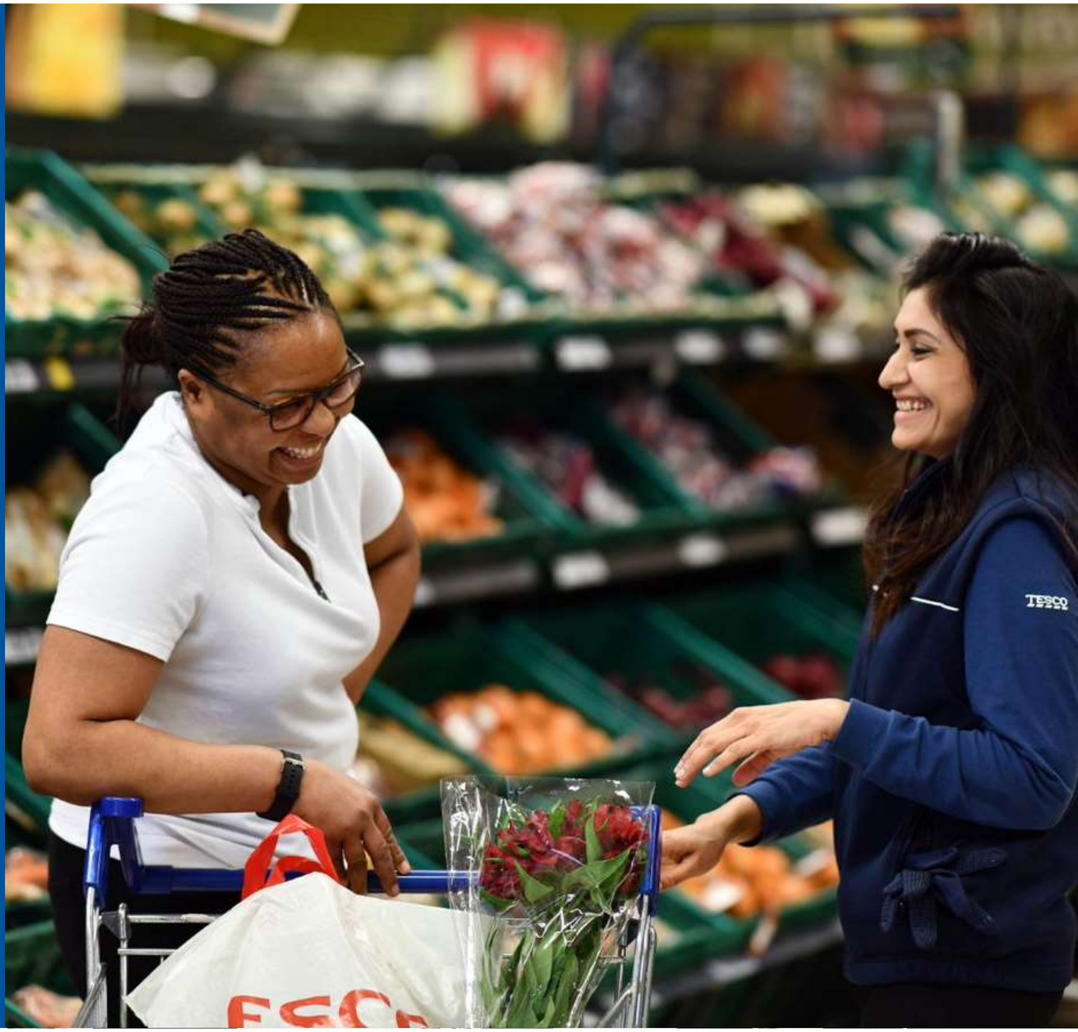
Debt Investor Call.

10 April 2019

Alan Stewart – CFO
Lynda Heywood – Group Treasurer



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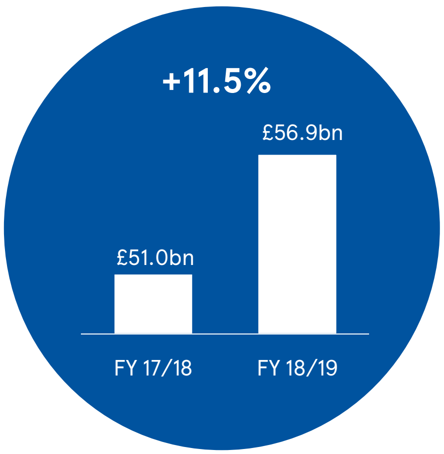
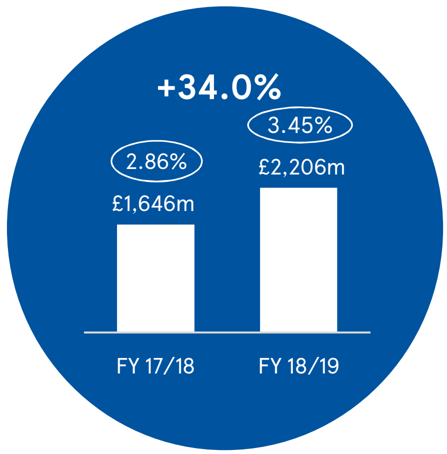
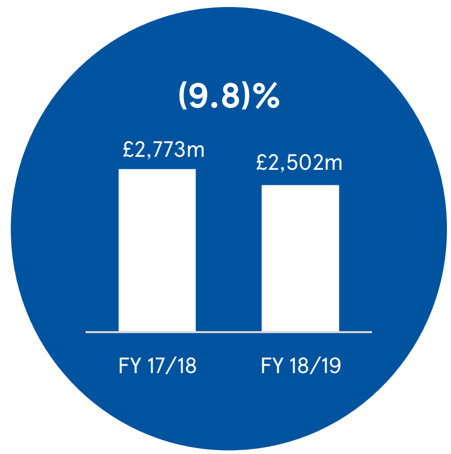
Group performance



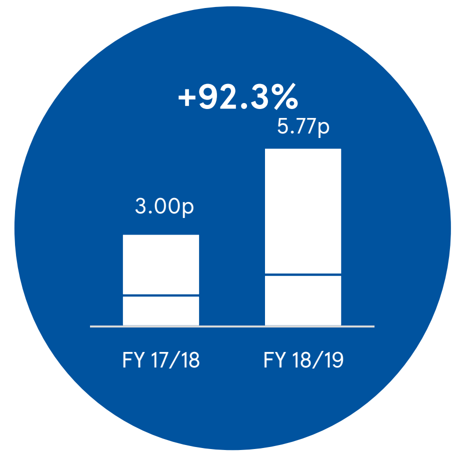
Sales growth[1]



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.

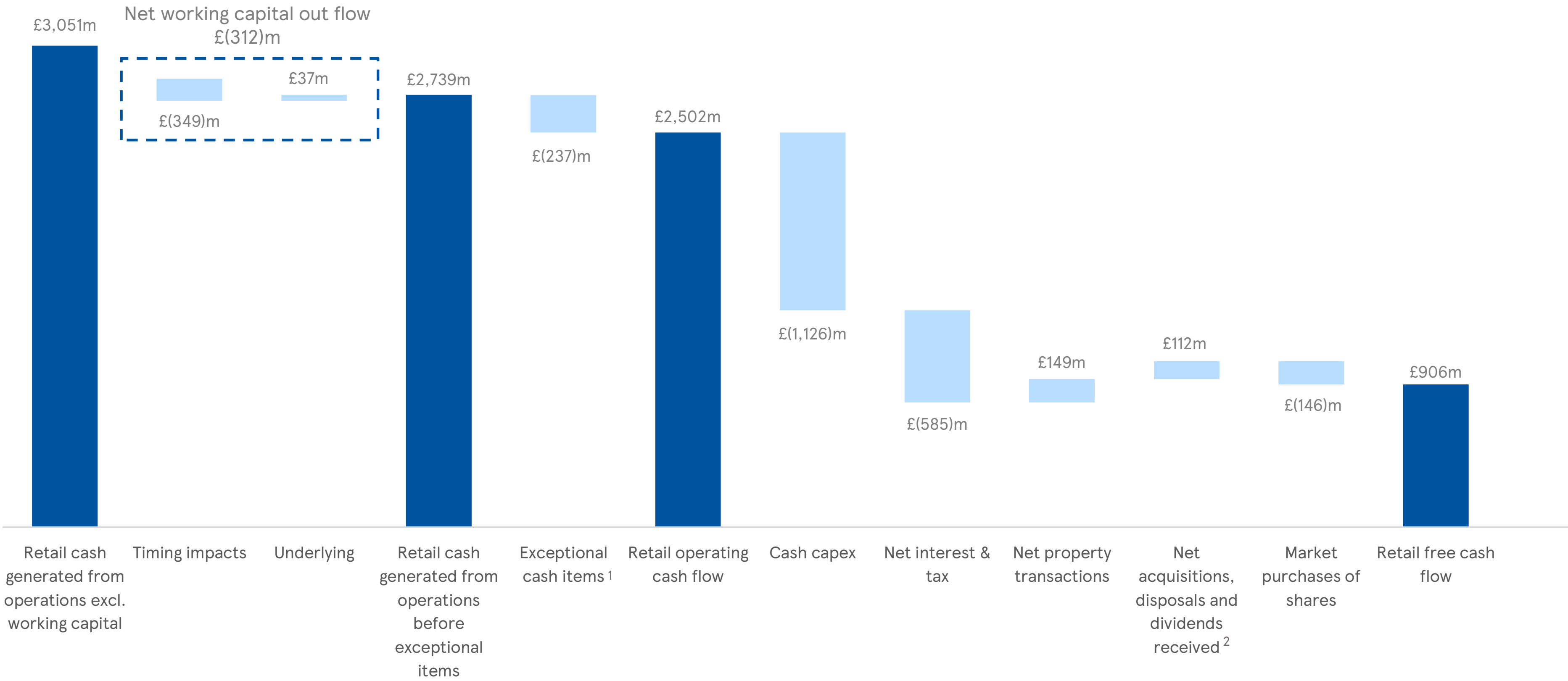
Note: All prior year numbers and growth rates above do not include Booker in the base. Last year figures restated for impact of IFRS 15.

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%

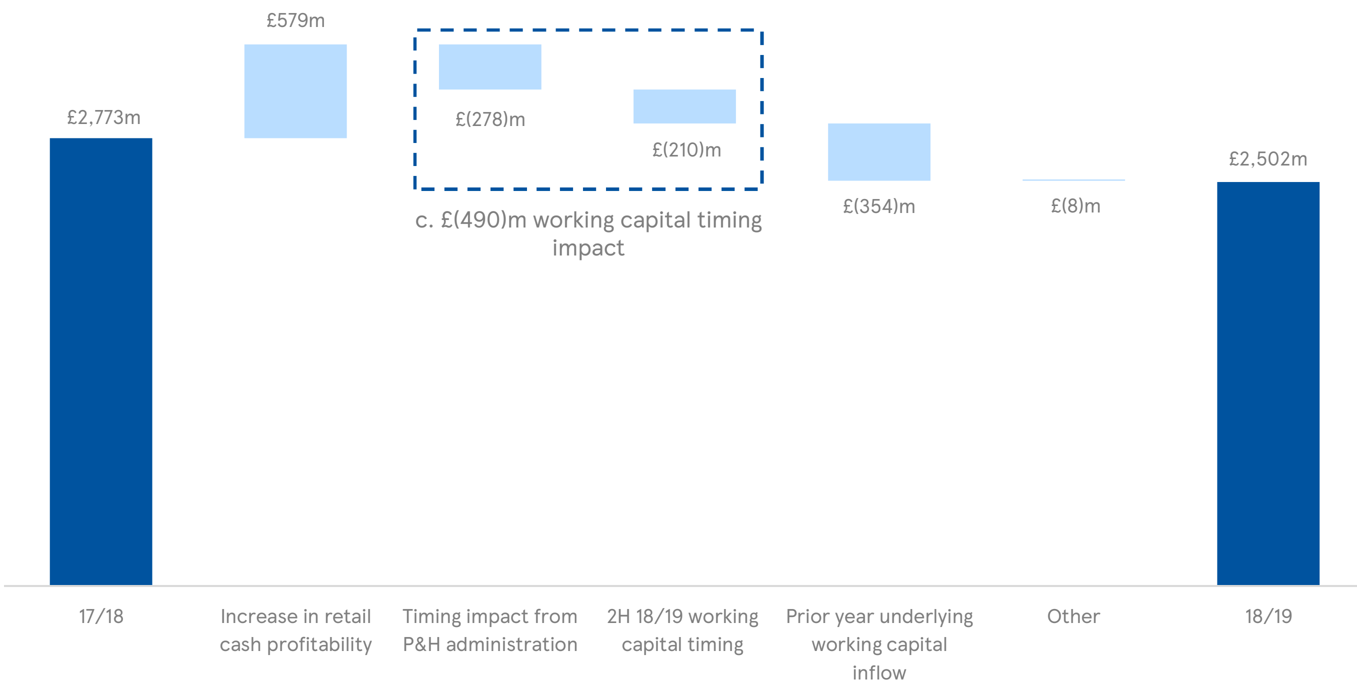
1. Before exceptional items and amortisation of acquired intangibles.

Sources and uses of cash



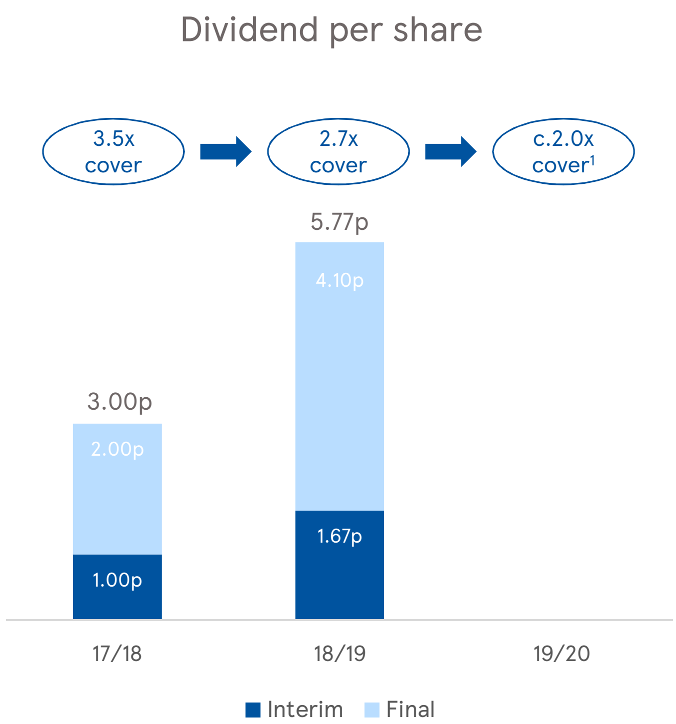
1. Exceptional cash items includes £(128)m of restructuring payments, £(81)m utilisation of onerous leases, £(43)m for payments in relation to Shareholder Compensation Scheme payments and £14m of other income.
2. The cost of major acquisitions and disposals are removed from the Group's free cash flow.

Retail operating cash movement year-on-year



Dividend

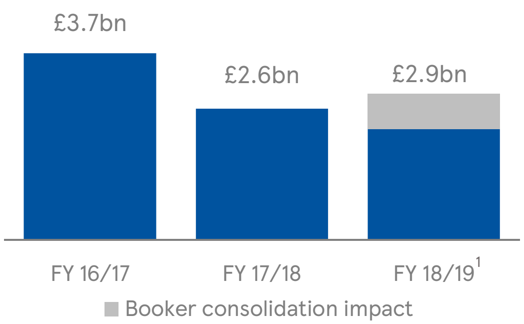
- Proposing final dividend of 4.10p
- Full year dividend of 5.77p (up 92.3%)
- Reflects continued improvement in business and confidence in ongoing cash generation
- Expecting to reach c.2 times earnings cover in 2019/20[1]



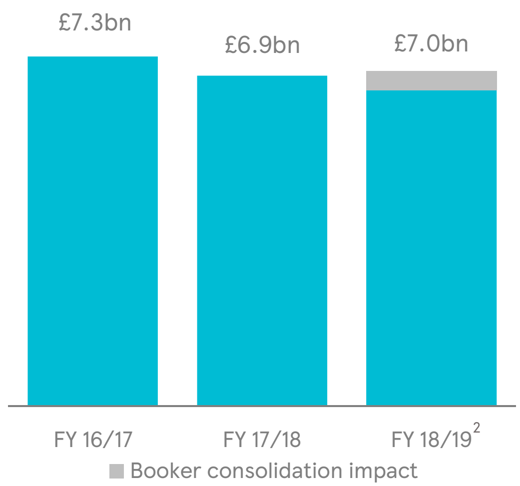
1. On a post-IFRS 16 basis.

Balance sheet progress

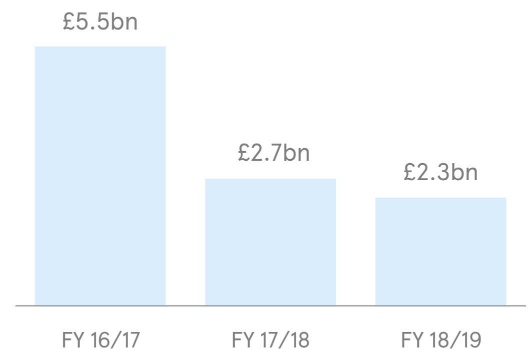
Net debt



Lease commitments



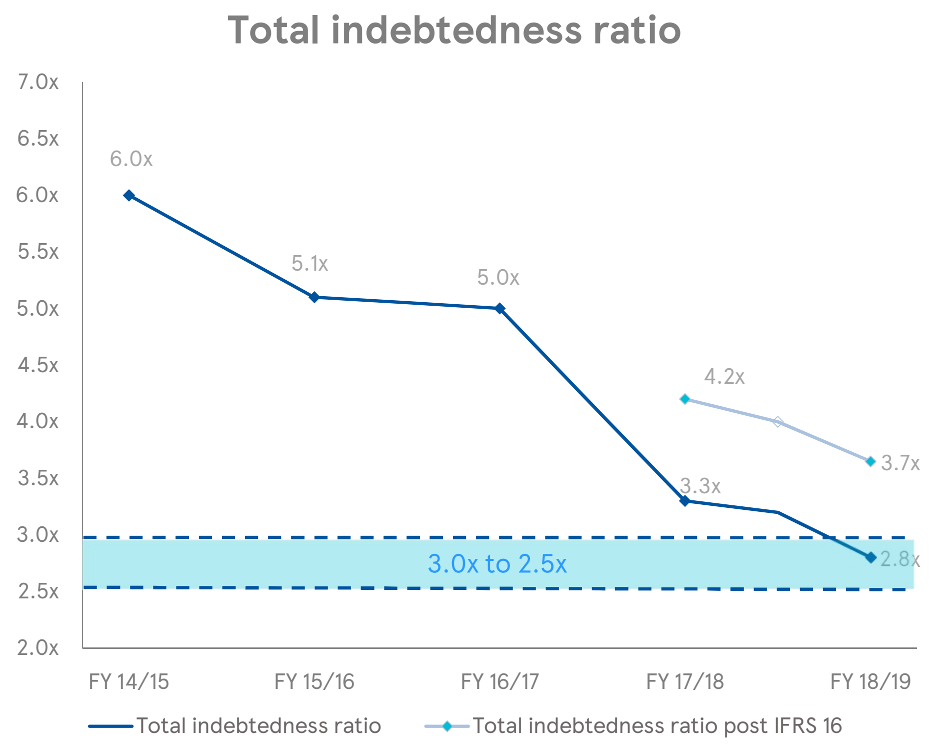
Pension deficit

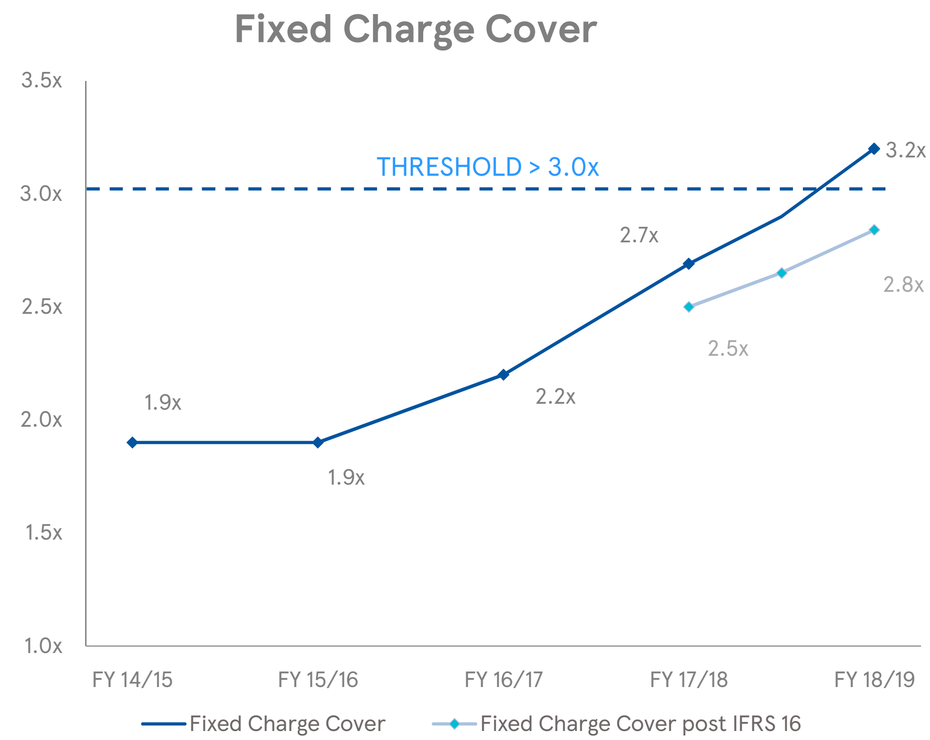


Total indebtedness £12.2bn (down £0.1bn year-on-year)

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

Improving debt metrics



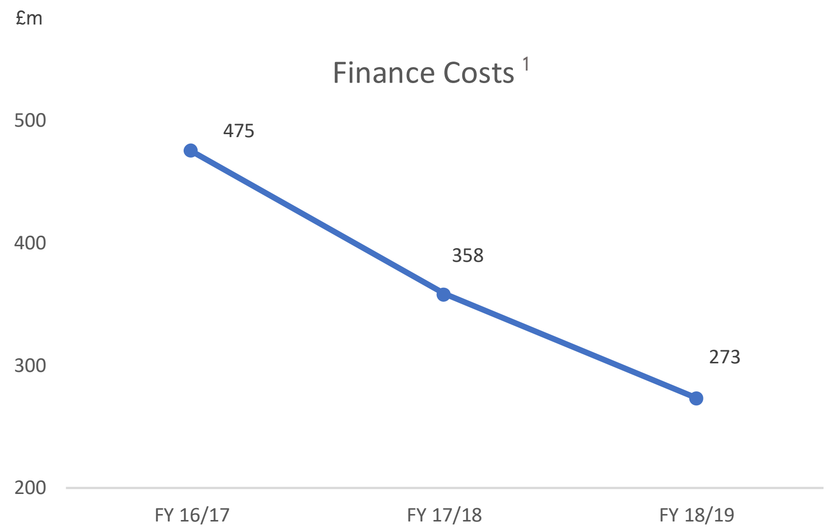


1. Total indebtedness ratio: Net Debt + defined pension deficit (net of tax) + discounted operating lease commitments / EBITDAR.
2. Fixed charge cover: EBITDAR / (Net finance costs (before exceptional charges, net pension finance costs and fair value re-measurements) + Retail operating lease expense).
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.

Debt Capital Markets Activity

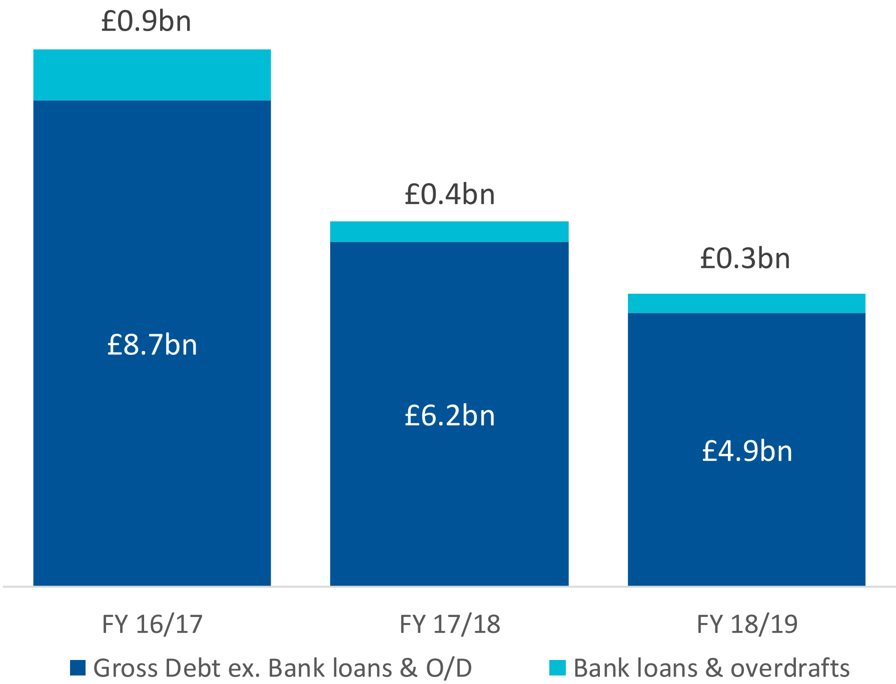
- Repayment of £1.2bn of outstanding debt during FY 18/19:
  - –£0.7bn maturity
  - –Tender offers in April £0.6bn and October £0.6bn
  - –£0.7bn new issue in October 2018

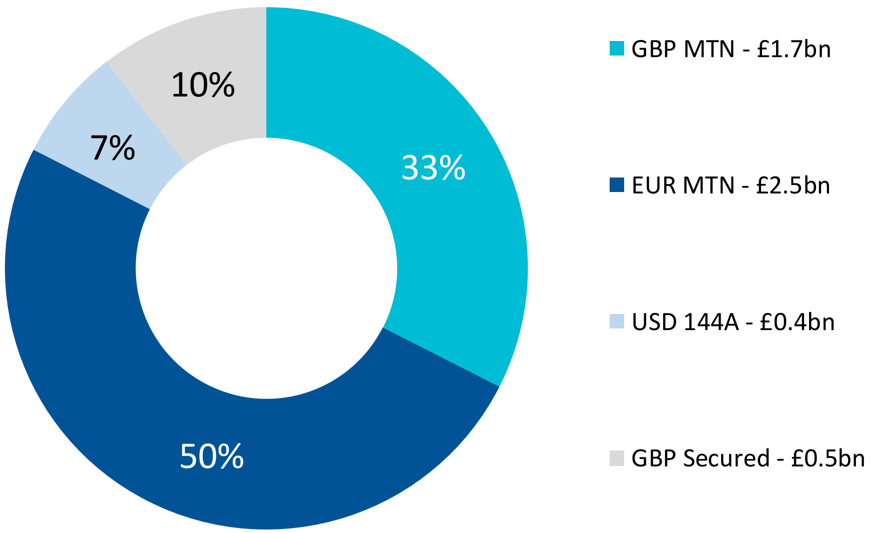
(£m)	Size	Interest Savings (p.a.)	Total Savings to Maturity [2]
Jul-17	500	17	512
Oct-17	800	31	319
Apr-18	600	33	288
Oct-18	600 [3]	15	224
Total	**2,500**	**96**	**1,343**



1. Net Finance cost, excluding net pension finance costs, exceptional items, capitalised interest and fair value re-measurements on financial instruments
2, Undiscounted based on hedged rates, net of new issue
3. Notional debt repurchased

Gross debt position and outstanding bonds by currency





72% of outstanding debt is hedged back to GBP (remainder is in EUR)

Gross Debt = Net Debt + Cash and Cash & Cash Equivalents and Short Term investments + Joint Venture Loans/Receivables

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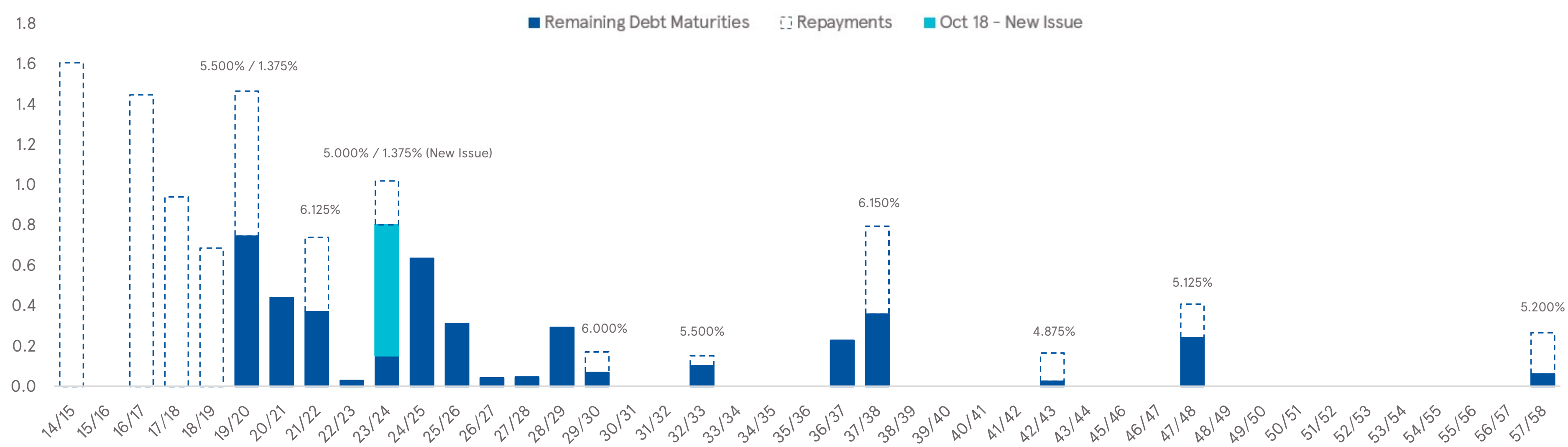
Liquidity Position

- £1.9bn cash and short term investments*
- £3bn undrawn committed facilities maturing in 2021
- Well balanced debt maturity profile: WAM 8 years



*Cash & cash equivalents less reported overdraft (figure exclude Tesco Bank)

Credit ratings

Agency	Long Term Rating	Short Term Rating	Outlook
Fitch	BBB-	F3	Stable
Moody's	Ba1	NP	Positive
S&P	BB+	B	Stable

Investment grade rating from Fitch (October 2018)

"The upgrade reflects the evidence of a successful turnaround of the UK operations so far, leading to improving profitability over the past 24 months, a trend which we envisage can be sustained through Brexit."

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.

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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

The bigger picture – 2015 to 2019

	2014/15	2018/19
Quantum sales growth	£49.3bn	£56.9bn
Profit progression	£1.0bn	£2.2bn

	2H 2014/15	2H 2018/19
Delivering margin[1]	0.8%	3.96% inc. Booker 3.79% exc. Booker

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

Portfolio

- Booker
- euphorium bakery
- blinkbox
- kipa
- H+H
- Dobbies
- Home plus
- giraffe

Total indebtedness

2014/15	2018/19
£(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.

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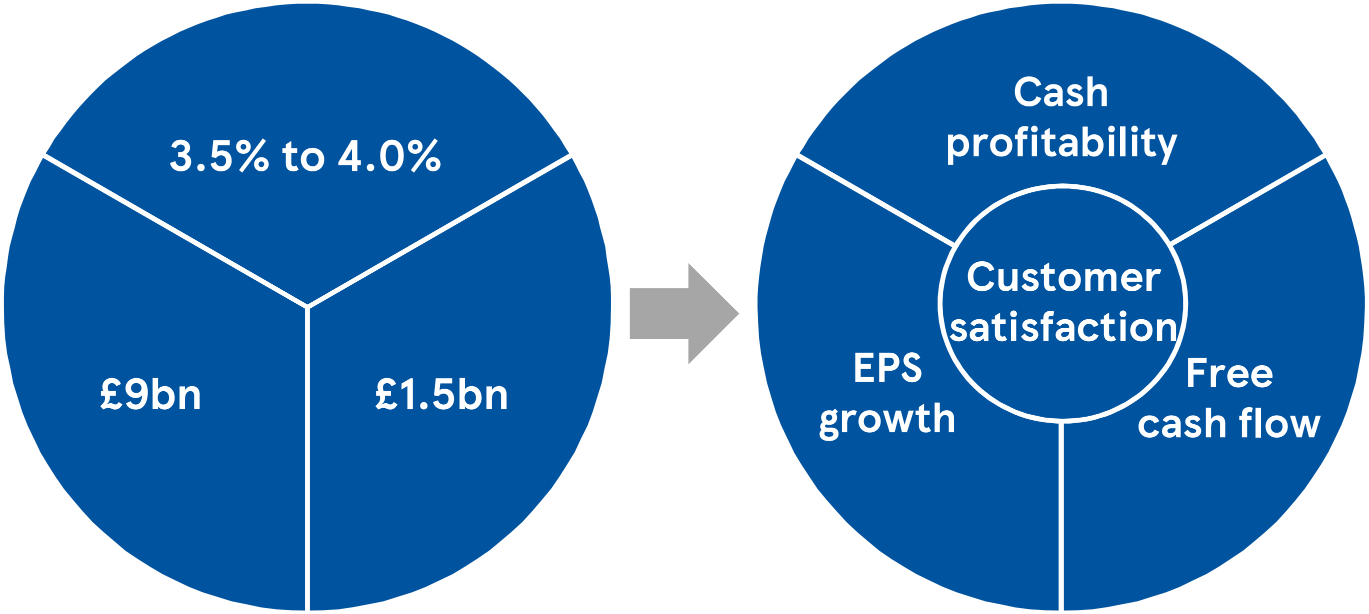
Sustainable value creation for shareholders



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.

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
- Clear future priorities for allocating capital (including target leverage range)

Q&A.

Appendix.

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.

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**

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