Serving shoppers a little better every day.

2 October 2019

Dave Lewis – CEO
Alan Stewart – CFO

TESCO

Agenda.

- Performance review
  - Customer satisfaction
  - Cash profitability
  - Cash flow
- Growth, innovation and enabling technology

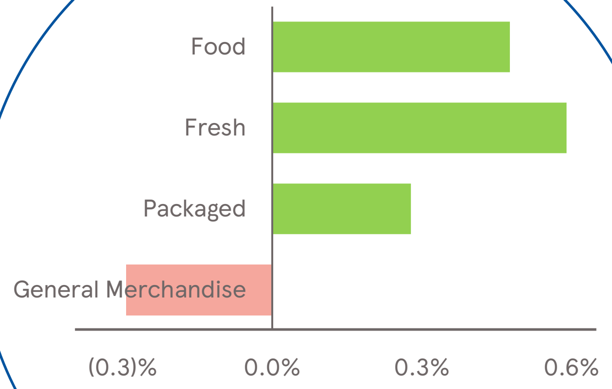
Customer satisfaction.

Outperforming the market - UK

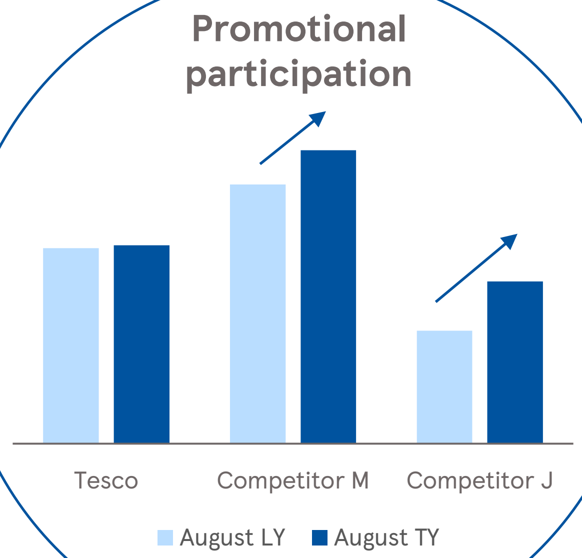
+0.4%

17 weeks out of 26

Overall volume outperformance[1]



Focus on food[1]

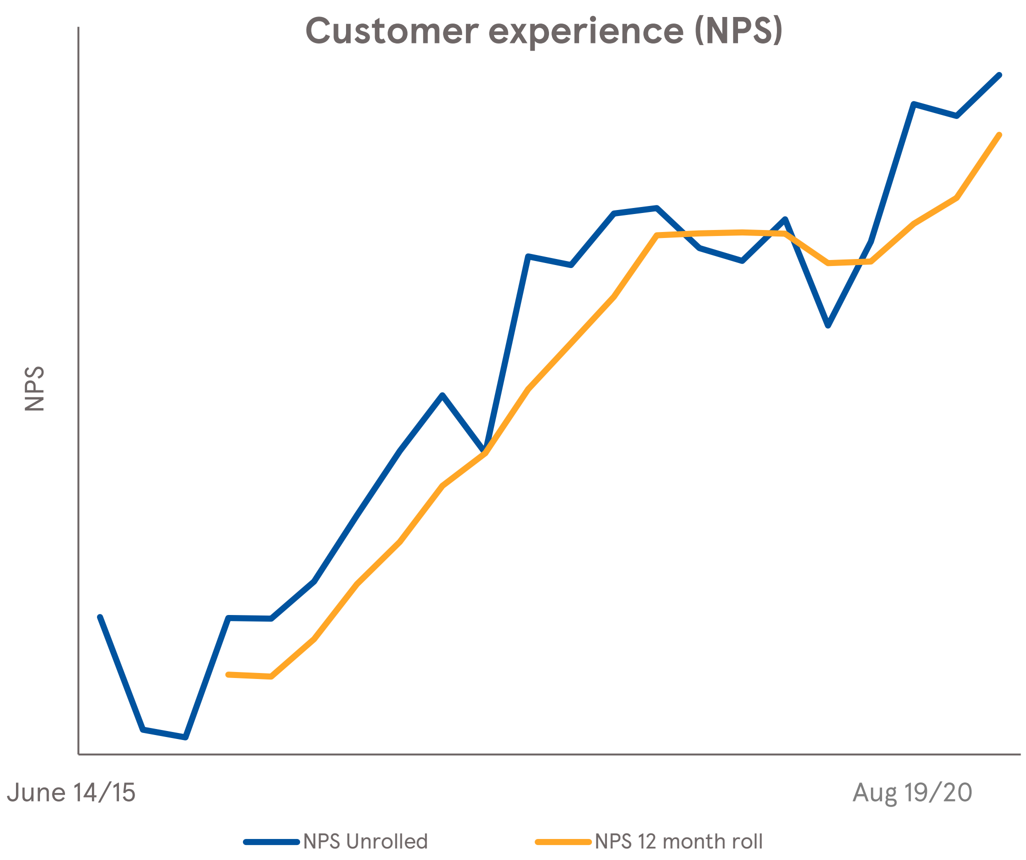


Sustainable growth[2]

1. Volume data for Tesco weeks 1-26 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. IRI market definition excludes Aldi and Lidl.
2. Kantar Worldpanel UK data total grocery promotional participation for the 12 weeks ending 11 August 2019 and 12 August 2018 respectively.

Simplify to serve – customer impact

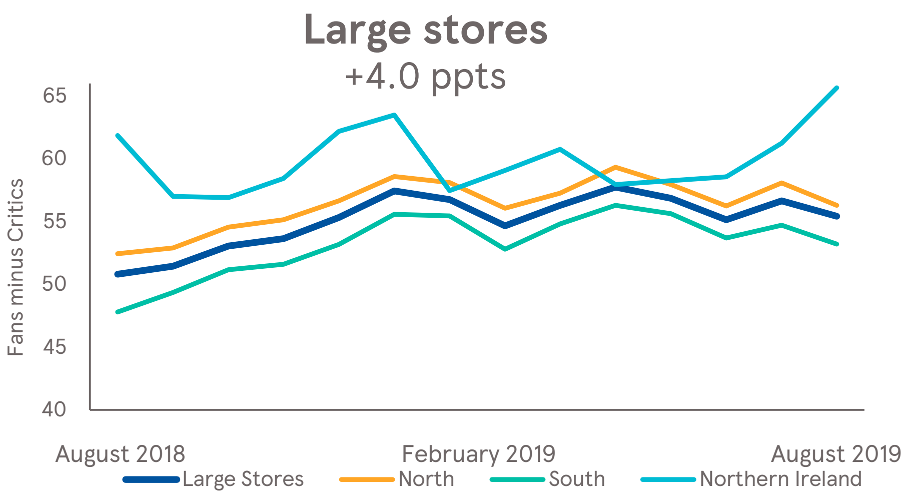
Easy Shopping Trip	Total Business	Year on Year
Ease of shop	83.8%	+296 bps
Clean and tidy	84.0%	+77 bps
Get what I want	80.3%	+282 bps
Prices are good	69.4%	+173 bps
I don't queue	79.5%	+283 bps
Colleagues are helpful	81.4%	+337 bps

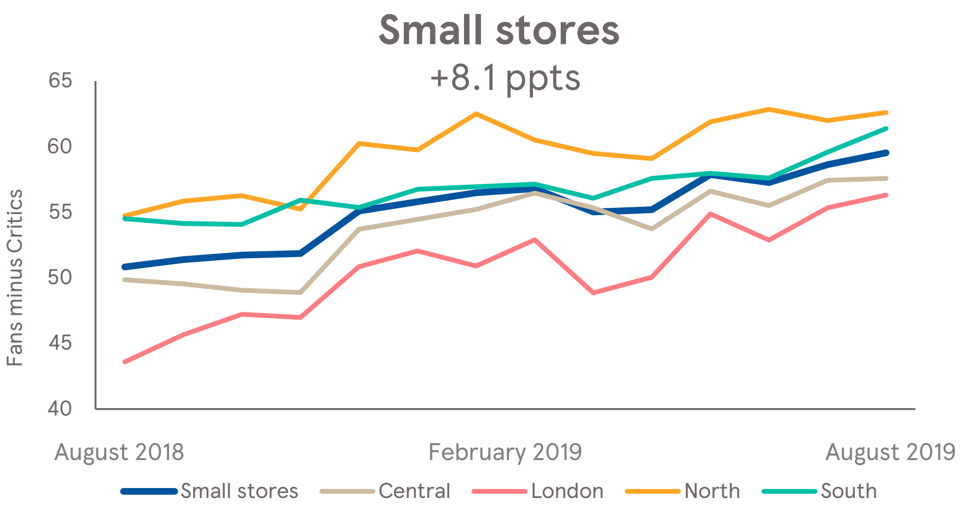


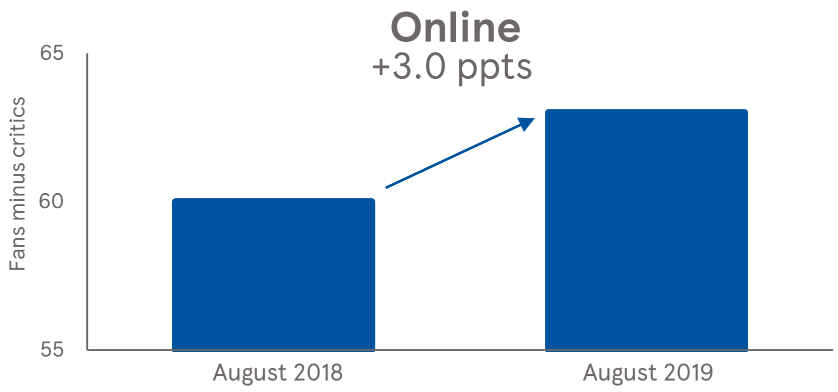
Source: UK Multichannel Tracker. Total Business %s represent 3 period roll data to P6 19/20. Chart represents responses to the question, "Based on your most recent experience, how likely is it that you would recommend this store to a friend or colleague?", data shown unrolled and with a 12 month rolling average.

TESCO

Simplify to serve – all channels







Source: Customer Viewpoint – Customers Recommend score. Growth represents change from August 2018 to August 2019.

Exclusively at Tesco

Taste +12 ppts

Quality +11 ppts

Price +4 ppts

Improved customer perception[1]

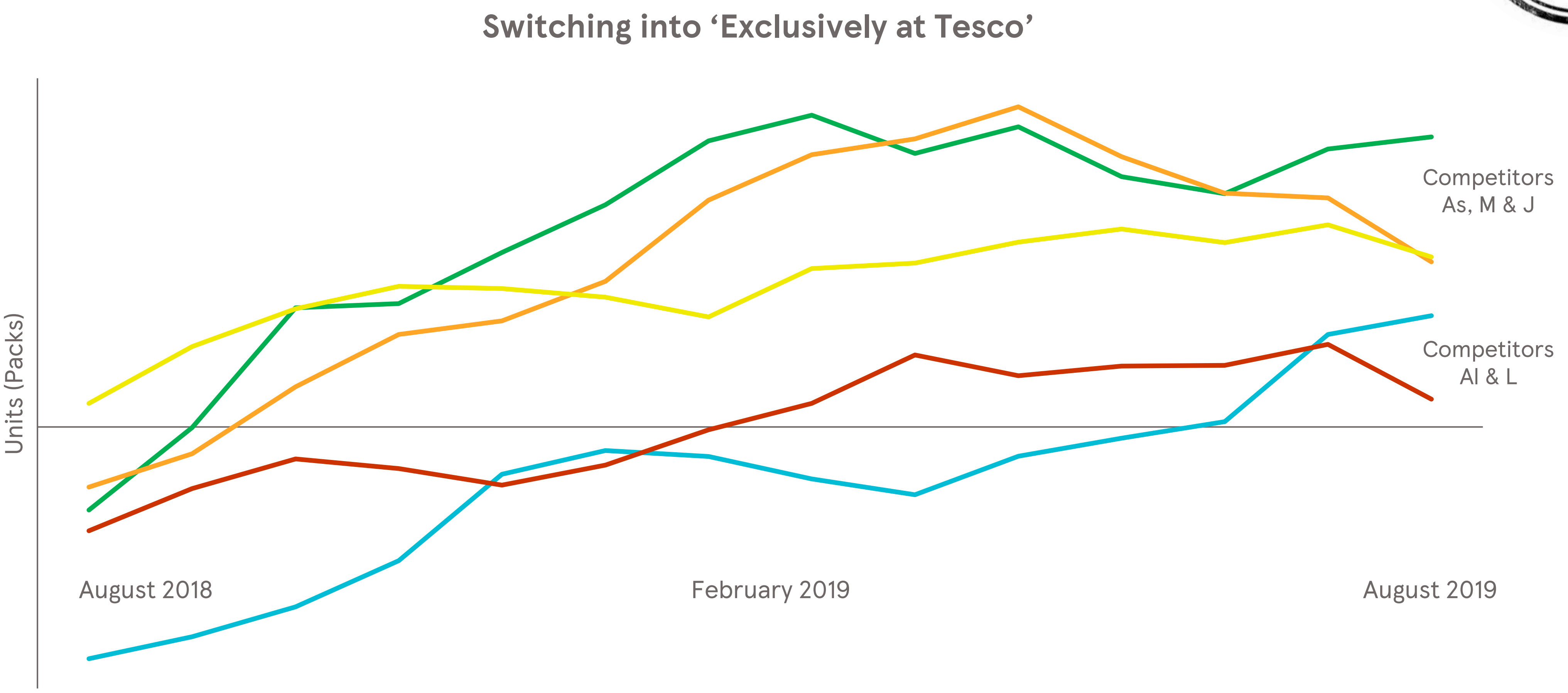
Increased distribution

79%

Higher customer engagement[2]

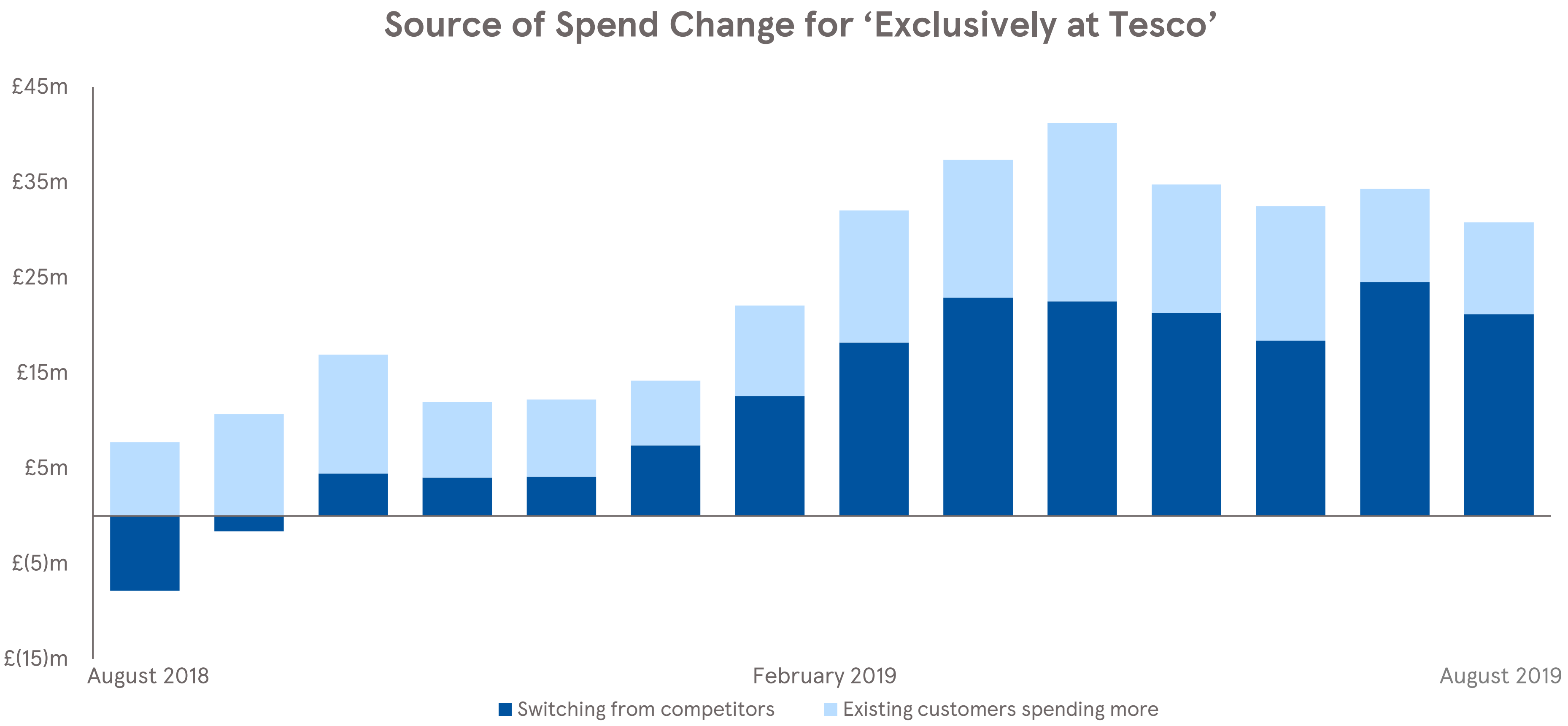
1. Source: Kantar TNS OB Tracker May 18-Jan 19. Customer perception, Exclusively at Tesco vs Everyday Value. % absolute endorsement against 'Has great tasting products', 'Has high quality products' and 'Always has competitive prices'.
2. Represents the percentage of customers who have bought at least one 'Exclusively at Tesco' product in 1H 2019/20.

Exclusively at Tesco – switching



Kantar Worldpanel UK, 12 week ending data for net volume switching to 11 August 2019.

Exclusively at Tesco



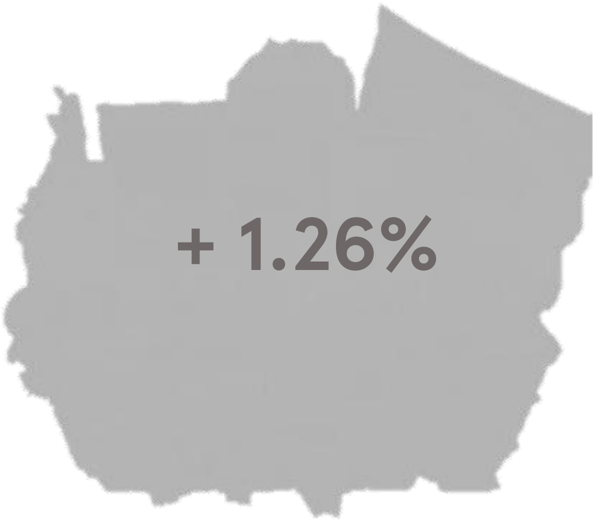
Kantar Worldpanel UK, 12 week ending data for net switching to 11 August 2019.

TESCO

Exclusively at Tesco

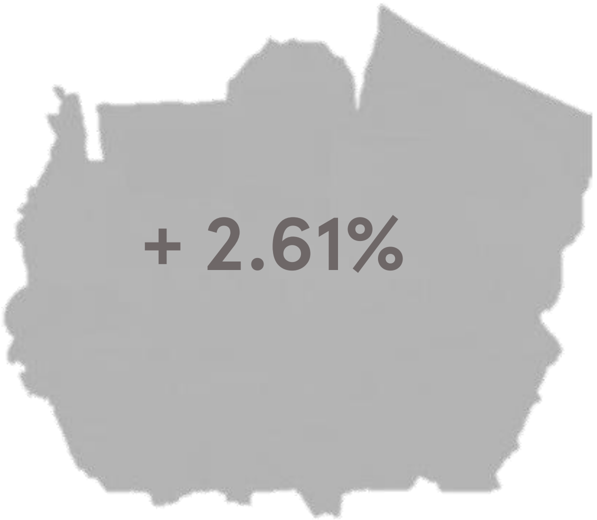
£31.01

£31.40



Competitor A

£31.82



Competitor L

1. Prices based on a basket of 27 products, w/c 30 September 2019. Basket compared to equivalent lines at lowest cost competitors.

ASA - value proposition

INDEPENDENT

Aldi censured over misleading advert suggesting shoppers could save 45% by switching from Tesco

Use of pricey Moet et Chandon champagne 'skewed' comparison with rival supermarket

METRO

Lidl advert banned after 'misleading' Tesco price comparison claims

Mirror

Iceland ad for 'Britain's cheapest cuppa' banned over misleading prices

Manchester Evening News

Aldi wins advertising complaint against Tesco's price comparisons

Ad of: 8 December 2018
Date of ASA ruling: 17 July 2019
Complaint Reference: A19-549872

Ad of: 15 – 19 January 2019
Date of ASA ruling: 14 August 2019
Complaint Reference: G19-1021061

Ad of: 21 – 25 March 2019
Date of ASA ruling: 11 September 2019
Complaint Reference: A19-556151

Ad of: Oct/Nov 2018
Date of ASA ruling: 18 September 2019
Complaint Reference: A18-470594

Valid price comparison

Products comparable

Available everywhere[1]

1. Exclusively at Tesco products now available in majority of large stores. At the time, products were available in less than half of large stores and not in any convenience or Northern Ireland stores.

TESCO

Celebrating 100 years of great value

Media effectiveness[1]

Strong customer engagement[2]

High promotional uplift[3]

1. January 2019 Centenary campaign, sales variable profit return on media investment.
2. Percentage of customers who shopped the May 2019 event.
3. £ sales uplift from the May Great Value event vs typical in-store power aisle event promotions.

Clubcard prices

May 2019

>1.5m customers

£11 per week higher spend[1]

+1.5% Clubcard penetration

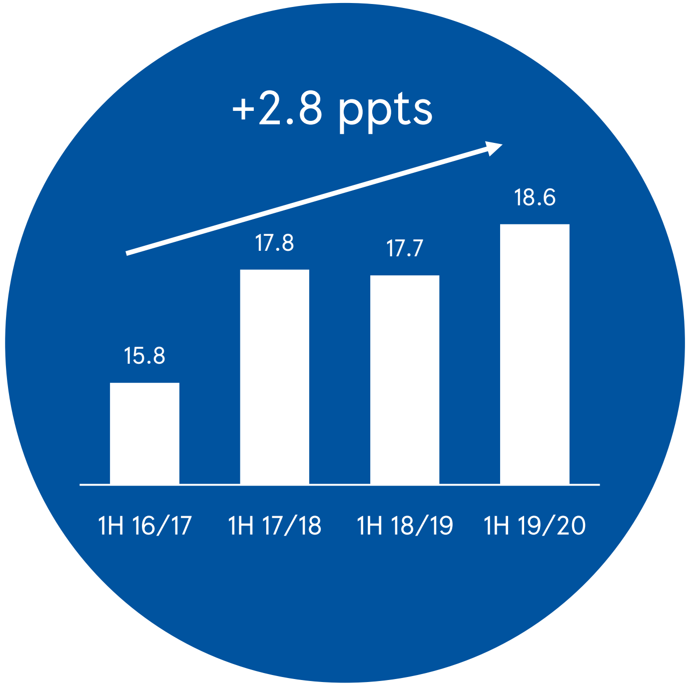
Promising early results

September 2019

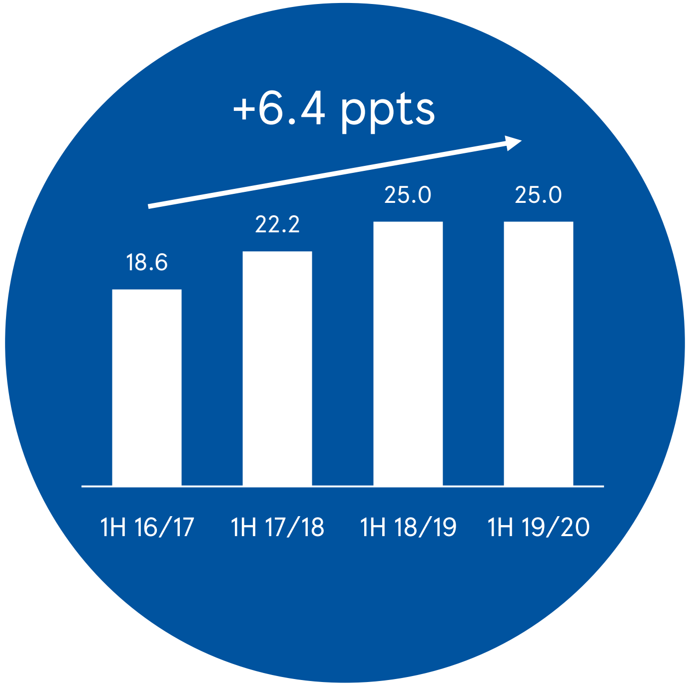
1. Spend from customers participating in Clubcard Prices vs look-a-like customers, comparing the period 7-26 May 2019 to the period 12 February-6 May 2019.

TESCO

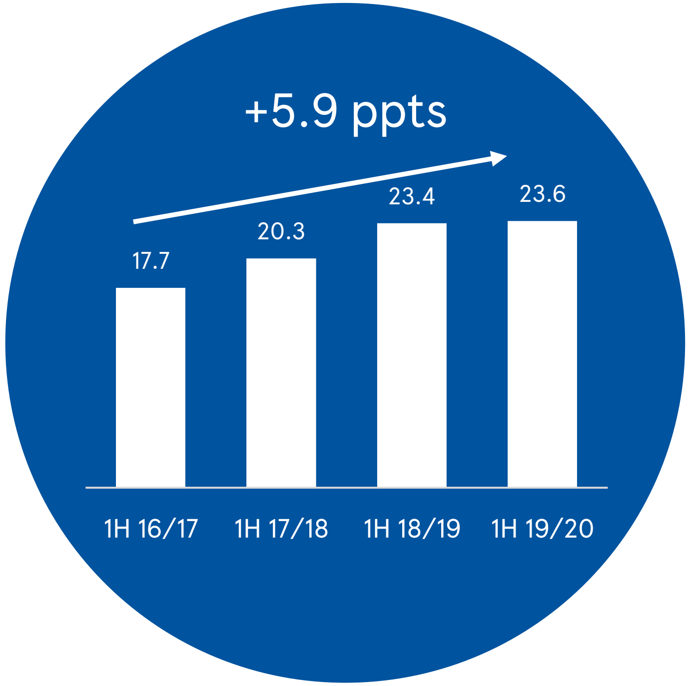
Brand attributes – further progress



Value perception[1]



Quality perception[1]



Trust[1]

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

Brand – further progress: NPS Feb 19 to Aug 19

Tesco	Competitor J	Competitor As	Competitor M	Competitor Al	Competitor L
⬆ 1 ppt	⬇ 6 ppts	⬇ 14 ppts	⬇ 15 ppts	⬇ 6 ppts	⬇ 3 ppts

Source: Global Brand Tracker. NPS with a 12 month roll to 2Q 2019/20. Change represents movement from 4Q 2018/19 to 2Q 2019/20.

Customer satisfaction - Booker

+1.7%
YoY

Overall

Choice +1.8

Price +2.4

Speed +1.2

Helpful driver
+2.6

Satisfaction:
+1.1%
(88.3%)

Caterer

Choice +1.9

Price +3.7

Speed +1.9

Helpful driver
+2.9

Satisfaction:
+2.2%
(79.1%)

Retailer

Source; ESA Retail, Customers recommend 2Q 2019/20 vs 2Q 2018/19.

Summary

- Customer satisfaction improving across all measures and all channels
- Outperforming the market
- Exclusively at Tesco winning volume share
- Celebrating 100 years of great value with customers
- Strong brand progress

1H Results.

Cash profitability.

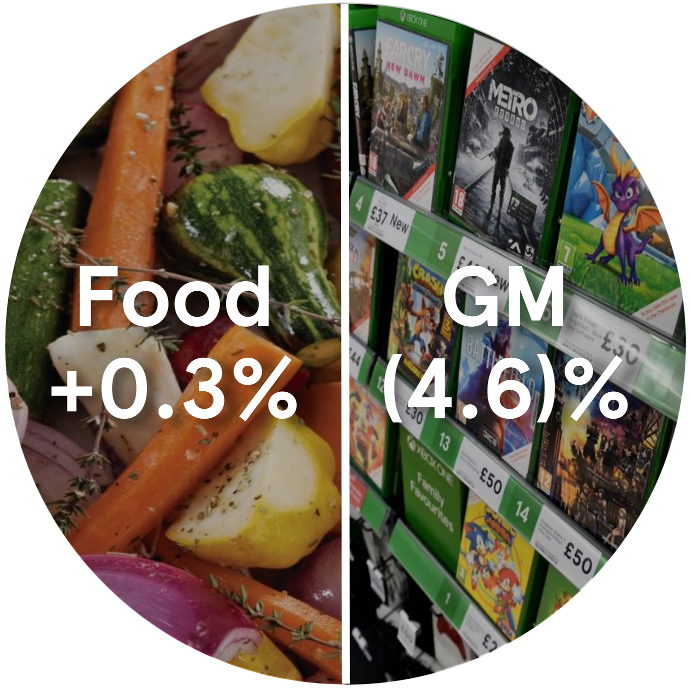
Sales performance

£22.4bn +0.2%	£2.8bn (7.0)%	£2.6bn +8.4%	£0.6bn +2.8%
UK & ROI	CE	Asia	Tesco Bank

Sales exclude VAT and fuel. Sales change shown at actual exchange rates and on a comparable days basis.

TESCO

Better sales mix



UK & ROI

CE

Asia

Like-for-like sales change.

TESCO

Better sales mix – e.g. UK general merchandise

Stepping away from margin dilutive sales

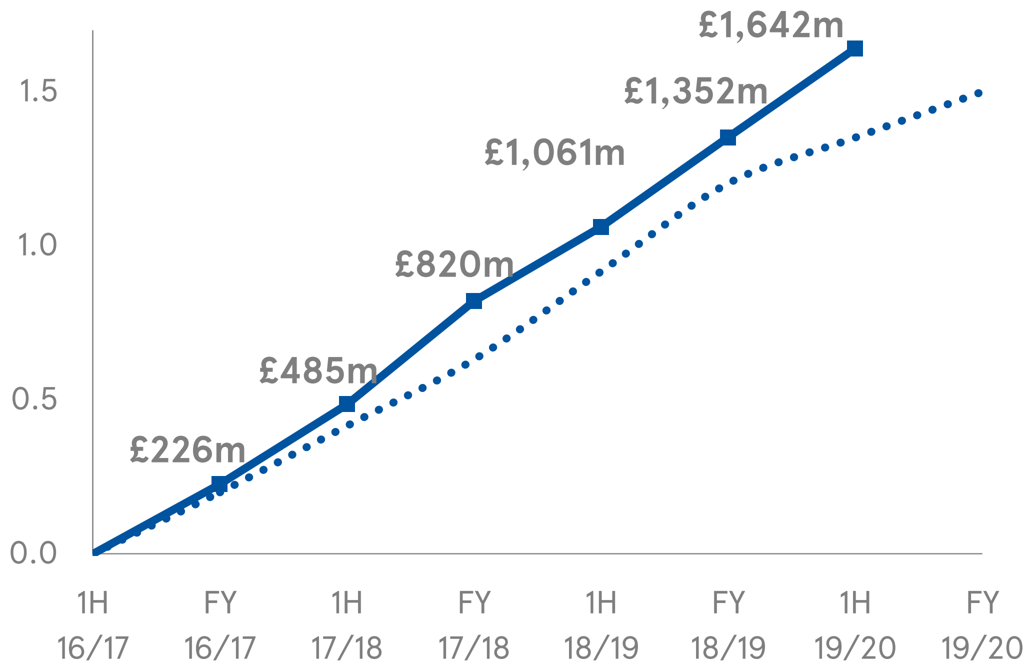
Increasing sales in relevant, food-adjacent ranges

Margin accretive

1. Like-for-like sales change.
2. Compared to the average commercial gross margin in general merchandise.

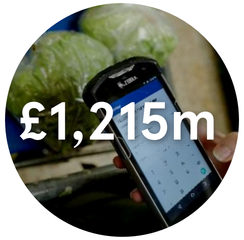
Cost effectiveness

Cumulative cost savings



Cost savings to date £1.6bn

By type:



Store operating model

Logistics and distribution

Goods not for resale

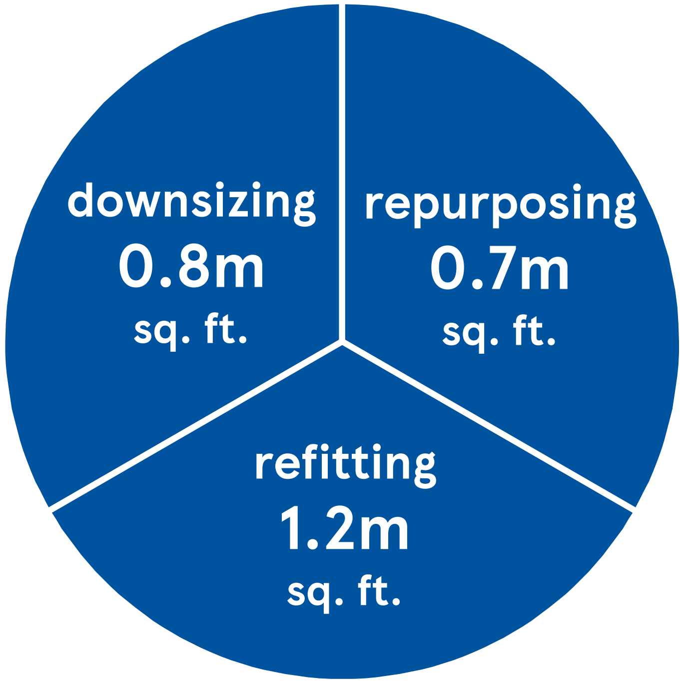
By geography:

UK&ROI

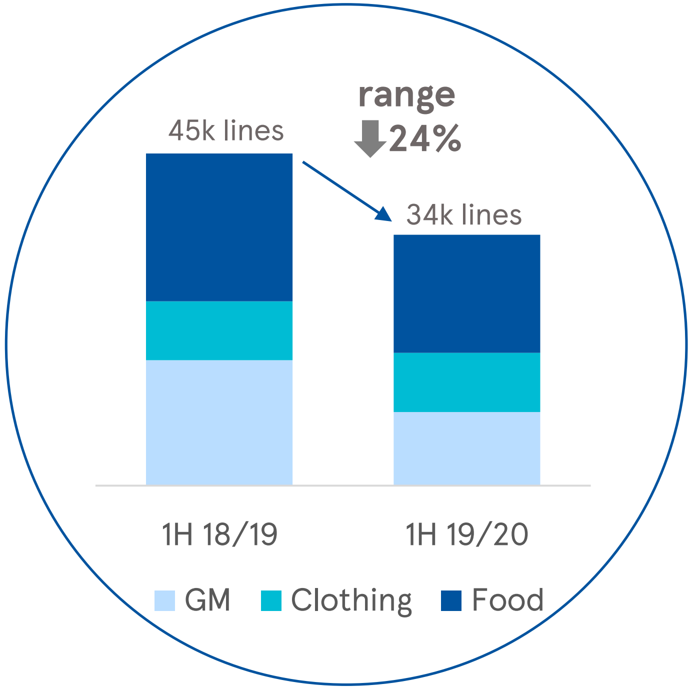
Central Europe

Asia

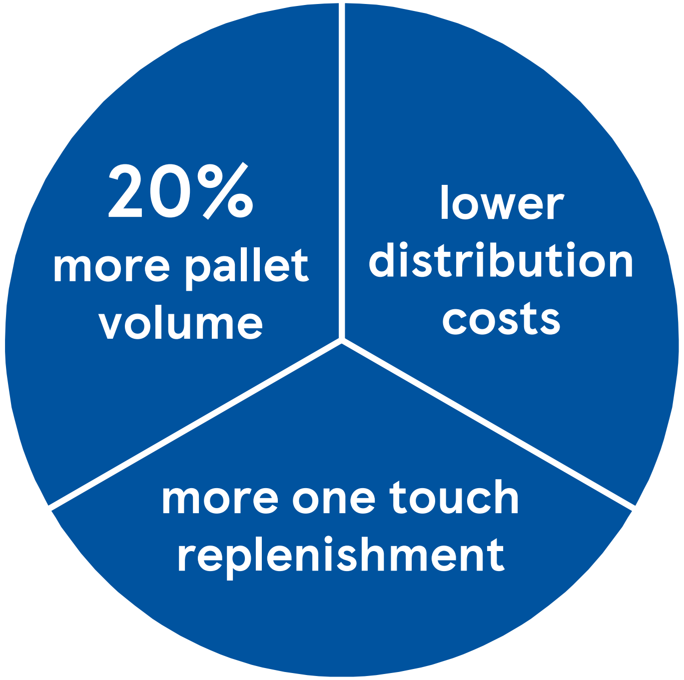
Cost effectiveness – e.g. Central Europe



Addressing c.2.7m sq. ft. unproductive space

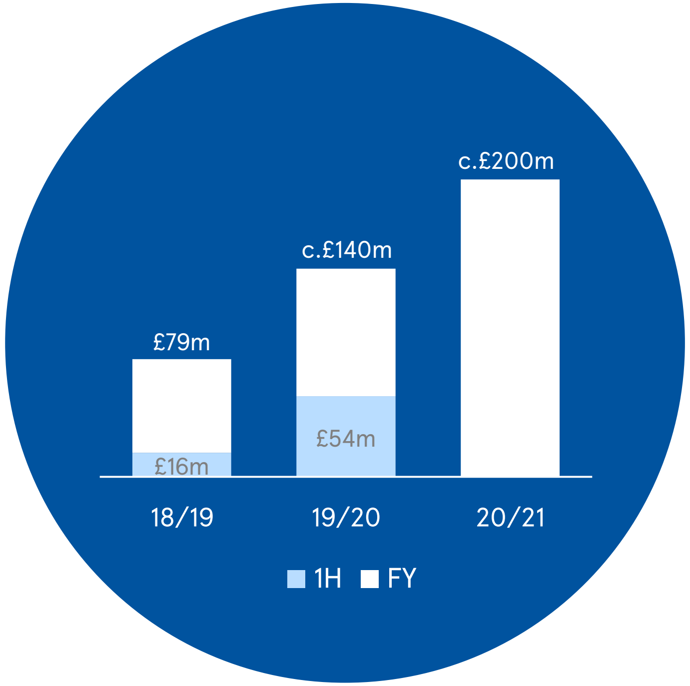


Food-focused, targeted range



More efficient

Synergies - Booker



Synergies on track

Distribution efficiencies

Supporting Tesco

TESCO

Tesco Bank

- Focus on right products and services for Tesco customers
- Operating profit[1] reflects:
  - Investment in competitiveness of insurance offer
  - Increase in provision for bad debts
- Strong balance sheet, with a total capital ratio of 18.4%
- Confirmed sale of Mortgage portfolio in September – post-half year

	1H 19/20	Change
Lending to customers	**£12,379m**	**1.9%**
Secured lending	£3,690m	5.3%
Unsecured lending	£8,689m	0.6%
Bad debt: asset ratio	1.8%	(0.3)%
Operating profit pre exceptional items	**£87m**	**(3.3)%**
Cost: income ratio	52.6%	3.8% improvement
Net interest margin	3.8%	-
Tier 1 capital ratio	16.2%	0.2%
Total capital ratio	18.4%	0.2%

1. Operating profit before exceptional items.

Operating profit[1]

£1,085m	£63m	£171m	£87m
+28.4%	+1.3%[2]	+54.1%	(3.3)%
UK & ROI	CE	Asia	Tesco Bank

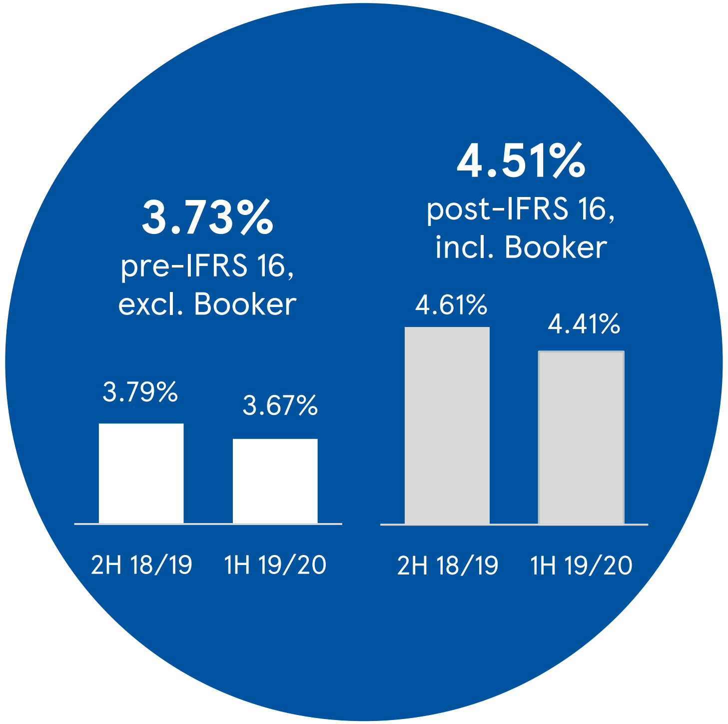
Group operating profit[1] £1,406m, up 25.4%

1. Operating profit before exceptional items and amortisation of acquired intangibles; change shown at actual exchange rates.
2. Growth is shown excluding a £13m provision in respect of potential historic VAT liabilities.

TESCO

Group income statement

	1H 19/20	% change[1]
Group sales	**£28,296m**	**0.1%**
Operating profit[2]	**£1,406m**	**25.4%**
Margin (%)	4.41%	87bps
JVs and associates[2]	£10m	(44.4)%
Net finance costs[3]	£(377)m	13.1%
Profit before tax[3]	**£1,039m**	**47.4%**
Taxation	£(240)m	(39.5)%
Profit after tax[3]	**£799m**	**50.1%**
Diluted EPS[3]	**8.17p**	**49.8%**



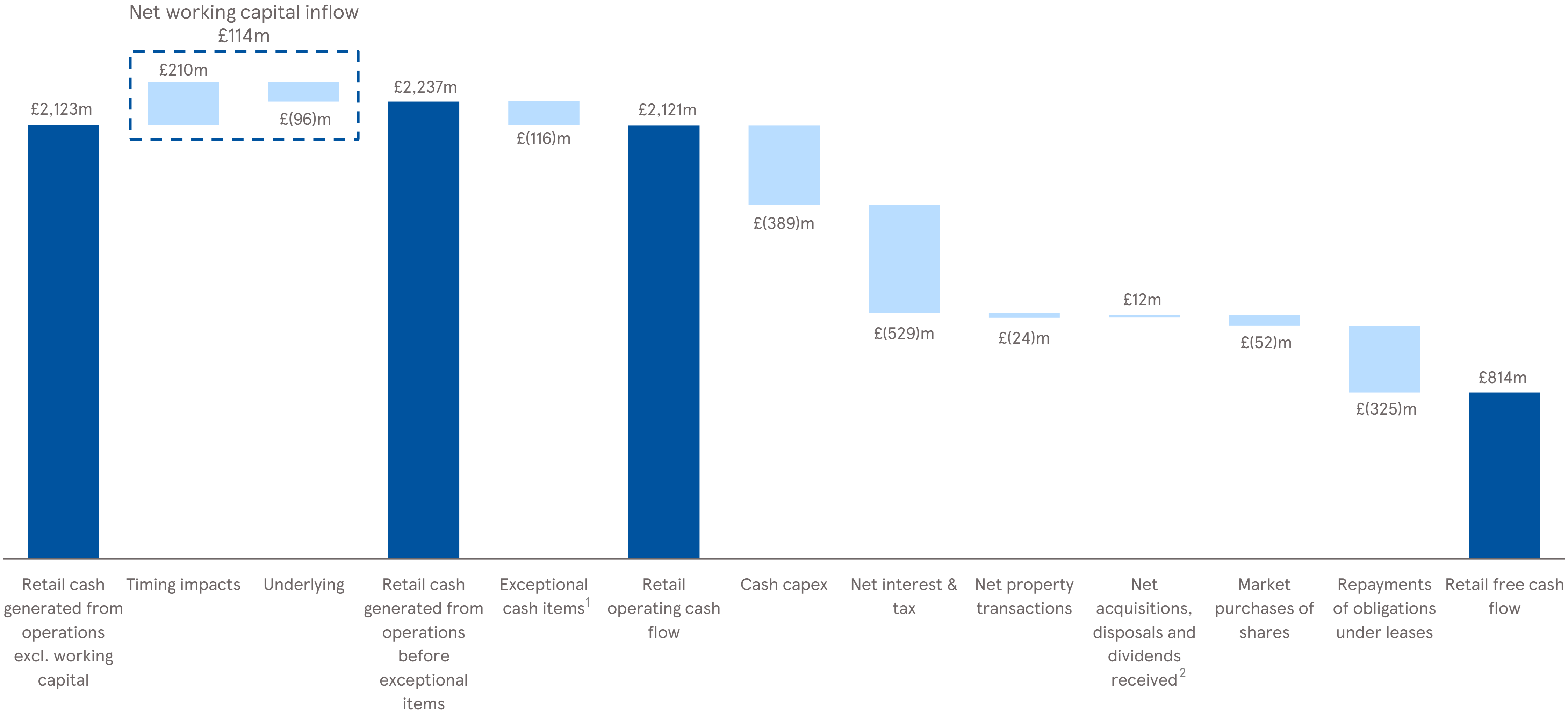
Margin ambition met

1. Change shown at actual exchange rates.
2. Before exceptional items and amortisation of acquired intangibles.
3. Before exceptional items and amortisation of acquired intangibles, net pension finance costs and fair value remeasurements of financial instruments.

TESCO

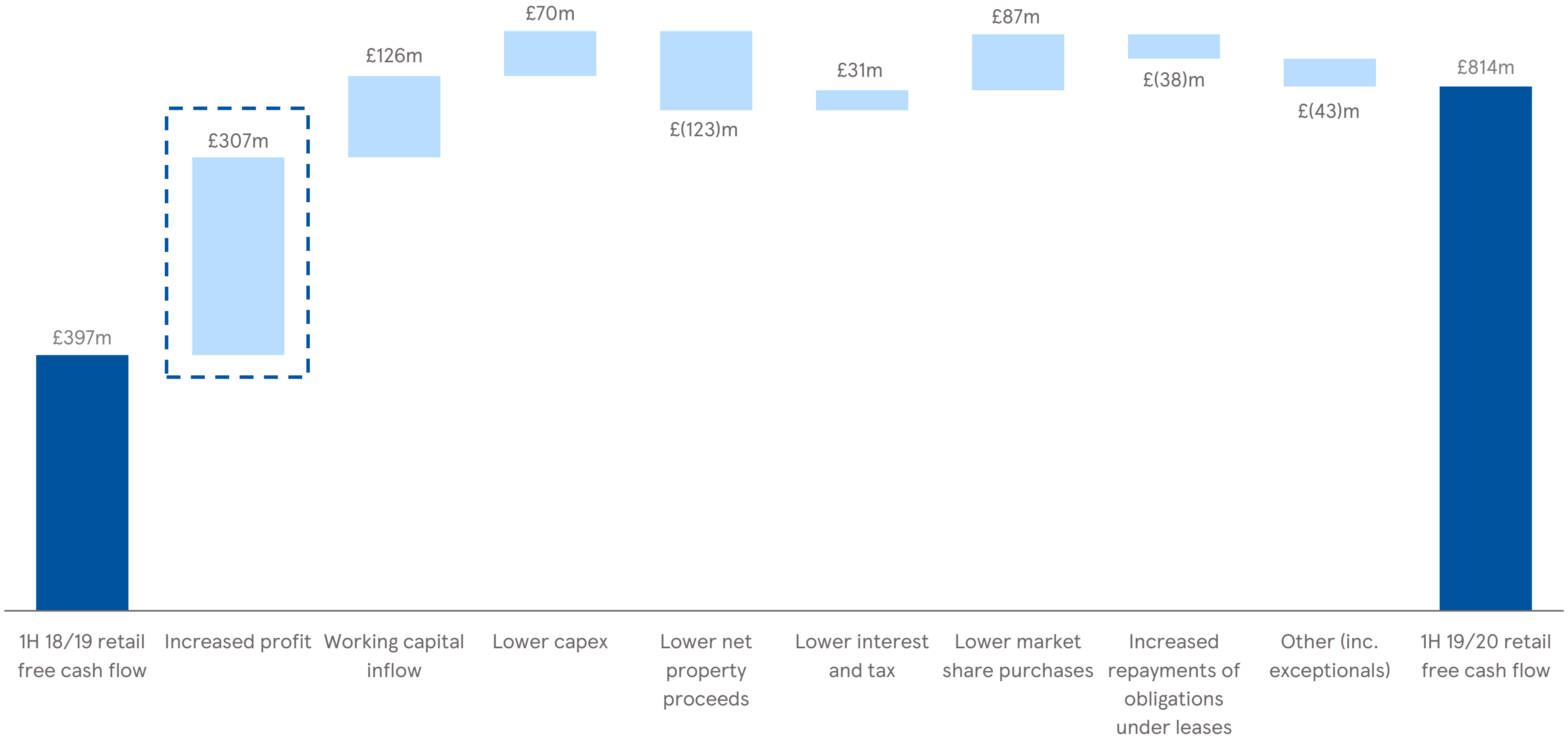
Cash flow.

Sources and uses of cash



1. Exceptional cash items comprise £(112)m of restructuring payments and £(4)m integration costs.
2. The cost of major acquisitions and disposals are removed from the Group's free cash flow.

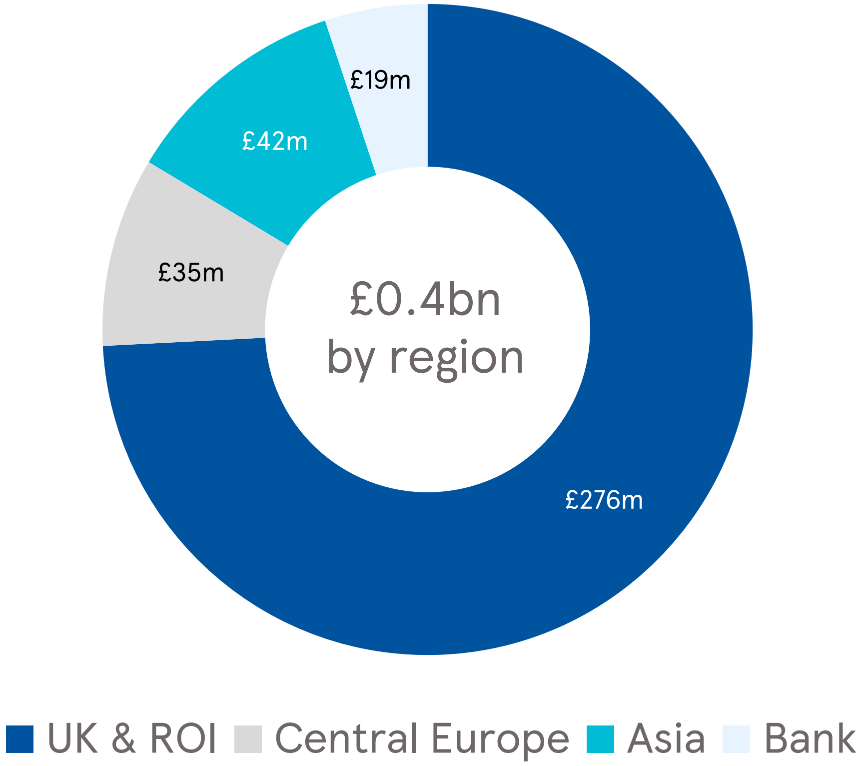
Year-on-year free cash flow

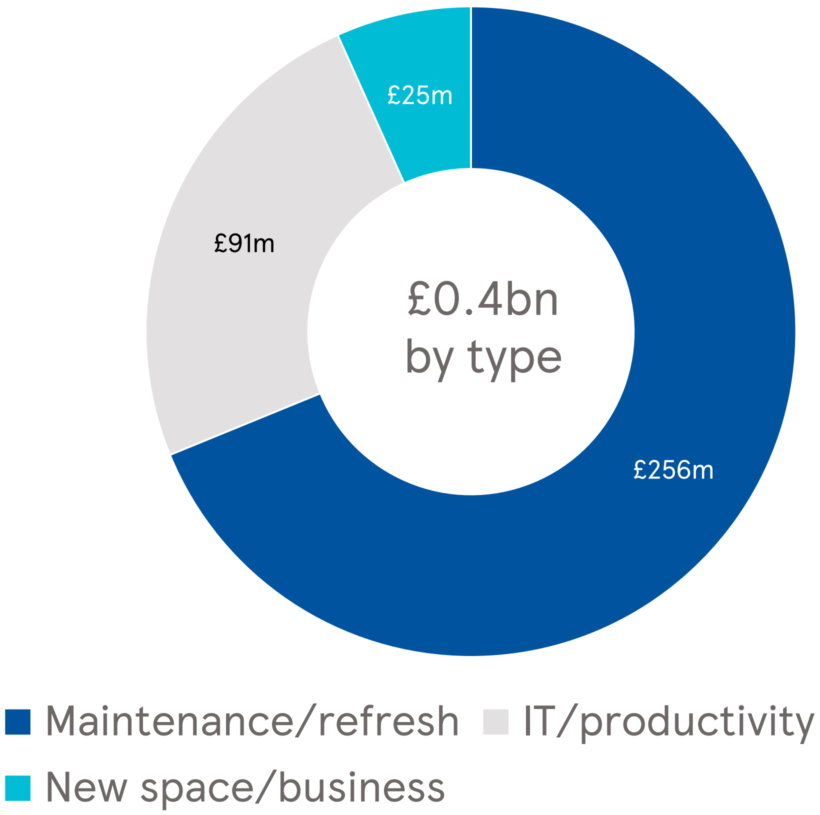


+105%
+£417m

TESCO

Capital expenditure





FY 19/20 capex guidance of c.£1.1bn

Property proceeds

50 site disposals

Realising value

1H: £65m

Group cash proceeds

1H: £8m

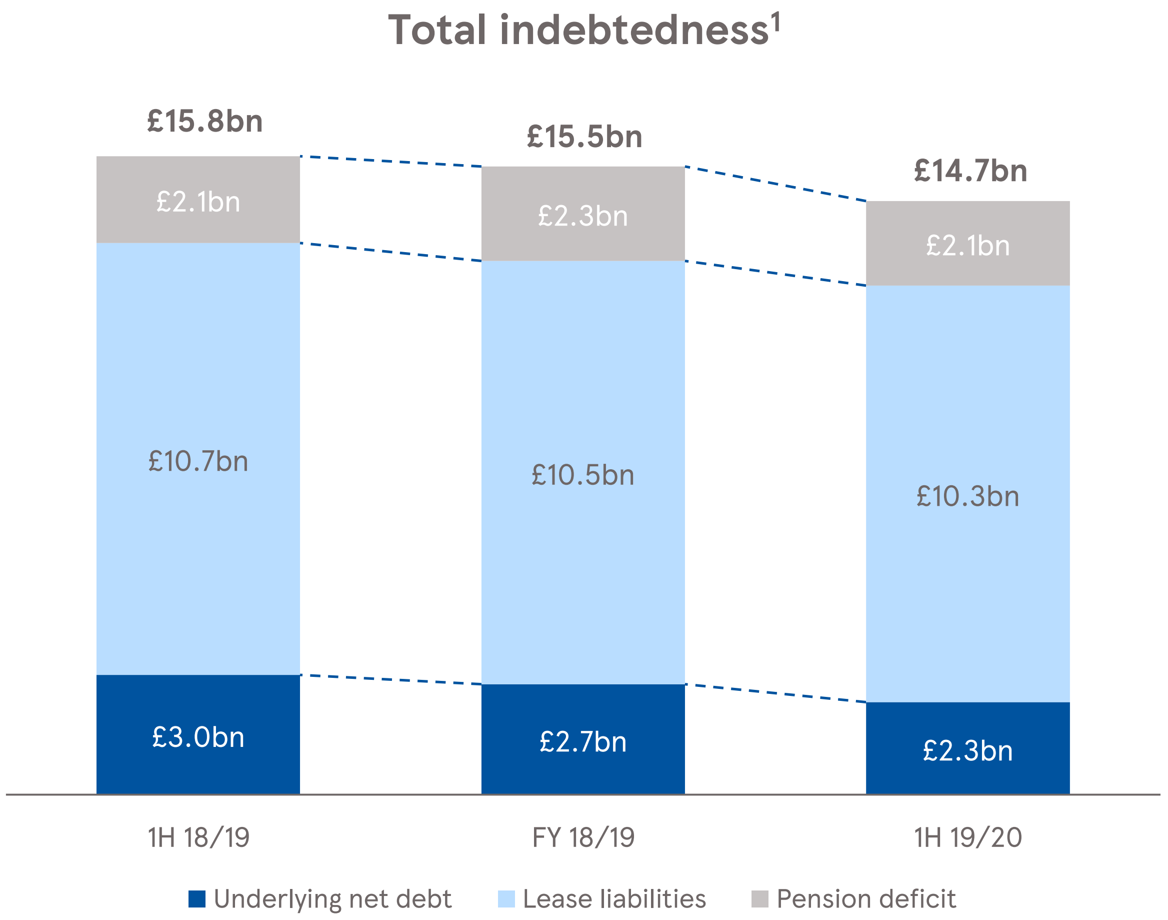
of c.£145m agreed[1]

CE store disposals

1. Aggregate proceeds due to be received in the second half of this financial year and beyond.

Financial Discipline.

Balance sheet progress

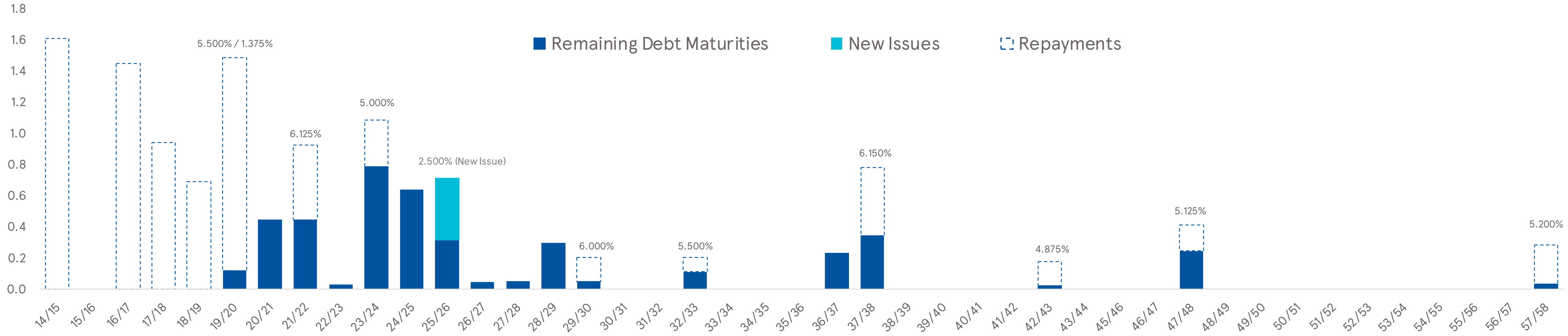


⬇£0.9bn
since year end

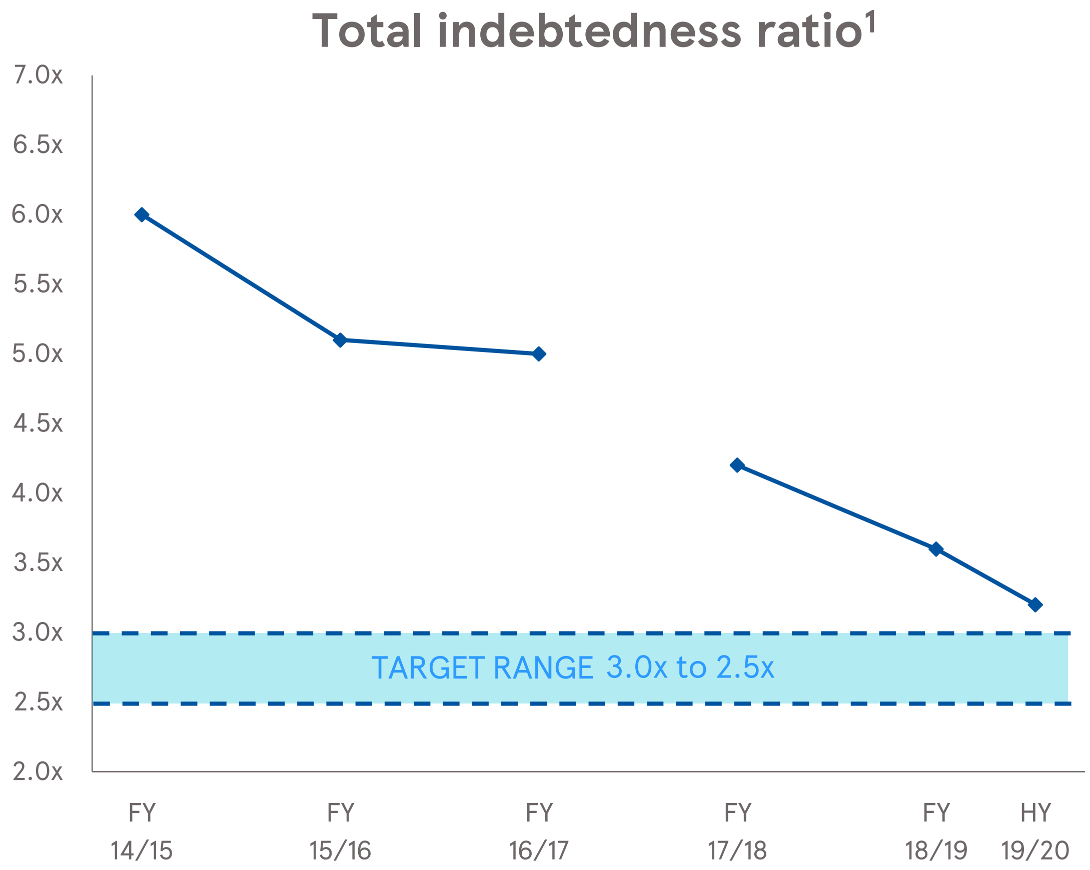
1. Total indebtedness post-IFRS 16 comprises Net debt (inc. lease liabilities) plus the IAS 19 deficit in the pension schemes (net of associated deferred tax).

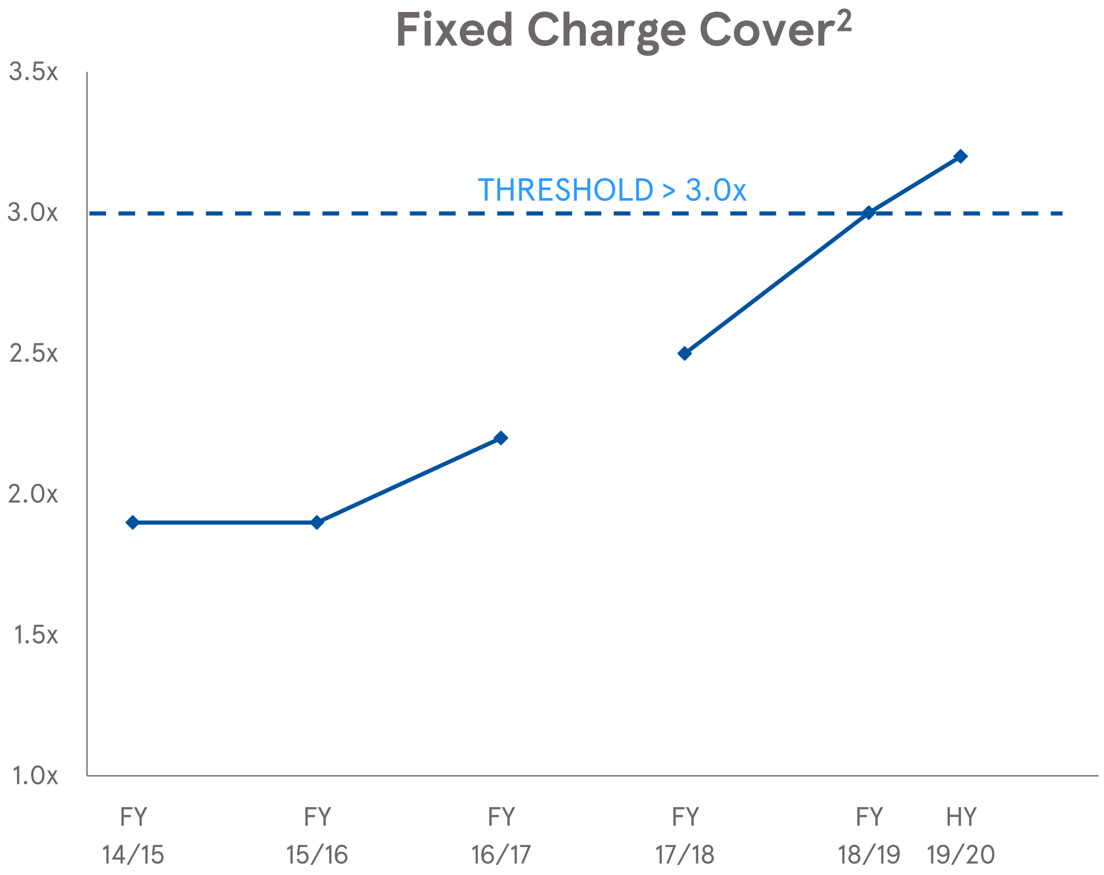
Debt reduction

- Re-paid £1bn of outstanding debt during 1H 19/20:
  - €0.7bn maturity (1.375%)
  - £0.3bn GBP bonds repaid early (4.875%-6.125%)
- Issued 6 year GBP £0.4bn in May (2.5%)
- Received second investment grade rating and assigned positive outlook from third agency



Improving debt metrics



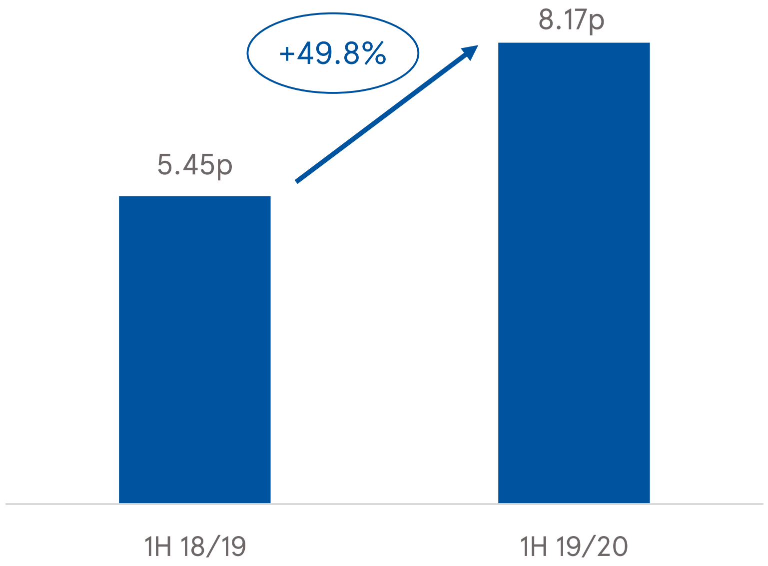


1. Total indebtedness ratio pre-IFRS 16: Net Debt + defined pension deficit (net of tax) + discounted operating lease commitments / EBITDAR. Post-IFRS 16: Net Debt + defined pension deficit (net of tax) / EBITDAR.
2. Fixed charge cover pre-IFRS 16: EBITDAR / (Net finance costs (before exceptional charges, net pension finance costs and fair value re-measurements) + Retail operating lease expense). Post-IFRS 16: 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.
3. Periods FY 14/15 to FY 16/17 inclusive are presented on a pre-IFRS 16 basis with subsequent periods presented on a post-IFRS 16 basis.

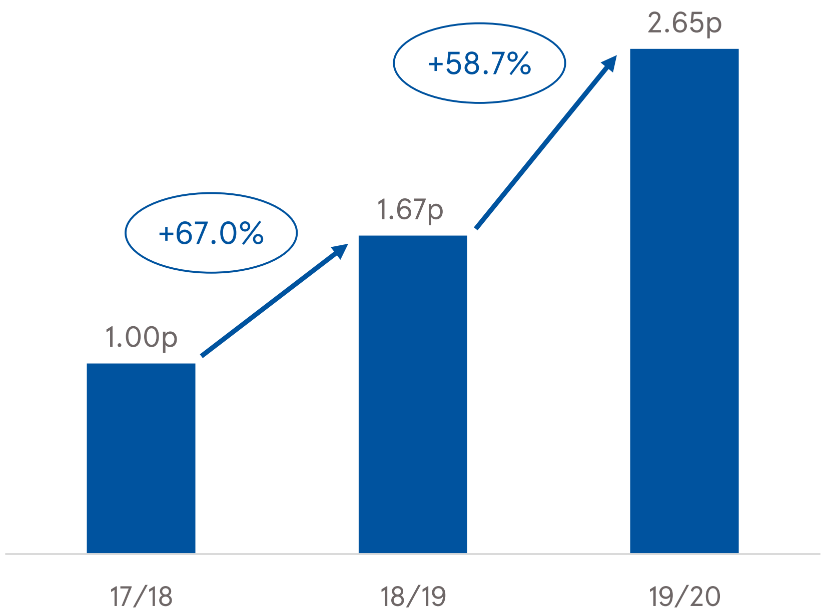
TESCO

Earnings per share and interim dividend

Diluted earnings per share[1]



Interim dividend per share



1. Headline earnings per share measure excludes exceptional items, amortisation of acquired intangibles, net pension finance costs and fair value remeasurements of financial instruments, and is shown on a post-IFRS 16 basis.

TESCO

Guidance

Working capital	Underlying decrease of around £0.2bn
Pension deficit contribution	£285m per annum from April 2018
Capex	£1.1bn - £1.4bn per annum; current year c.£1.1bn
Net finance costs[1]	Less than 4% of long-term debt per annum
Effective tax rate	Decreasing to c.20% over medium term; current year c.22%
Dividend	Expect full year dividend pay-out ratio of 50% this year 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.

TESCO

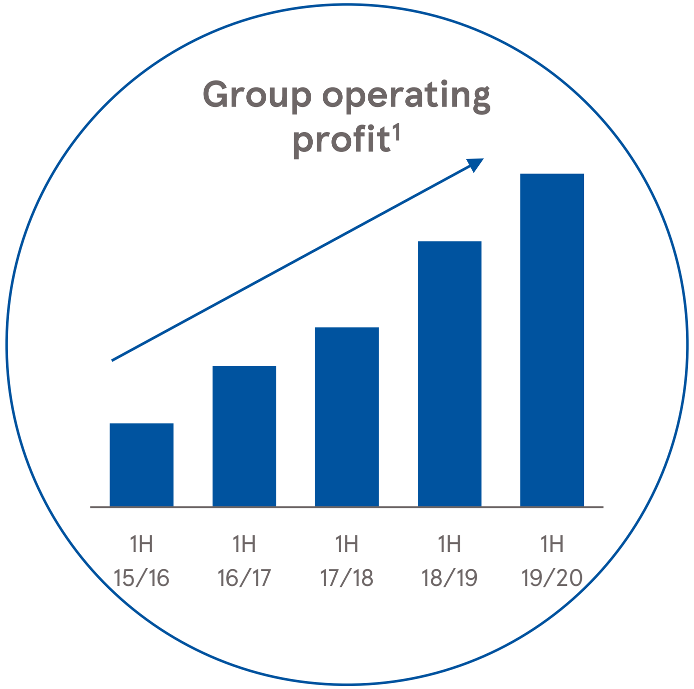
Financial summary

- More profitable sales mix
- £290m cost savings in 1H; £1.6bn savings to date
- Margin ambition achieved; 12-month margin 3.73% (pre-IFRS 16, excl. Booker)
- Operating profit[1] +£285m; driven by cost savings and an improved product mix
- Free cash flow +£417m; +105%
- EPS[2] +49.8% to 8.17p
- Interim dividend 2.65p, +58.7%; expect full year dividend pay-out ratio of 50%

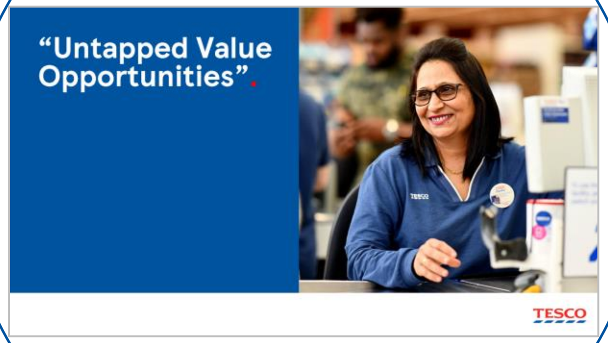
1. Excludes amortisation of acquired intangibles and excludes exceptional items by virtue of their size and nature in order to reflect management's view of underlying performance.
2. Headline earnings per share measure excludes exceptional items, amortisation of acquired intangibles, net pension finance costs and fair value remeasurements of financial instruments.

Growth, Innovation & Enabling technology.

Well-positioned for sustainable, profitable growth

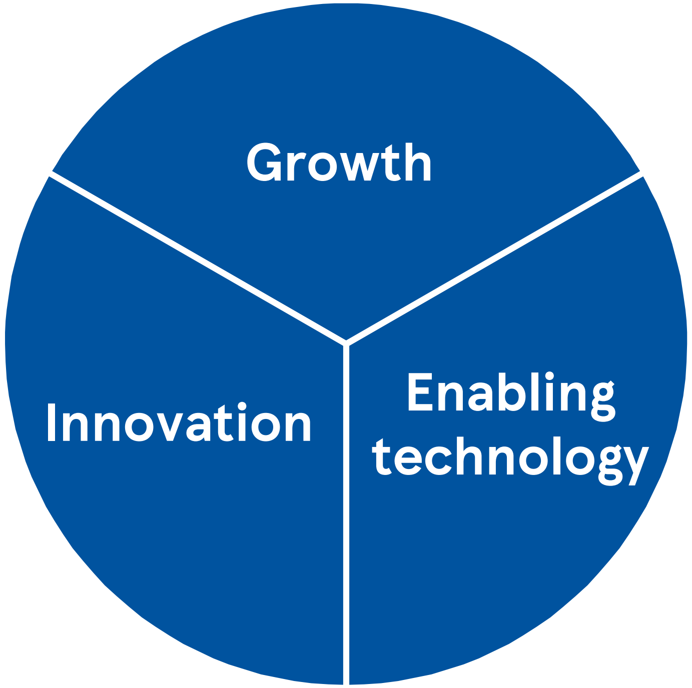


Strong financial position



June 2019

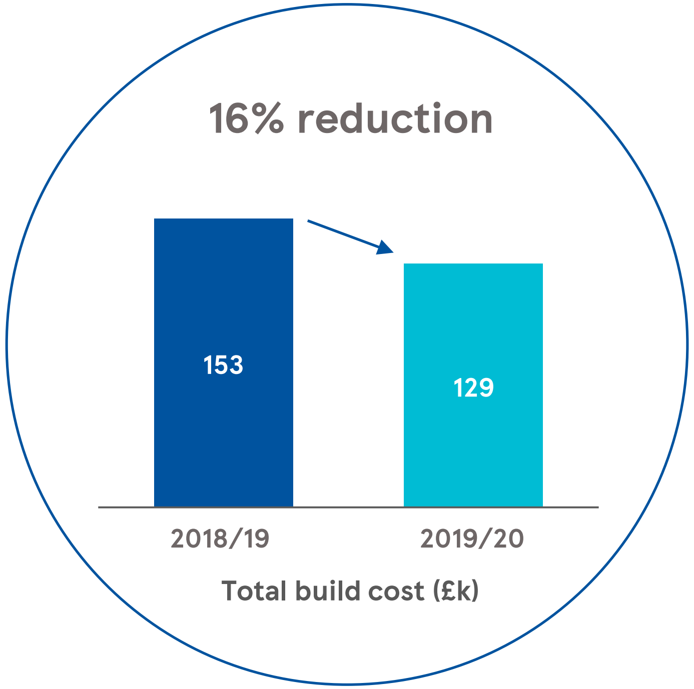
Opportunities set out



Focus on delivery

1. Excludes amortisation of acquired intangibles and excludes exceptional items. 1H 2018/19 and 2019/20 are shown on a post-IFRS 16 basis. Periods prior to 1H 2018/19 are shown on a pre-IFRS 16 basis.

Growth: small stores - Asia



Reduced capital intensity

Operating model redefined

Three-year plan

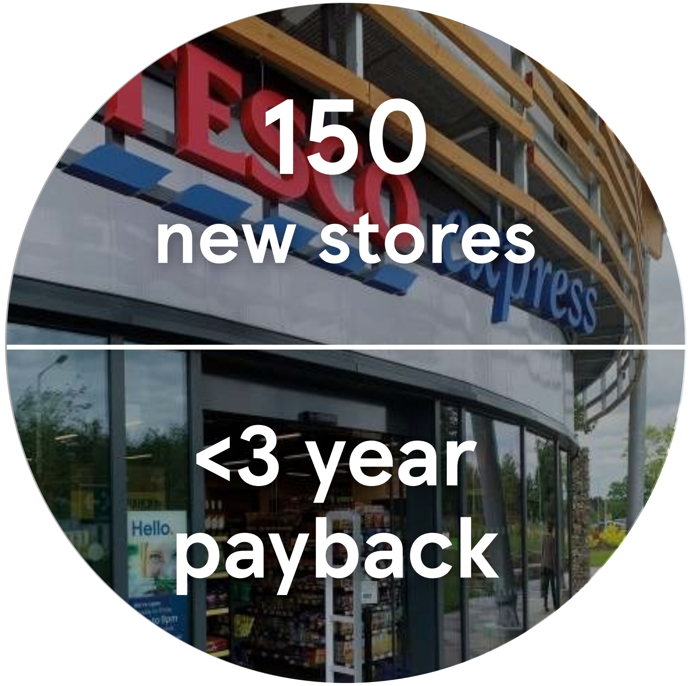
Growth: small stores – UK

⬇33%
achieved

⬇40%
targeted

Reduced capital intensity

Operating model redefined



Three-year plan

1. Express figures from a 20-store trial.

TESCO

Growth: Superstores – UK & ROI

⬇15%

Reduced capital intensity[1]

80:20

Food : GM

65%

one touch replenishment[2]

7%

reduction in operating costs[3]

Operating model redefined

4

stores

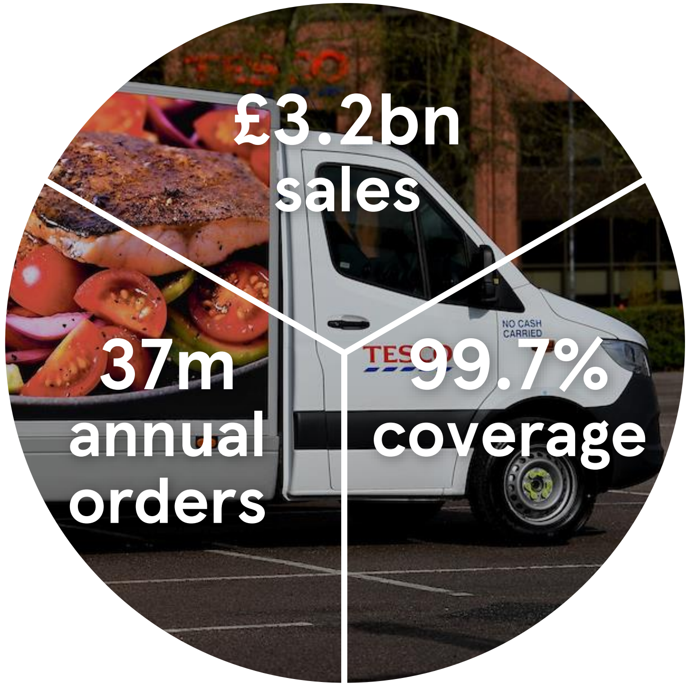
3-5

year payback

Approved to date

1. Reduction in fit out costs vs standard superstores.
2. Percentage of ambient products in UK large stores that can be replenished first time.
3. Reduction in operating costs from mid-sized UK Superstores from 1H 16/17 to 1H 19/20.

Growth: online



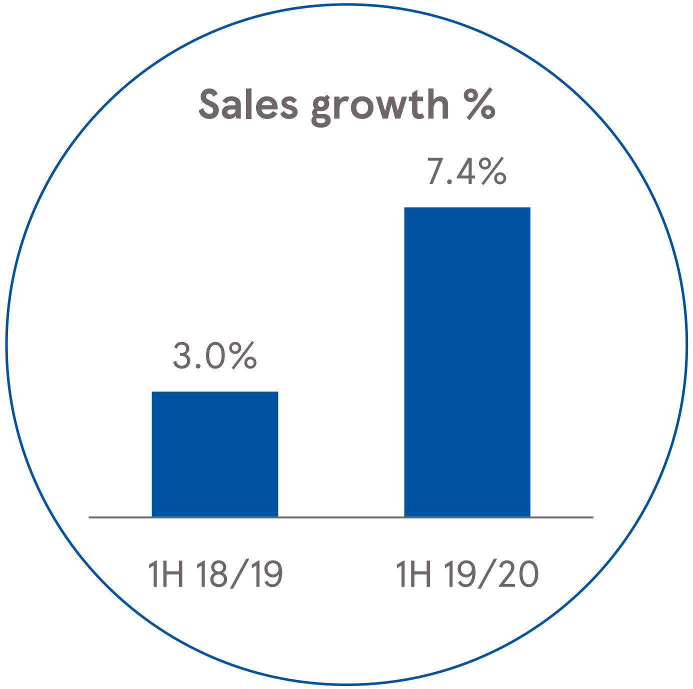
Strong base + unrivalled reach

Pick rate
⬆9%

Delivery productivity[1]
⬆6%

Cost per order
⬇4%

Better economics



Re-acceleration

1. Number of deliveries per van shift.

Growth: online

Investing in technology

3 UFCs
by Summer 2020
(West Bromwich by March 2020)

3 yr plan:
>25 UFCs

Capital efficient solution

utilises
10-15k sq. ft.
existing space

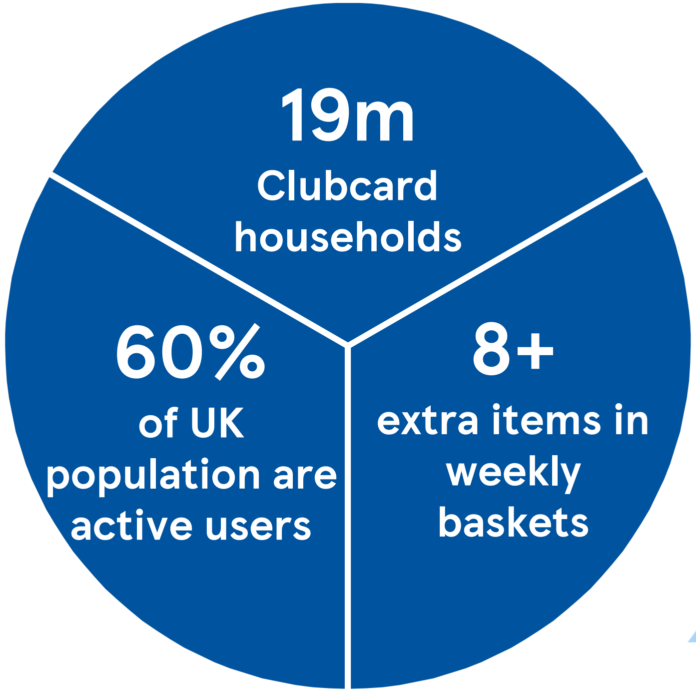
2-3x
more efficient

Future opportunity

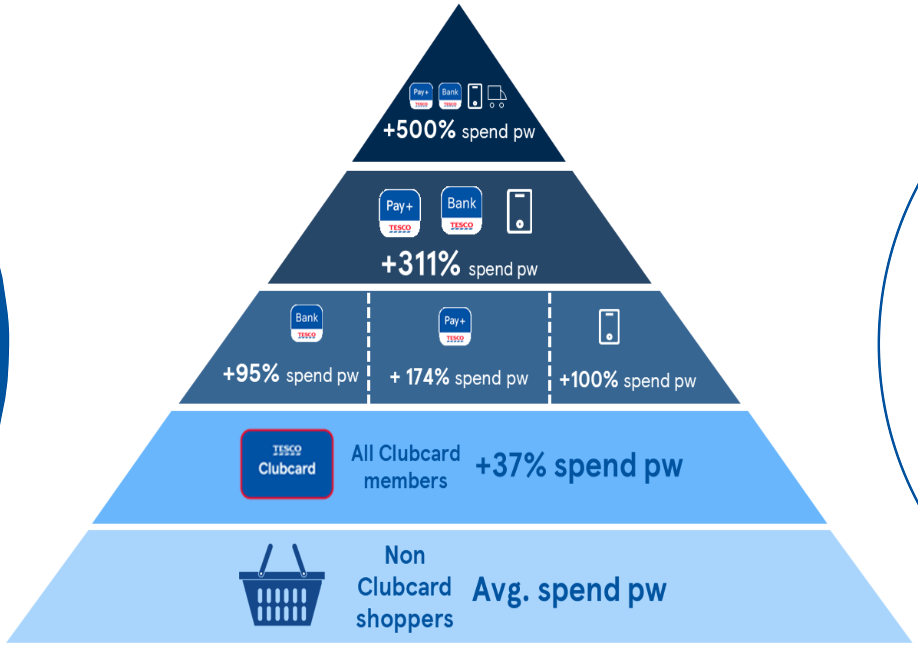
Potential:
15%
of sales

+2m
new customers

Growth: loyalty



Unrivalled base



Most valuable customers

74,000 colleague trial

1. Increase in weekly spend on groceries.

Loyalty – enhancing the offer

<table>
<tr><td>Collect</td><td colspan="3">Tesco
£100 spend in Tesco = 100 points
Fuel Pumps, Tesco Bank, Tesco Mobile</td></tr>
<tr><td>+ Save money</td><td colspan="3">Member pricing</td></tr>
<tr><td rowspan="2">Spend</td><td colspan="2">Receive vouchers cash value</td><td>Convert to air miles</td></tr>
<tr><td>Spend at Tesco 1% at face value</td><td>Spend at partners 3x the points</td><td>Spend with air miles</td></tr>
</table>

TESCO

TESCO

Clubcard Plus

Fancy even more value from your Tesco shop?

10% off 2 big shops in-store

Exclusions and limits apply

F&F
FRED & FLO
FOX & IVY
TESCO Pet
CAROUSEL
GO COOK

10% off your favourite Tesco brands in-store, all the time

Double data from Tesco Mobile

Conditions apply

No foreign exchange fees abroad credit card from Tesco Bank

Subject to status

Only £7.99 a month

TESCO

Growth: Booker

Supporting Tesco growth

Growth that leverages Group in 2H

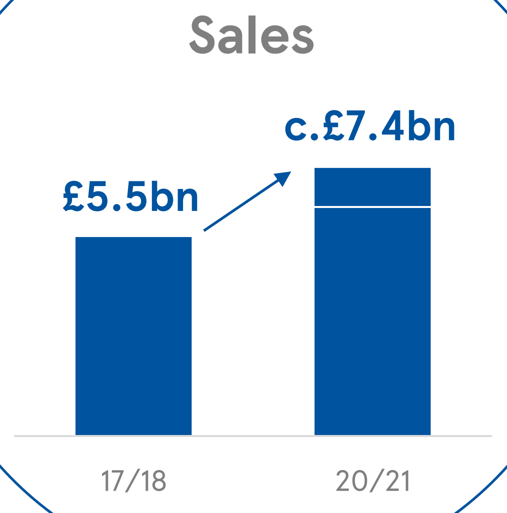
BOOKER.CO.UK
relaunch January 2020

Channel opportunity

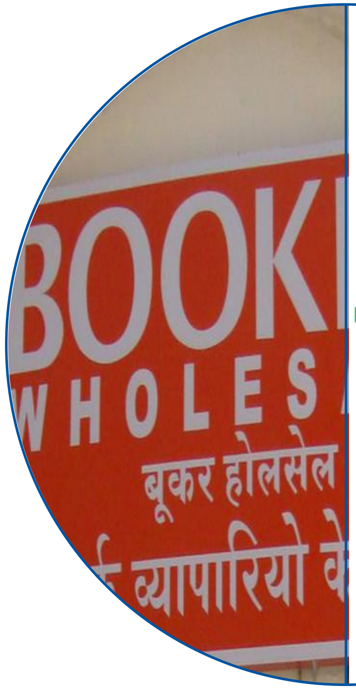
Growth: Booker

£1.1bn sales

Opportunity to become #1 catering supplier



Transformational growth



India

Innovation: creating value in Poland

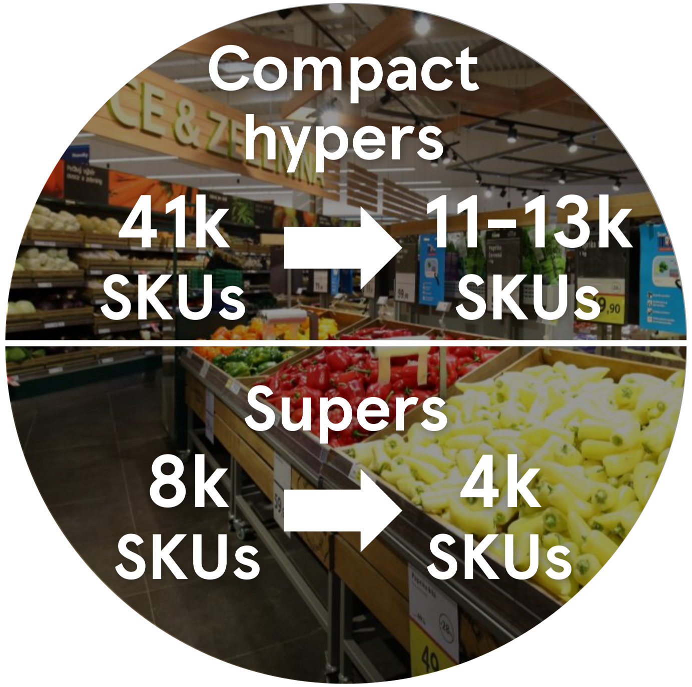
Realising value
from property

7.5m sq. ft.

↓

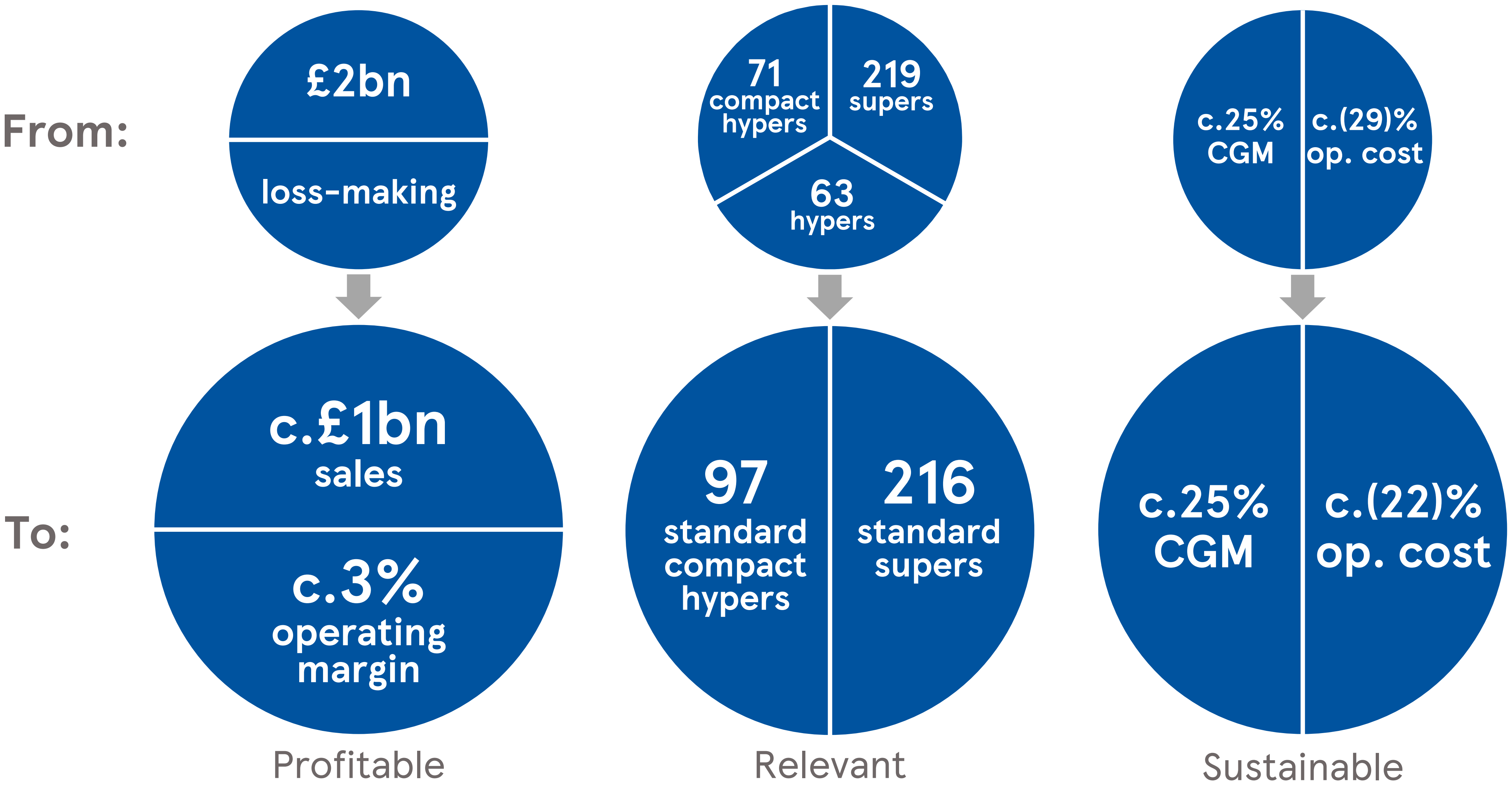
3.9m sq. ft.

Right-sizing
the space



Right-sizing
the range

Innovation: creating value in Poland



Innovation: product

TESCO

Innovation: plant-based food

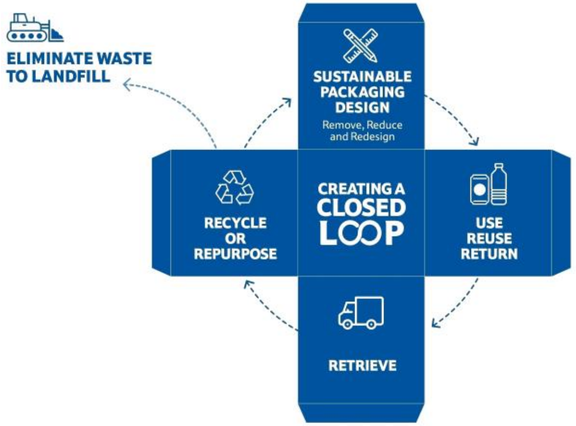
94% appeal[1]

56% increase
in range

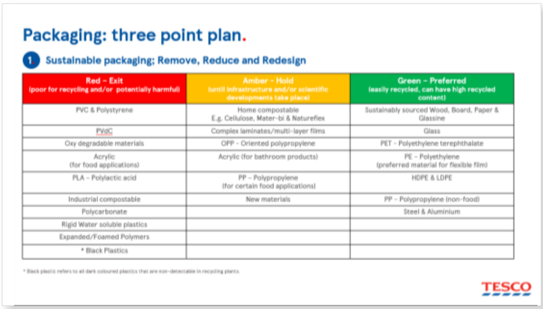
6 new brands –
90 products

1. Source: Quantitative analysis carried out in March 2019. % of respondents who answered 'Very appealing' or 'quite appealing' to the question 'Which of these best describes how you feel about the idea?'

Innovation: plastic



Closed loop approach



Packaging: three point plan.

1. Sustainable packaging; Remove, Reduce and Redesign

Red – Exit (poor for recycling and/or potentially harmful)	Amber – Hold (until infrastructure and/or scientific developments take place)	Green – Preferred (easily recycled, can have high recycled content)
PVC & Polystyrene	Home compostable E.g. Cellulose, Mater-bi & Natureflex	Sustainably sourced Wood, Board, Paper & Glassine
PVdC	Complex laminates/multi-layer films	Glass
Oxy degradable materials	OPP – Oriented polypropylene	PET – Polyethylene terephthalate
Acrylic (for food applications)	Acrylic (for bathroom products)	PE – Polyethylene (preferred material for flexible film)
PLA – Polylactic acid	PP – Polypropylene (for certain food applications)	HDPE & LDPE
Industrial compostable	New materials	PP – Polypropylene (non-food)
Polycarbonate		Steel & Aluminium
Rigid Water soluble plastics		
Expanded/Foamed Polymers		
* Black Plastics		

* Black plastic refers to all dark coloured plastics that are non-detectable in recycling plants.

TESCO

Sustainable packaging design

4 Rs

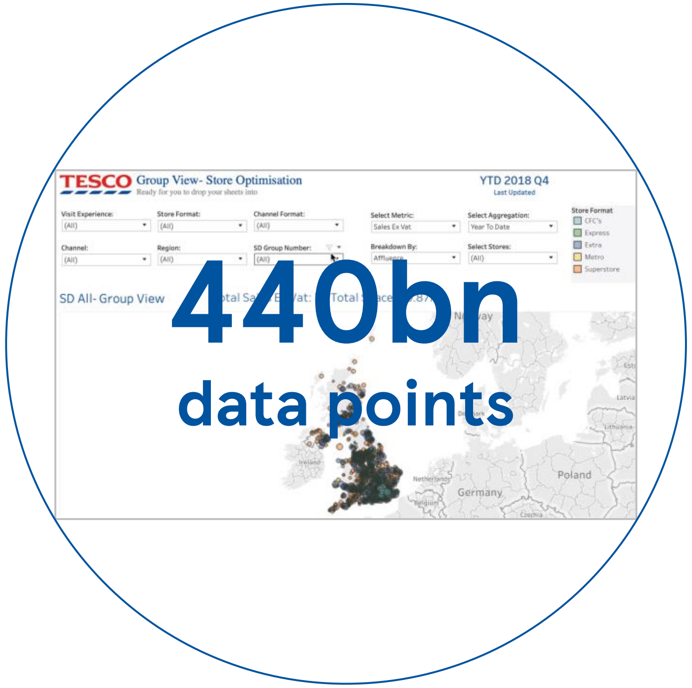
We don't sell air

We don't move/store air

We don't want to package air

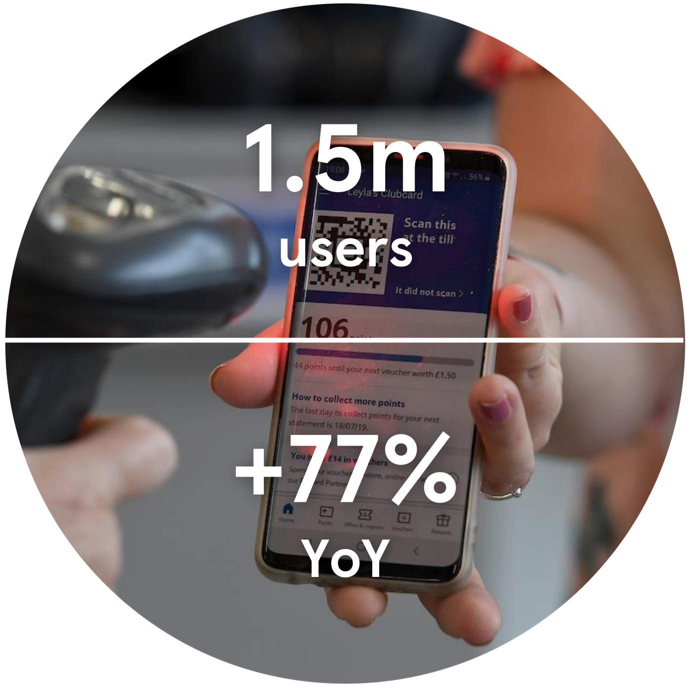
Tackling excess packaging

Enabling technology: growth



Cost to serve

Seamless shopping



Clubcard app

Enabling technology: cost efficiency

+6.7%

Fresh sales
forecast accuracy

New algorithms

c.£40m saving

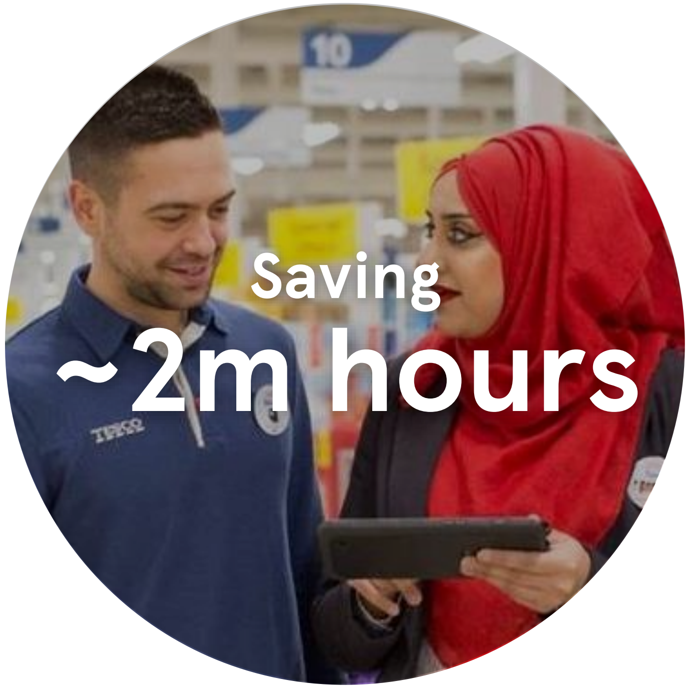
Stock control

+18%

transactions

Pay+

Enabling technology: simplification



Saving
~2m hours

Scheduler

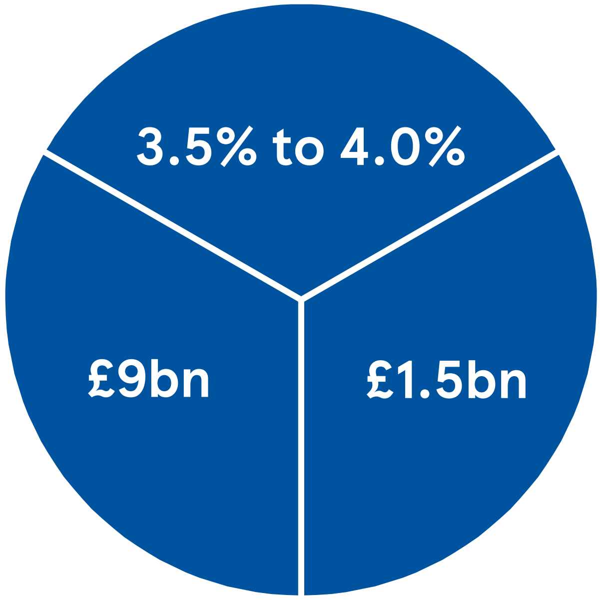
£25m
faster cash management

MyProduct

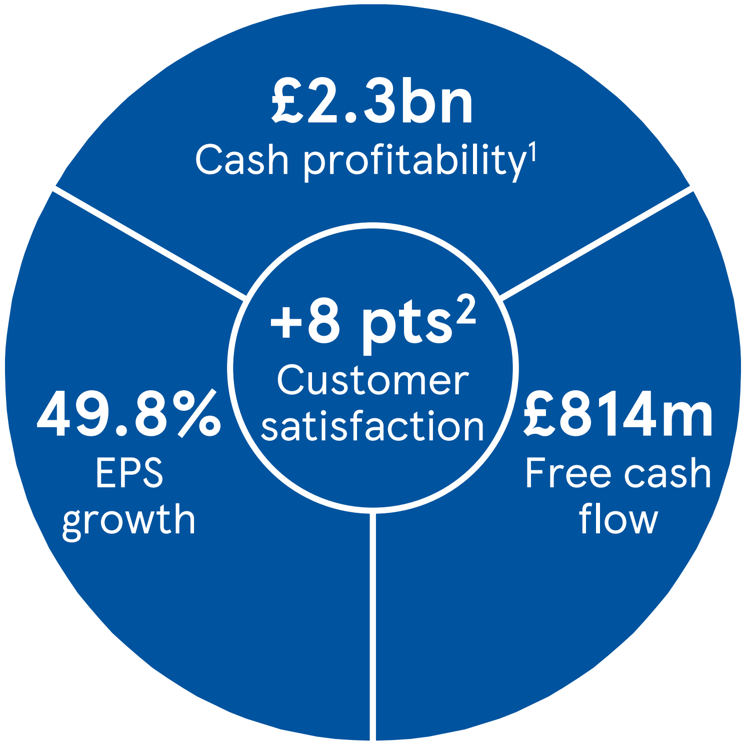
>30,000
active leases

Thailand lease management

Sustainable value creation for shareholders



Medium-term ambitions



Underlying philosophy

1. Cash profitability refers to 1H 2019/20 EBITDA.
2. UK Multichannel tracker. Based on your most recent experience, how likely is it that you would recommend this store to a friend or colleague?

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 and then maintain dividend at 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 every element of turnaround plan
- Customer satisfaction improving across all measures and channels
- Strong increase in profitability
- Significant improvement in cash generation
- Positioned well for profitable growth in years ahead

Q&A.

Appendix.

Segmental performance

	Sales				Operating profit before exceptional items			
	1H 19/20	1H 18/19	Change constant rates[1]	Change actual rates[1]	1H 19/20	1H 18/19	Change constant rates	Change actual rates
UK & ROI	£22.4bn	£22.4bn	0.2%	0.2%	£1,085m	£845m	28.4%	28.4%
Central Europe	£2.8bn	£3.0bn	(6.3)%	(7.0)%	£63m	£75m	(14.7)%	(16.0)%
Asia	£2.6bn	£2.4bn	1.0%	8.4%	£171m	£111m	42.3%	54.1%
Bank	£0.6bn	£0.5bn	2.8%	2.8%	£87m	£90m	(3.3)%	(3.3)%
Group	**£28.3bn**	**£28.3bn**	**(0.4)%**	**0.1%**	**£1,406m**	**£1,121m**	**24.4%**	**25.4%**

1. Change shown on a comparable days basis.

TESCO

Exceptional items

	1H 19/20	1H 18/19
Net restructuring and redundancy costs	£(75)m	£(22)m
Impairment of assets in Poland	£(71)m	–
Impairment of investment in India joint venture	£(47)m	–
Property transactions	£24m	£13m
Booker integration costs	£(6)m	–
Provision for customer redress	£(45)m	£(7)m
Bank transformation costs	£(12)m	–
Tesco Bank FCA provision	–	£(16)m
Release of amounts provided in relation to FCA obligations	–	£15m
Tesco Direct closure costs	–	£(57)m
Total exceptional items in statutory operating profit	**£(232)m**	**£(74)m**

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", “should”, "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 important 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 circumstance.