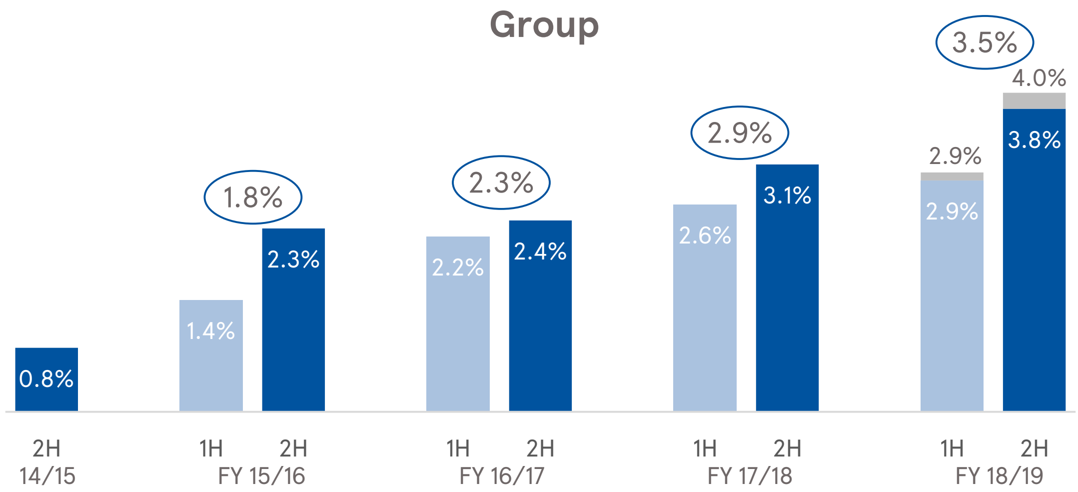
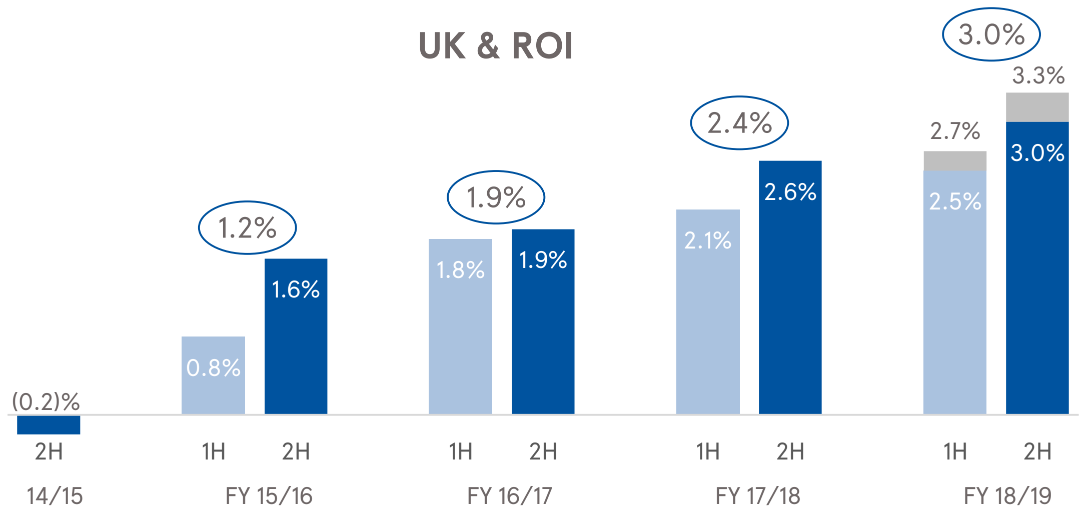
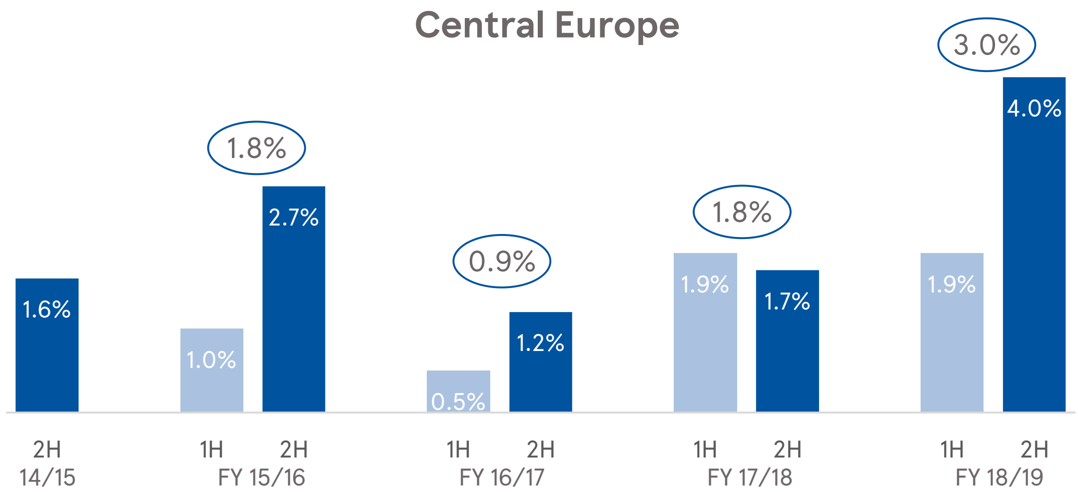
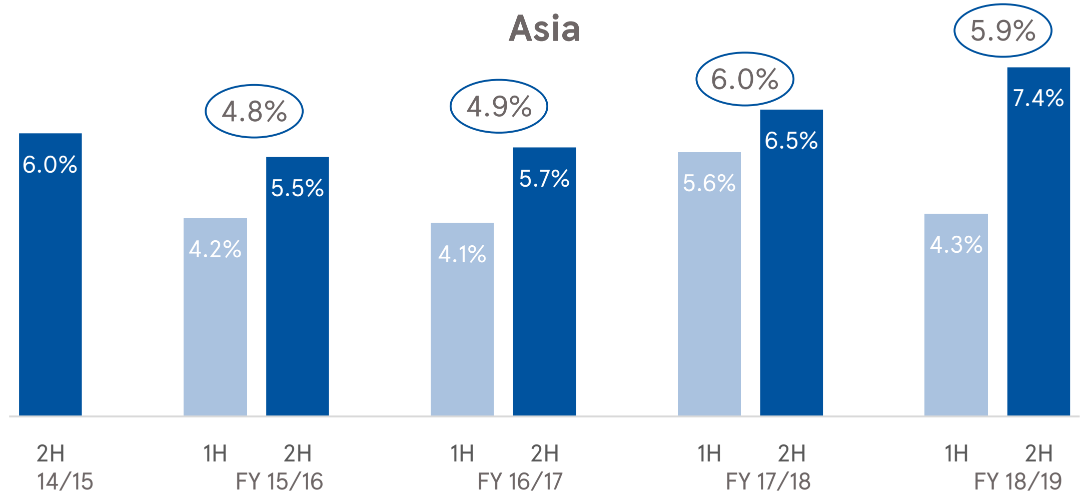
Four years of progress – margin progression









depicts Tesco exc. Booker exc. Synergies.

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UK & ROI

Sales:
+16.1%

Profit:
+45.1%

Margin:
+62bp

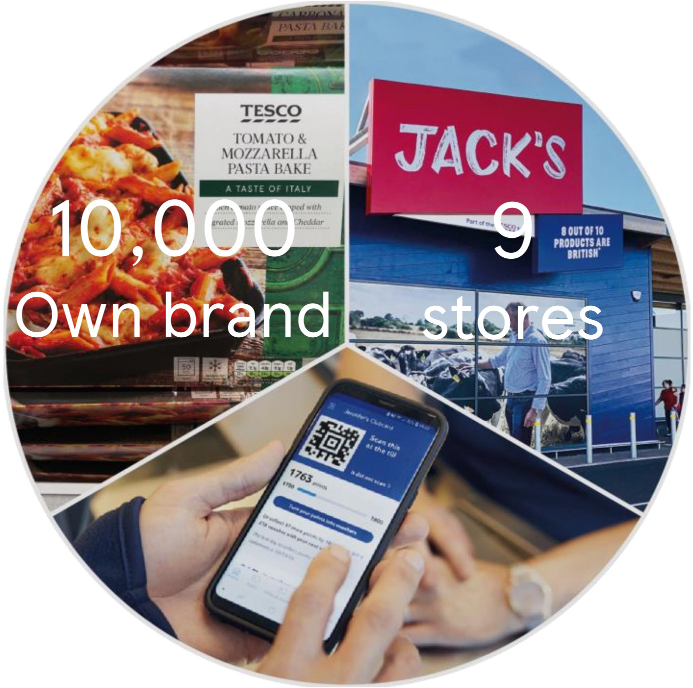
Performance[1]

NPS
+27

Supplier Viewpoint
81%

81%
Great place to work

Engagement[2]



Innovation

1. Performance: All figures shown at actual exchange rates. Sales exclude VAT and fuel. Profit shown is operating profit before exceptional items and amortisation of acquired intangibles. Margin change is year-on-year movement in operating margin before exceptional items and amortisation of acquired intangibles.
2. Engagement: NPS reflects % of fans minus critics answering the question 'Based on your visit, how likely is it that you would recommend Tesco to a friend or colleague?' for large stores. Supplier Viewpoint reflects % of UK&ROI 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. Great place to work reflects % of UK&ROI colleagues recommending Tesco as a great place to work as part of our 'What Matters To You?' survey undertaken every January and August.

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Booker

Customer satisfaction: 86%

Sales: £5.8bn

Profit: £196m

"Business as usual"[1]

Joining Forces

£79m Synergies

£(145)m

£(50)-(75)m One off costs

Synergies ahead of plan

Note: Booker results consolidated for the 51 weeks from 5 March 2018 to 23 February 2019.

1. Reflects customer recommend score for Q4 FY18/19, Booker sales exc. VAT and operating profit before exceptional items, excluding synergies.

Central Europe

Sales:
(4.9)%

Profit:
+56.3%

Margin:
+115bp

Performance[1]

Simpler, lower cost model[2]

Great place to work
71% ➡ 77%

Great place to shop
28% ➡ 48%

Building trust[3]

1. Performance: Sales exclude VAT and fuel. Profit shown is operating profit before exceptional items. Margin change is year-on-year movement in operating margin before exceptional items. All figures shown at actual exchange rates.
2. Simpler, lower cost model: Stock reduction reflects gross reduction in stock days year-on-year.
3. Building trust: Reflects % of colleagues recommending Tesco as ‘a great place to work’ and as ‘a great place to shop’ as part of our ‘What Matters To You?’ survey undertaken every January and August.

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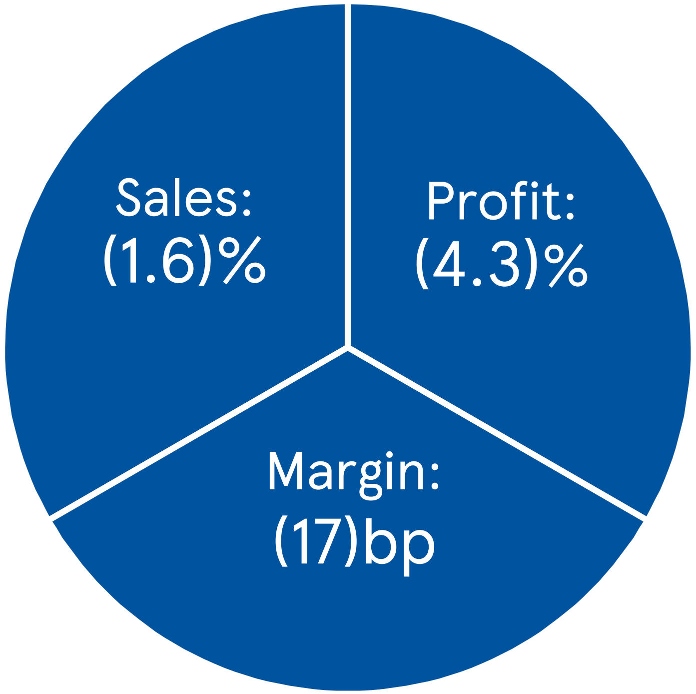
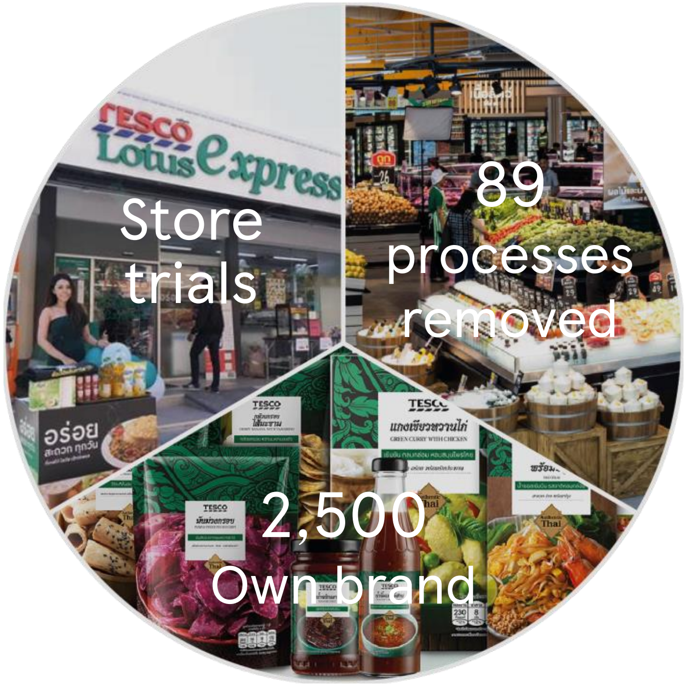
Asia



Performance[1]

Engagement[2]



Simplification

1. Performance: Sales exclude VAT and fuel. Profit shown is operating profit before exceptional items. Margin change is year-on-year movement in operating margin before exceptional items. All figures shown at actual exchange rates.
2. Engagement: 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. 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 Asia.

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Group capability

Own brand

Star lines

Business services

FY results.

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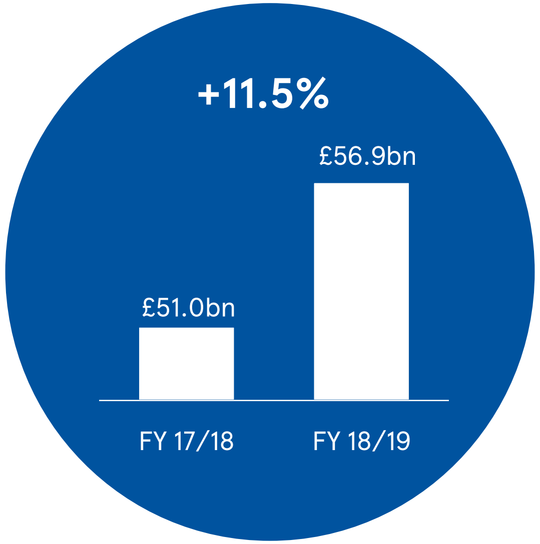
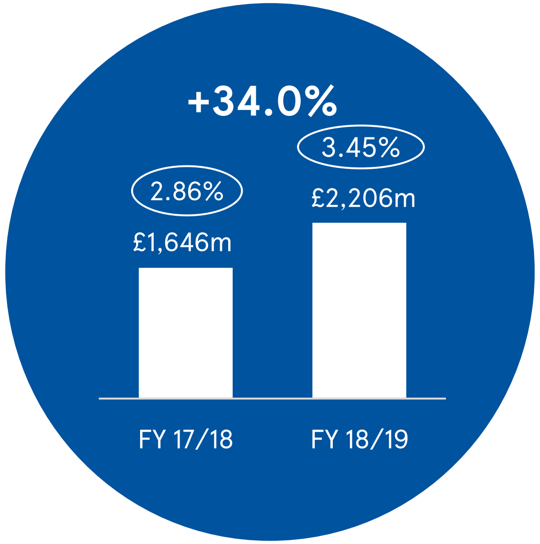
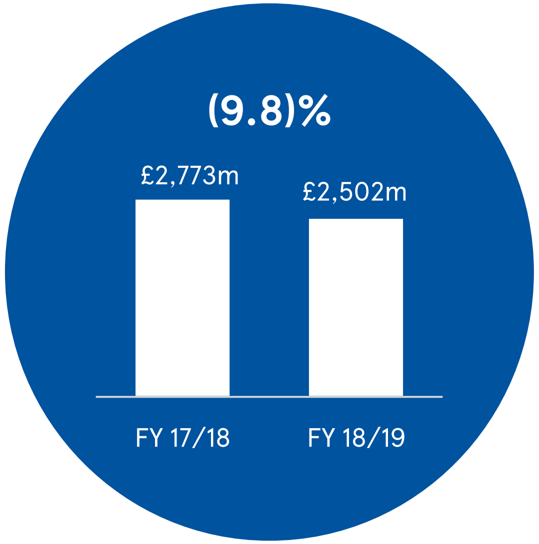
Group performance



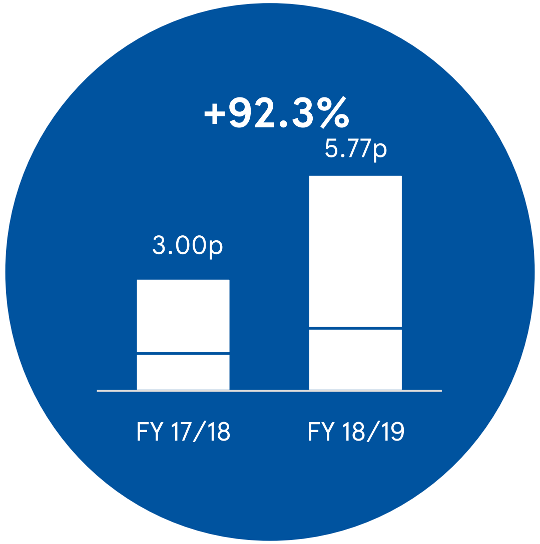
Sales growth[1]



Profit growth[2]



Retail cash generation[3]



Dividend growth

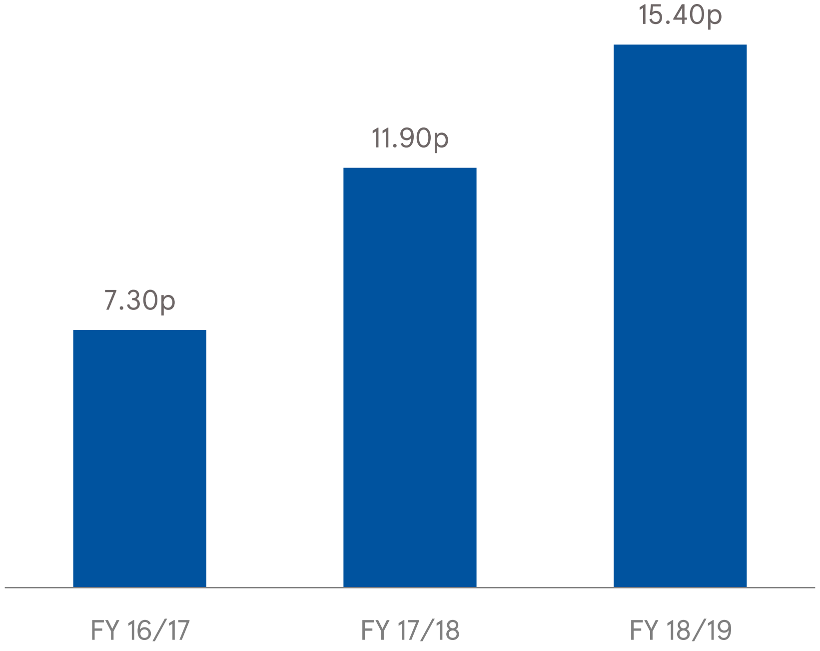
1. Group sales growth at actual rates on a comparable days and a continuing operations basis.
2. Group operating profit before exceptional items and amortisation of acquired intangibles on a continuing operations basis.
3. Retail cash generated from operations on a continuing operations basis.

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.

Group income statement

	FY 18/19	% change
Group sales	**£56,883m**	**11.5%**
Fuel	£7,028m	8.1%
Group revenue	**£63,911m**	**11.2%**
Operating profit[1]	**£2,206m**	**34.0%**
Margin (%)	3.45%	59bps
JVs and associates[1]	£24m	500%
Net finance costs[2]	£(272)m	23.6%
Profit before tax[2]	**£1,958m**	**52.5%**
Taxation	£(455)m	(47.2)%
Profit after tax[2]	**£1,503m**	**54.2%**
Diluted EPS[2]	**15.40p**	**29.4%**

Three year EPS progression[2]



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

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Segmental performance

	UK & ROI	Central Europe	Asia	Tesco Bank	Group
Group sales	**£44,883m**	**£6,030m**	**£4,873m**	**£1,097m**	**£56,883m**
change at constant exchange rates %	*16.1%*	*(4.5)%*	*(4.1)%*	*4.7%*	*11.3%*
change at actual exchange rates %	*16.1%*	*(4.9)%*	*(1.6)%*	*4.7%*	*11.5%*
Fuel	£6,760m	£268m	–	–	£7,028m
Group revenue	**£51,643m**	**£6,298m**	**£4,873m**	**£1,097m**	**£63,911m**
Like-for-like sales	**2.9%**	**(2.3)%**	**(6.2)%**	**-**	**1.4%**
Operating profit[1]	**£1,537m**	**£186m**	**£286m**	**£197m**	**£2,206m**
Margin (%)	2.98%	2.95%	5.87%	17.95%	3.45%

1. Before exceptional items and amortisation of acquired intangibles.

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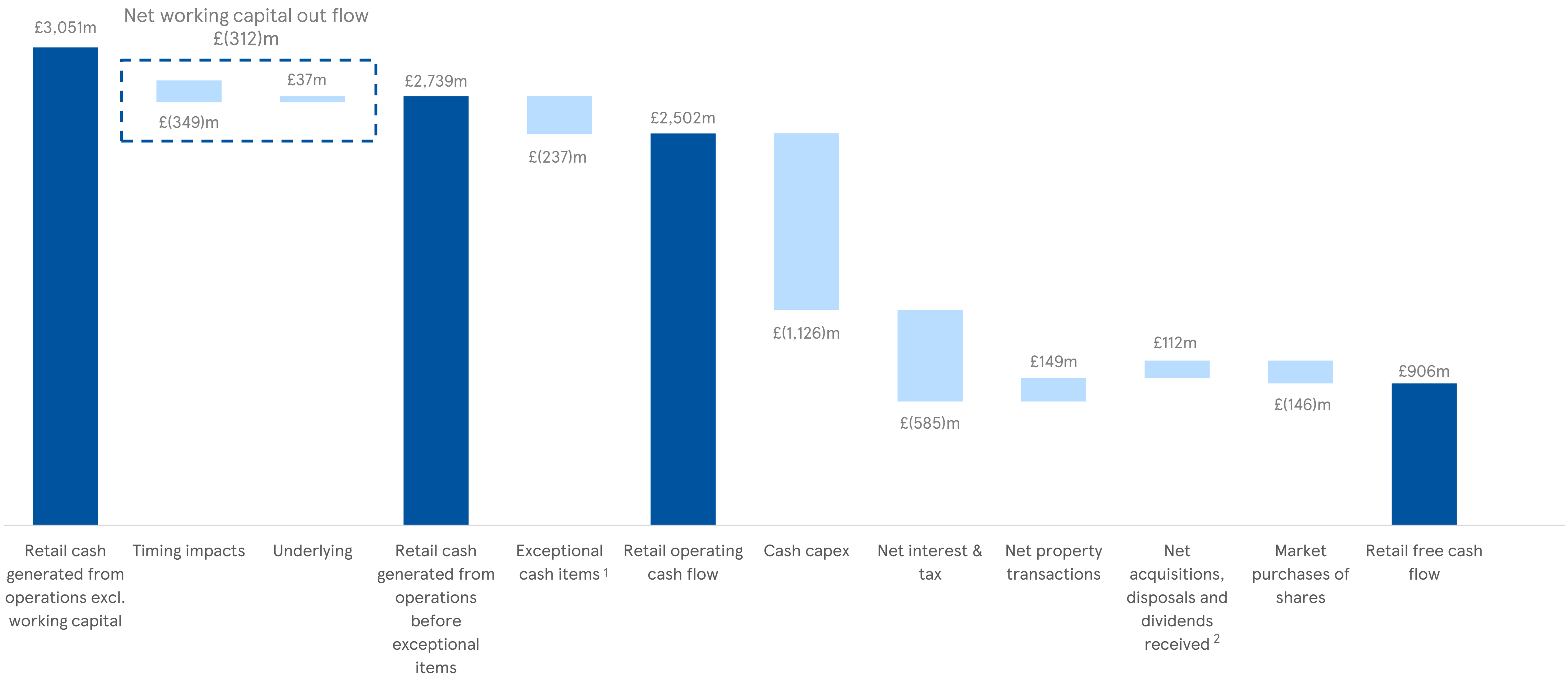
Tesco Bank

- Focus on banking for Tesco customers
- Operating profit[1] up 16.6%
- Mortgage balances £3.8bn, up 25%, in competitive market
- Unsecured lending £8.7bn, up 1.8%
- Strong balance sheet, with a Risk Asset Ratio of 18.4%

	FY 18/19	Change
Lending to customers	**£12,426m**	**7.8%**
Secured lending	£3,753m	25.1%
Unsecured lending	£8,673m	1.8%
Bad debt: asset ratio	1.4%	(0.1)%
Operating profit pre exceptional items	**£197m**	**16.6%**
Cost: income ratio[1]	56.2%	3.8% improvement
Net interest margin	3.8%	(0.1)%
Tier 1 capital ratio	16.3%	0.1%
Total capital ratio	18.4%	(1.0)%

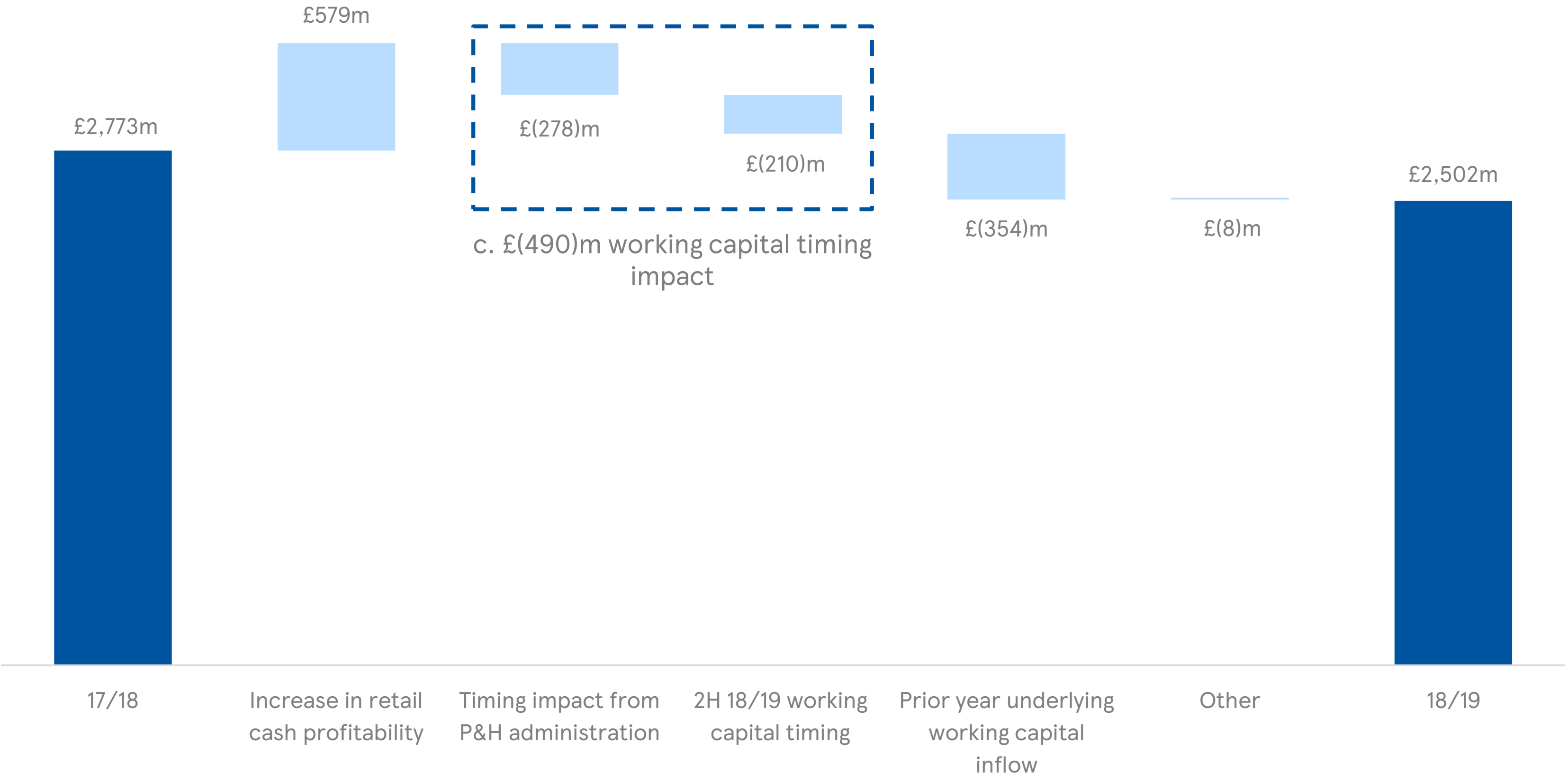
1. Operating profit before exceptional items.

Sources and uses of cash



1. Exceptional cash items includes £(128)m of restructuring payments, £(81)m utilisation of onerous leases, £(43)m for payments in relation to Shareholder Compensation Scheme payments and £14m of other income.
2. The cost of major acquisitions and disposals are removed from the Group's free cash flow.

Retail operating cash movement year-on-year



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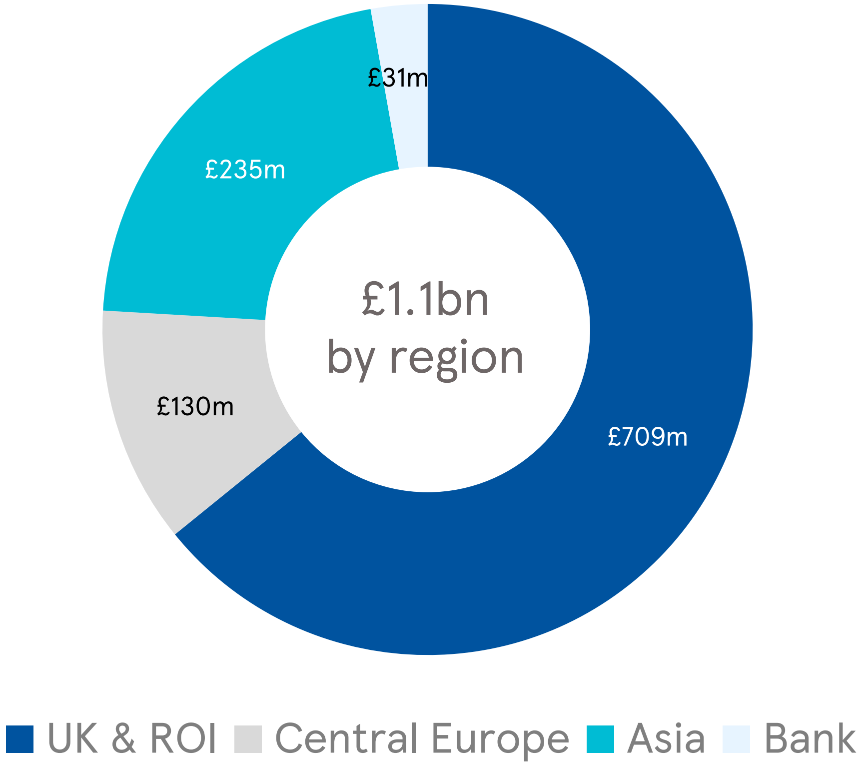
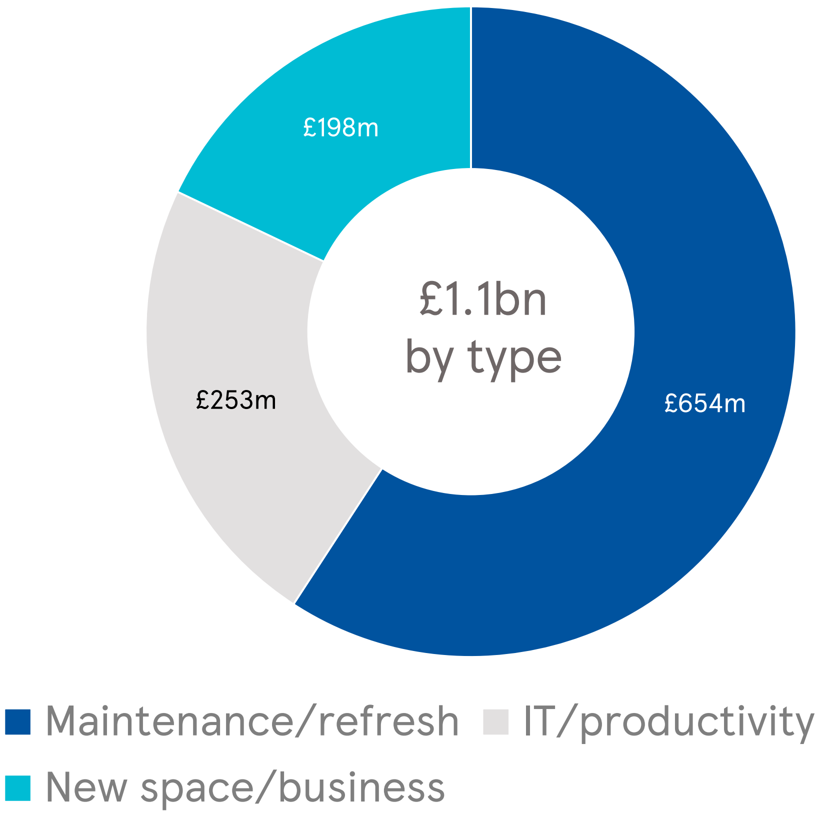
Capital expenditure

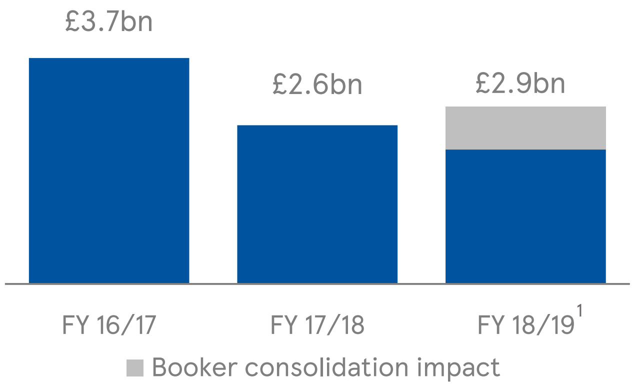




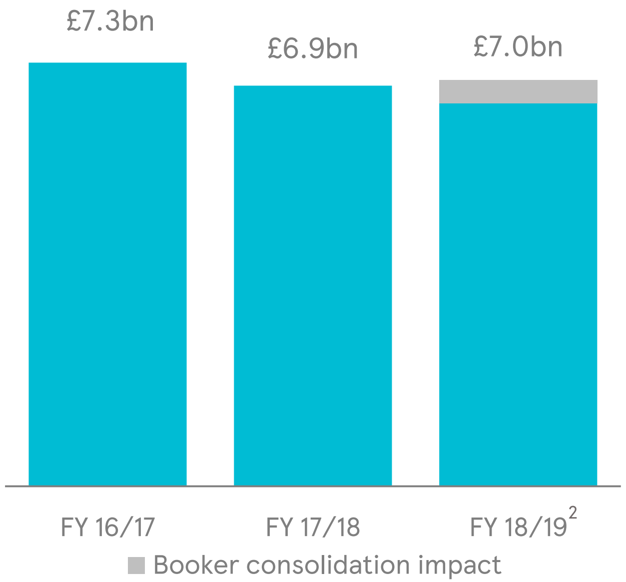
Ongoing capex guidance: between £1.1bn and £1.4bn

Balance sheet progress

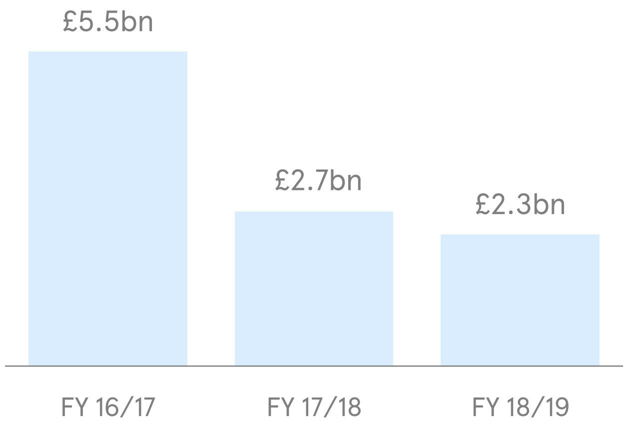
Net debt



Lease commitments



Pension deficit

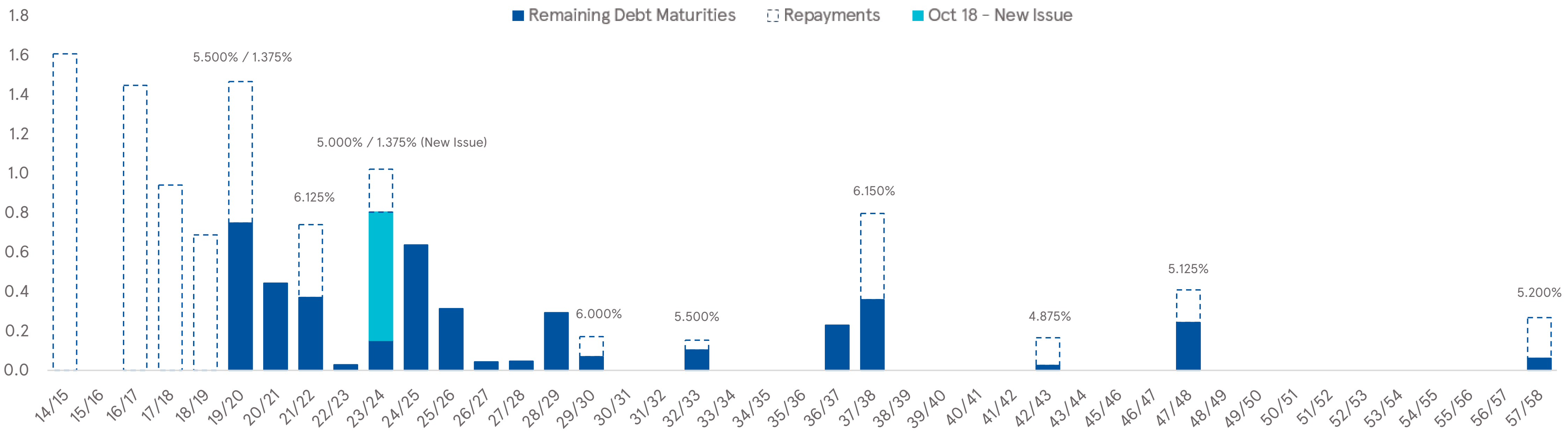


Total indebtedness £12.2bn (down £0.1bn year-on-year)

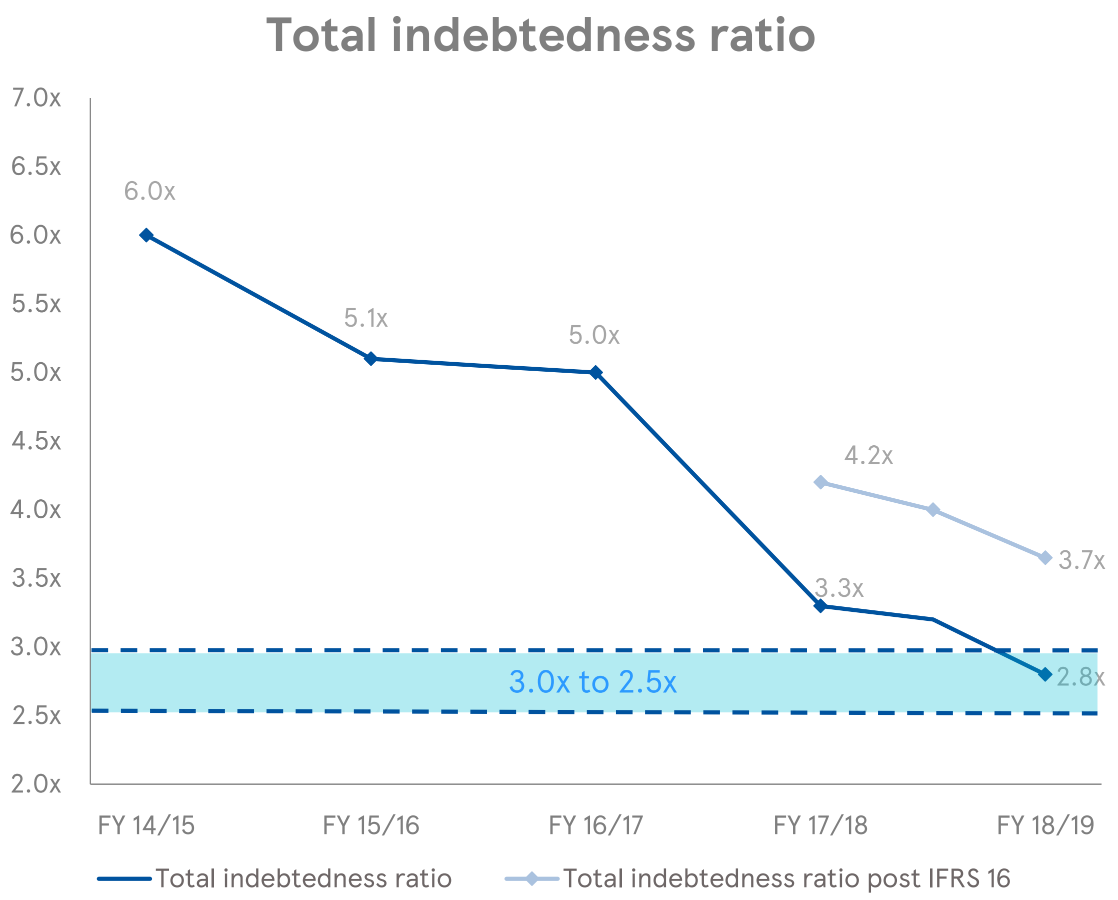
1. Net debt includes £(747)m impact of our combination with Booker.
2. Lease commitments include an £360m relating to Booker.

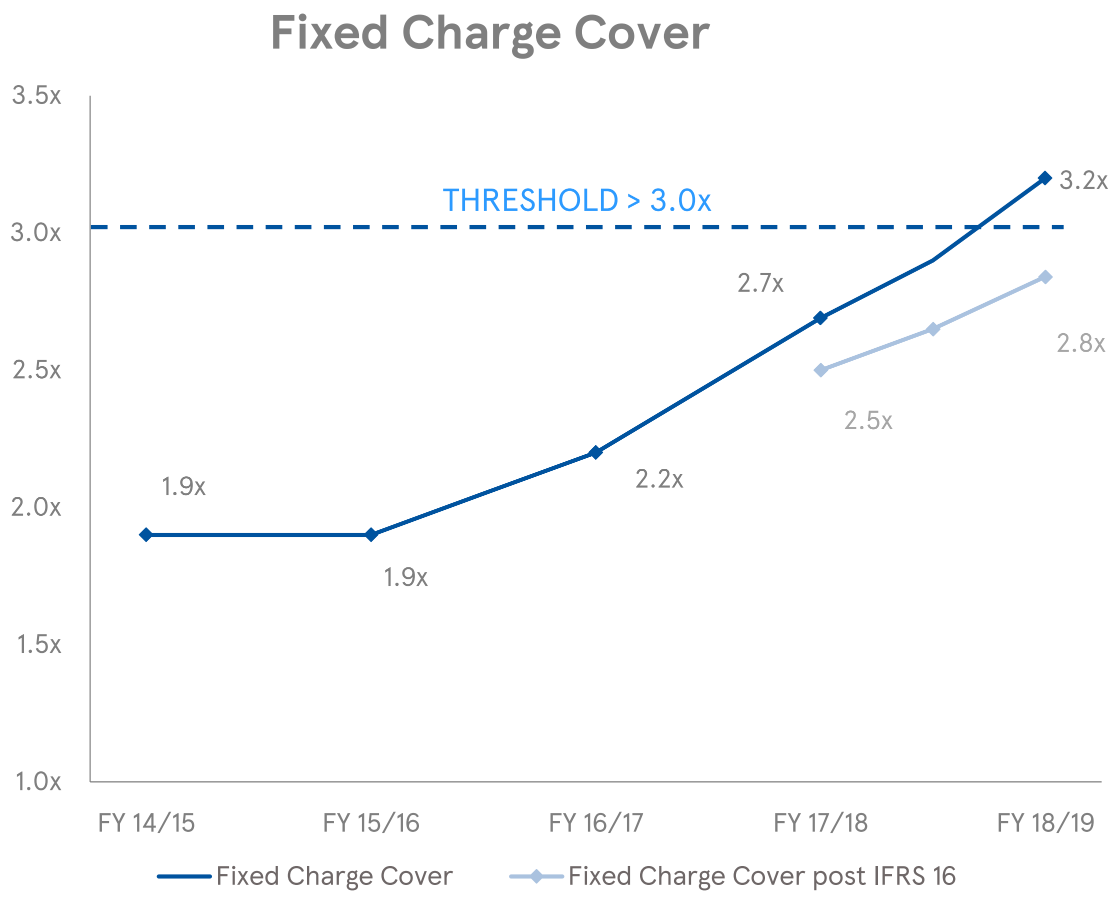
Debt reduction

- Repayment of £1.2bn of outstanding debt during FY 18/19:
  - £0.7bn maturity
  - Tender offers in April £0.6bn and October £0.6bn
  - £0.7bn new issue in October 2018



Improving debt metrics

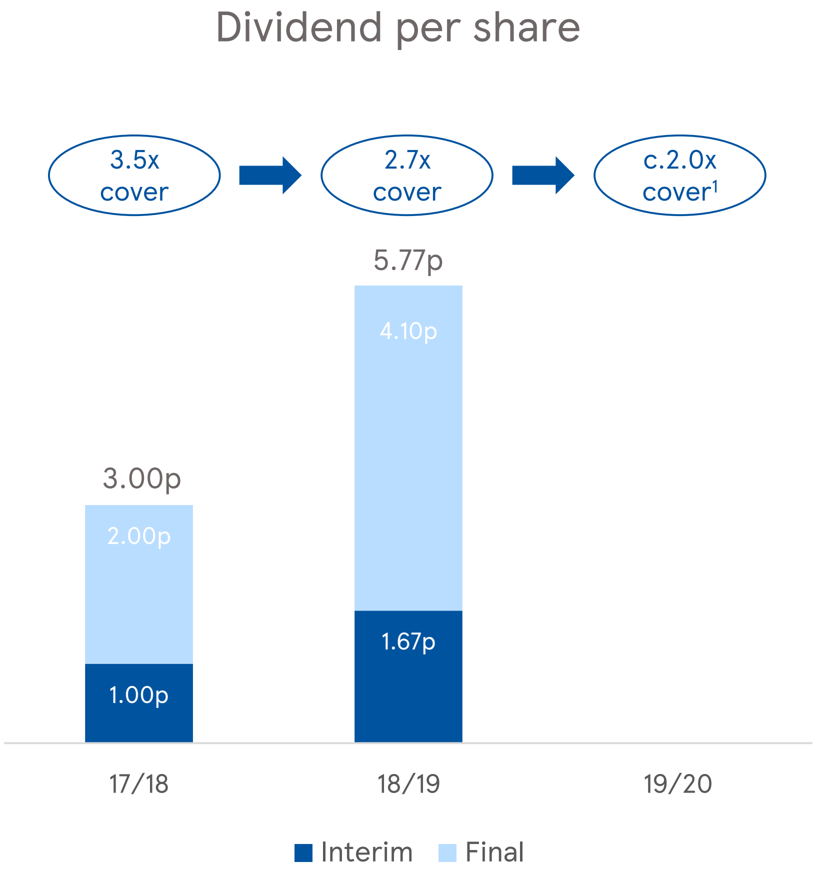




1. Total indebtedness ratio: Net Debt + defined pension deficit (net of tax) + discounted operating lease commitments / EBITDAR.
2. Fixed charge cover: EBITDAR / (Net finance costs (before exceptional charges, net pension finance costs and fair value re-measurements) + Retail operating lease expense).
3. Total indebtedness ratio post-IFRS 16: Net Debt + defined pension deficit (net of tax) / EBITDAR.
4. Fixed charge cover post IFRS-16 impact: EBITDAR/(Net finance costs (before exceptional charges, net pension finance costs, fair value re-measurements) and adjusted to remove IFRS 16 interest expense) + cash rent.

Dividend

- Proposing final dividend of 4.10p
- Full year dividend of 5.77p (up 92.3%)
- Reflects continued improvement in business and confidence in ongoing cash generation
- Expecting to reach c.2 times earnings cover in 2019/20[1]



1. On a post-IFRS 16 basis.

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
Working capital	Underlying decrease of around £0.2bn per annum
Pension deficit contribution	£285m per annum from April 2018
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	Expecting to reach c.2 times EPS cover[2] in 19/20 Broadly one-third : two-thirds split between interim and final
Debt metrics	Leverage at 3x to 2.5x Total indebtedness/EBITDAR[2]

1. Before exceptional charges, IAS 19 net pension finance costs and IAS 39 fair value remeasurements.
2. On a post-IFRS 16 basis.

Financial summary.

- Sales growth of 11.5%
- Operating profit[1] growth of 34.0%
- 3.96% Group operating margin in second half (excl. Booker margin of 3.79%)
- £79m Booker ‘joining forces’ synergies, ahead of plan
- Retail operating cash flow generation of £2.5bn
- £532m cost savings in year; £1.4bn savings to date
- Total indebtedness down £0.1bn to £12.2bn
- Full year dividend growth of 92.3%; c.two times cover[2] in 2019/20 financial year

1. Group operating profit before exceptional items and amortisation of acquired intangibles on a continuing operations basis.
2. On a post-IFRS 16 basis.

What’s next?

Capital markets days

18 June 2019

26 June 2019

Three pillars

‘Untapped value opportunities’ – three pillars

	Product Andrew Yaxley	Channel Tony Hoggett	Customer Alessandra Bellini
OPPORTUNITIES	Improving our offer for **customers**		
	Reducing our **costs**		
	Focus on **cash**		

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‘Untapped value opportunities’ – max the mix

UK & ROI Jason Tarry	Booker Charles Wilson	Central Europe Matt Simister	Asia Alison Horner

	Fresh	*Packaged*	*GM*	*Clothing*	*Professional*
Large stores					
Small stores					
Online					
Wholesale					

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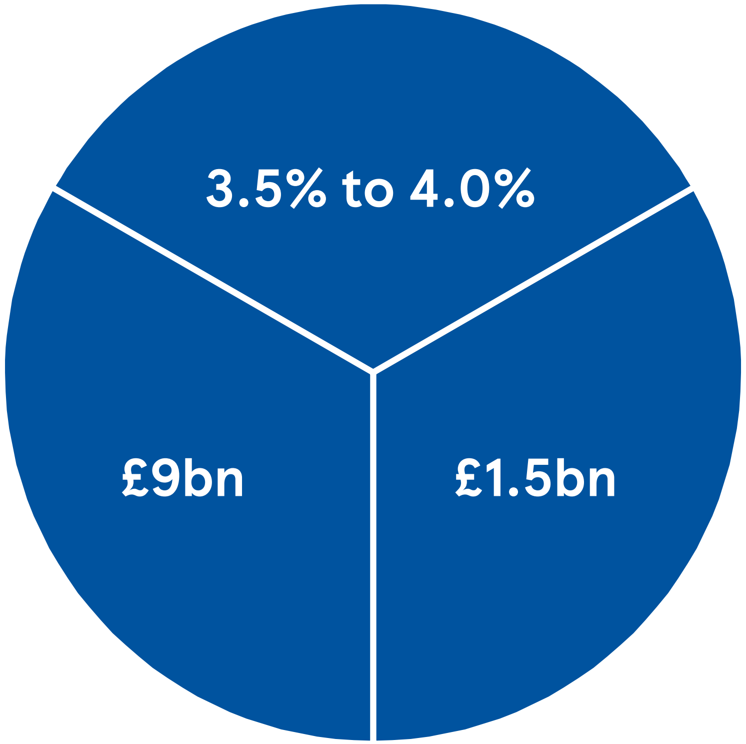
‘Untapped value opportunities’ – transformation

Finance

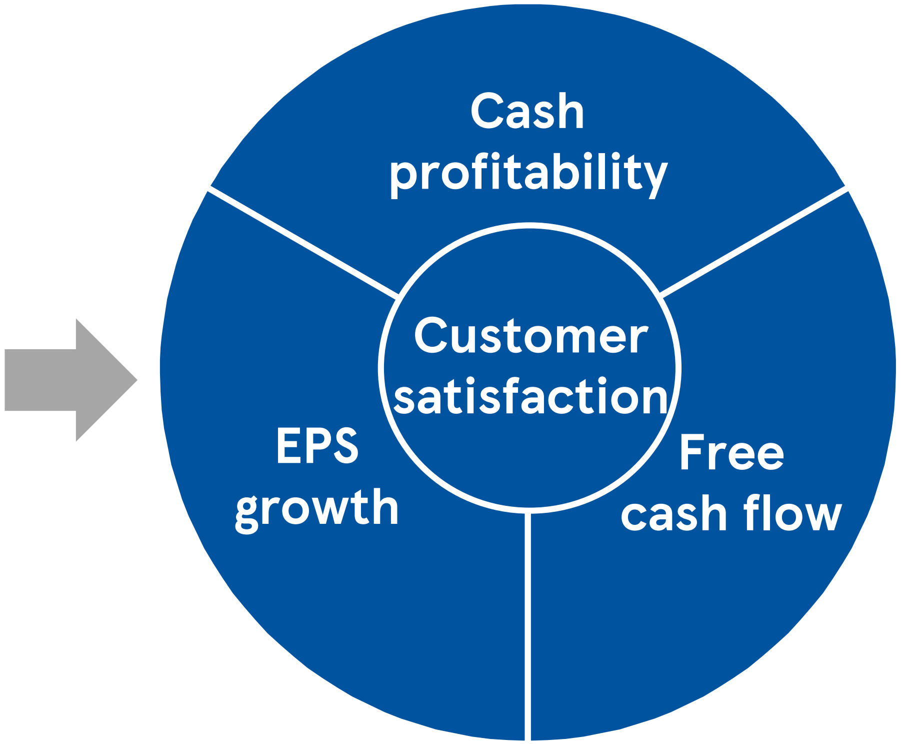
HR

Business services

Sustainable value creation for shareholders



Medium-term ambitions



Underlying philosophy

Our priorities for allocating capital

1. Reinvest in business & customer offer
2. Maintain leverage at 3x to 2.5x Total indebtedness/EBITDAR[1]
3. Grow dividend to c.2x EPS cover[1], then maintain at c.50% pay-out ratio[1]
4. Consideration of inorganic growth opportunities that may arise
5. Return surplus cash to shareholders

1. On a post-IFRS 16 basis.

2019/20: Celebrating 100 years of great value

Prices that take you back

Exclusively at Tesco

Loyalty

Summary.

- Delivered full year ahead of expectations
- Significant increase in profitability
- Strong progress against our strategic drivers
- Second half margin already in ambition range
- 2019/20: Celebrating 100 years of great value
- Looking forward to our capital markets days

Q&A.

Appendix.

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Segmental performance

	Sales				Operating profit before exceptional items			
	FY 18/19	FY 17/18	Change constant rates[1]	Change actual rates[1]	FY 18/19	FY 17/18	Change constant rates	Change actual rates
UK & ROI	£44.9bn	£38.7bn	16.1%	16.1%	£1,537m	£1,059m	45.0%	45.1%
Central Europe	£6.0bn	£6.3bn	(4.5)%	(4.9)%	£186m	£119m	56.3%	56.3%
Asia	£4.9bn	£4.9bn	(4.1)%	(1.6)%	£286m	£299m	(6.7)%	(4.3)%
Bank	£1.1bn	£1.0bn	4.7%	4.7%	£197m	£169m	16.6%	16.6%
Group	**£56.9bn**	**£51.0bn**	**11.3%**	**11.5%**	**£2,206m**	**£1,646m**	**33.5%**	**34.0%**

1. Change shown on a comparable days basis.

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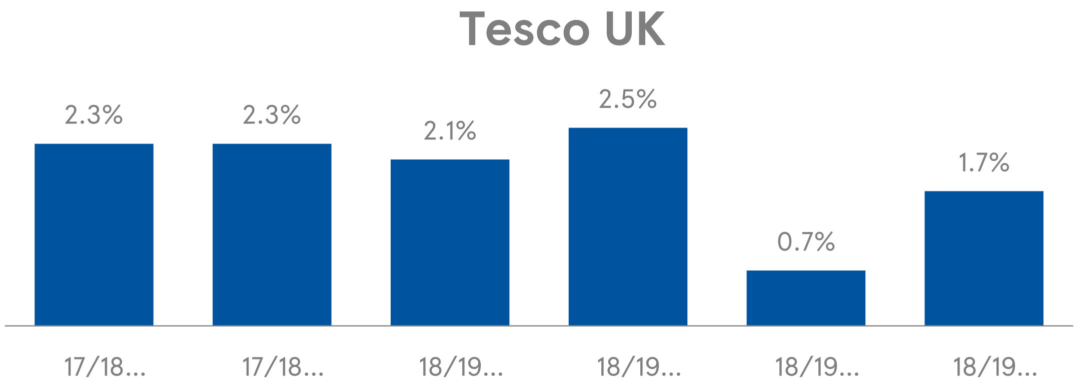
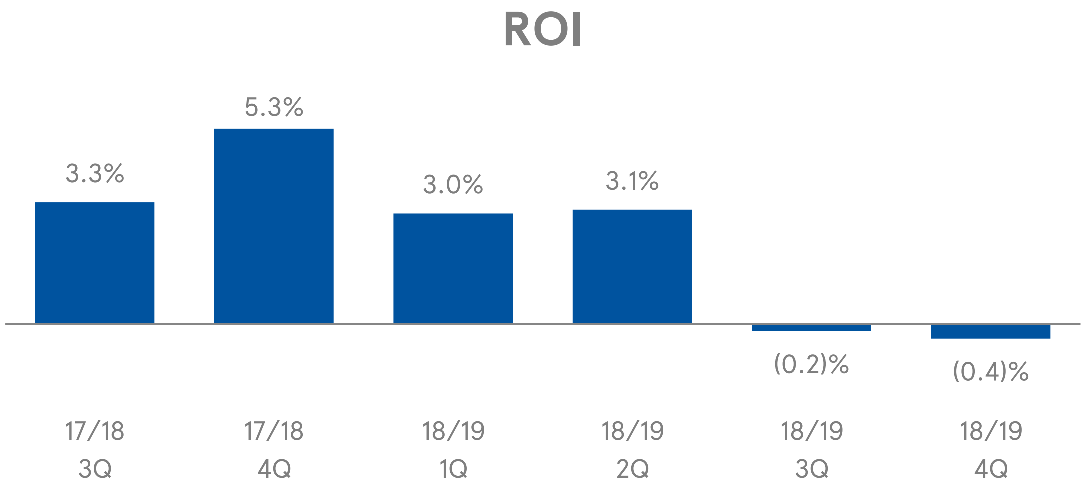
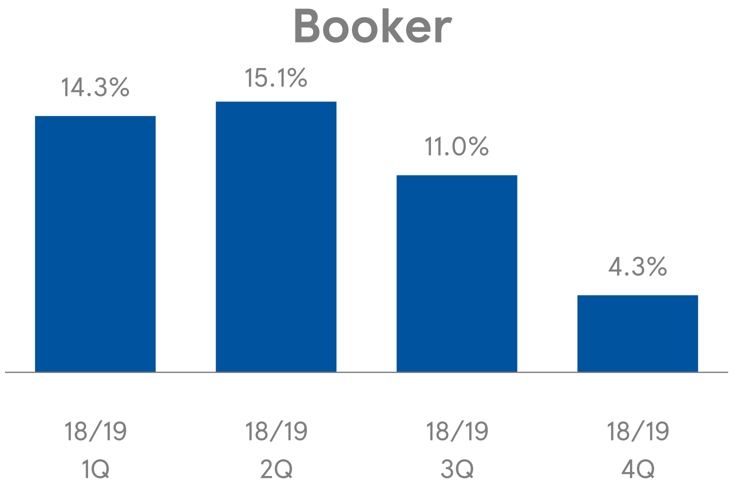
Like-for-like sales performance[1]

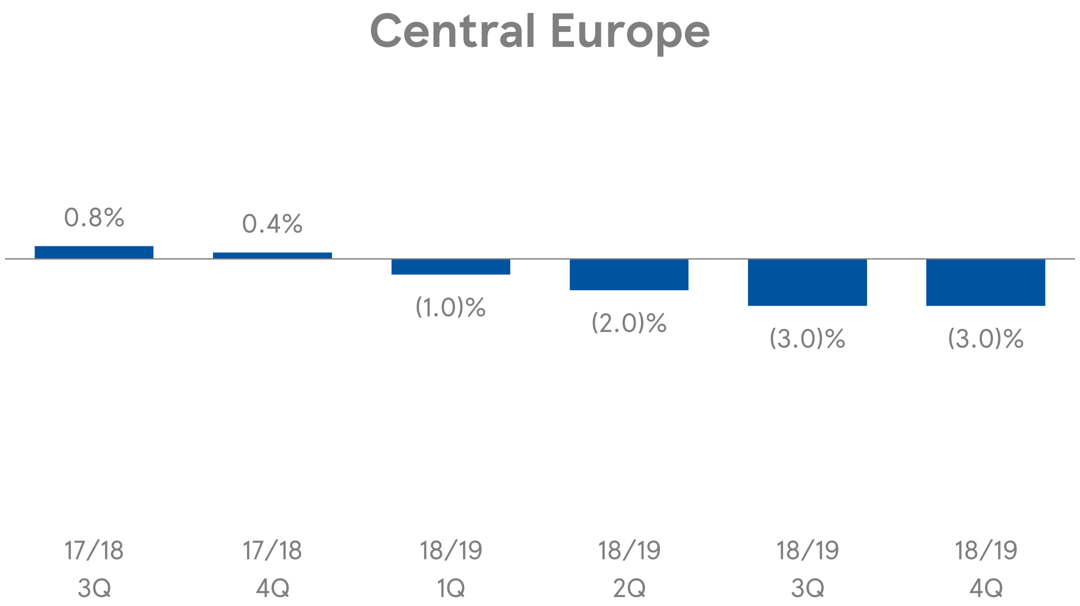


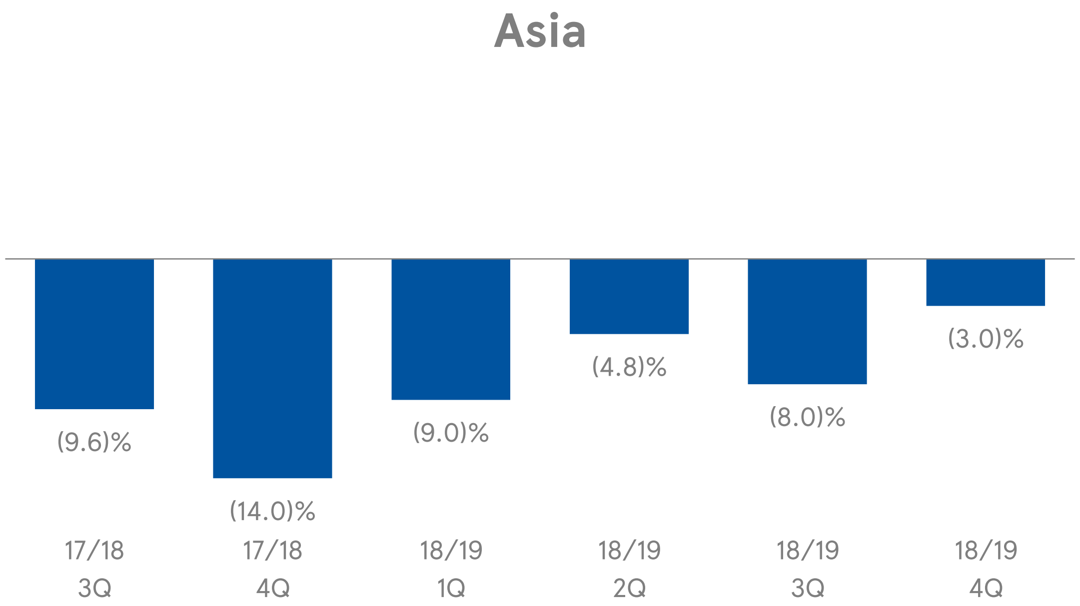




1. Exc. VAT, exc. Fuel.

Like-for-like sales performance[1]





1. Exc. VAT, exc. Fuel.

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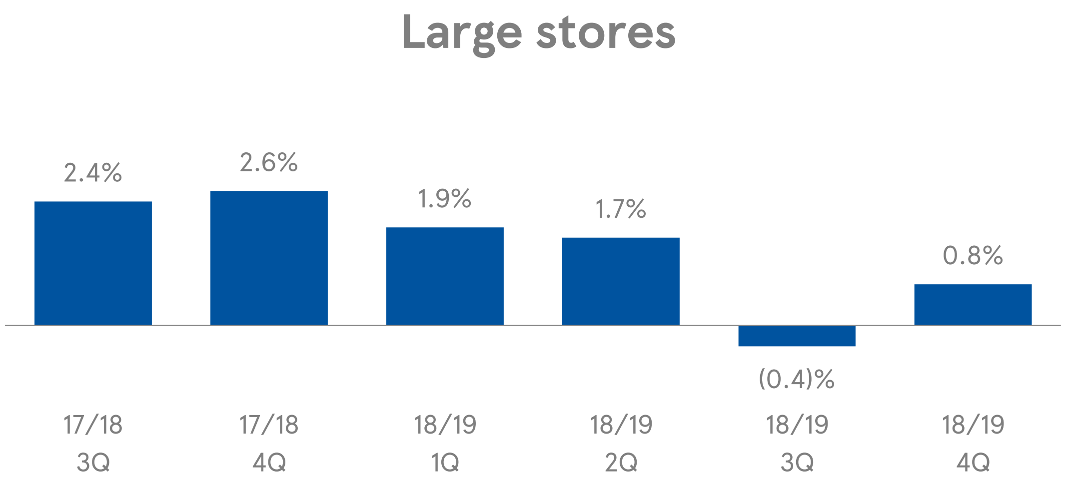
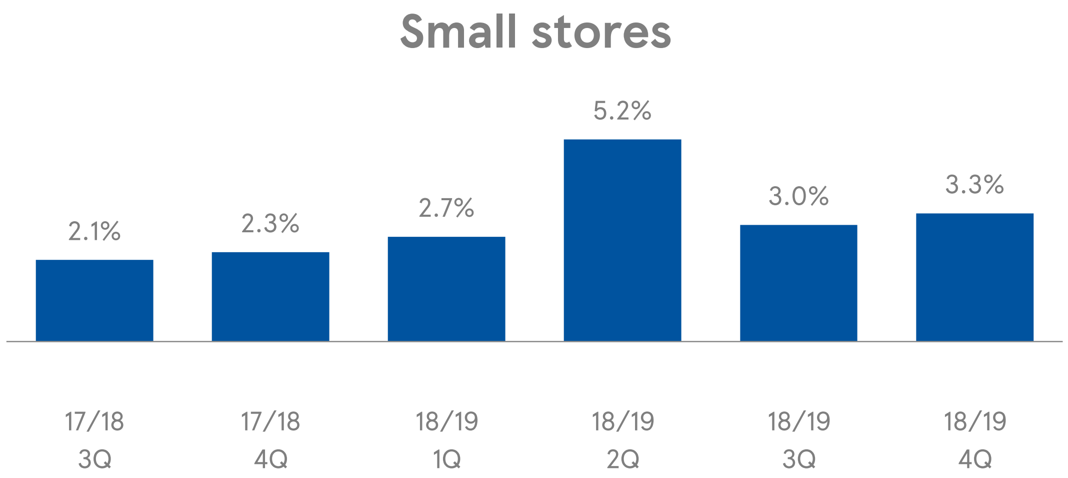
UK like-for-like sales performance[1] by format





Online grocery FY 18/19: 2.8%

1. Exc. VAT, exc. Fuel.

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Exceptional items

	FY 18/19	FY 17/18
Net restructuring and redundancy costs	£(220)m	£(102)m
Provision for customer redress	£(16)m	£(24)m
FCA obligations	£37m	£25m
Property transactions	£105m	£79m
Tesco Bank FCA charge	£(16)m	-
Booker integration costs	£(15)m	-
Release of provision relating to HMRC VAT appeal	£176m	-
Guaranteed minimum pensions (GMP) equalisation	£(43)m	-
Net impairment reversal of non-current assets and onerous lease provision	£10m	£53m
Sales of Lazada	£7m	£124m
Disposal of opticians business	-	£38m
Total exceptional items in statutory operating profit	**£25m**	**£193m**

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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