

Serving shoppers a little better every day.

7 October 2020

Ken Murphy – CEO

Alan Stewart – CFO



TESCO

The image shows the Tesco logo, which consists of the word "TESCO" in a bold, red, sans-serif font. Below the text is a blue graphic element consisting of five slanted, parallel bars.

Agenda

- Highlights
- 1H results
- Joining Tesco
- Q&A

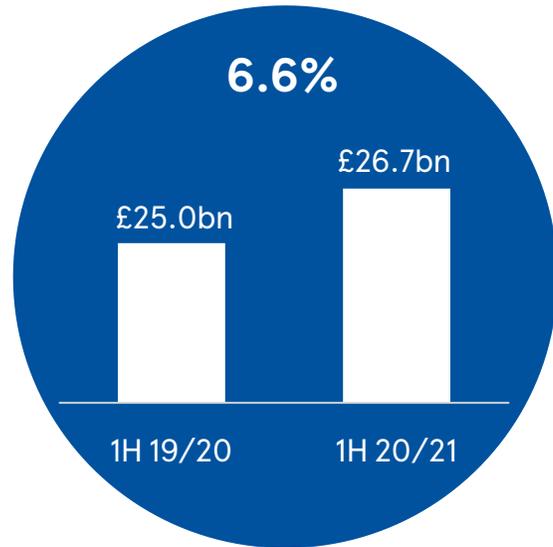
Highlights of performance

- Over a million customers more loyal to Tesco
- Net switching gains from Aldi for first time in over a decade
- Online capacity doubled in five weeks
- 12 weeks' pay for vulnerable colleagues; full pay for all from day one of absence
- Recruited 47,000 temporary colleagues in just two weeks
- Supplier viewpoint measure improved nearly 7% despite crisis
- Doubled food donations in time of need
- Booker - amazing supporter of small businesses and communities

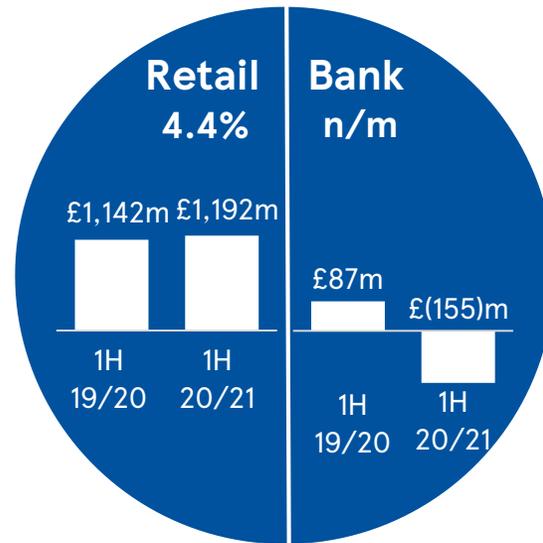
1H results.



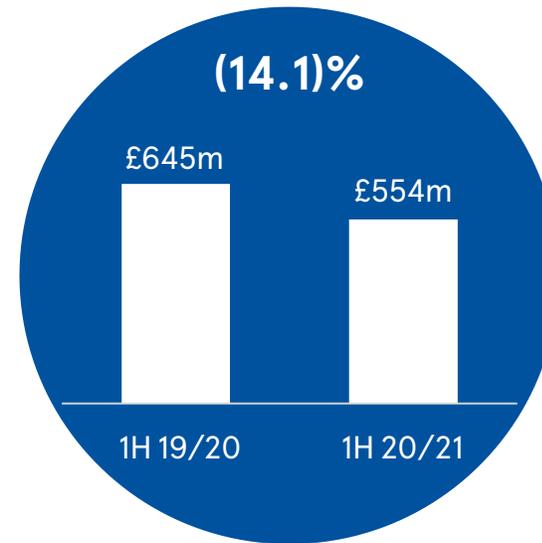
Group performance



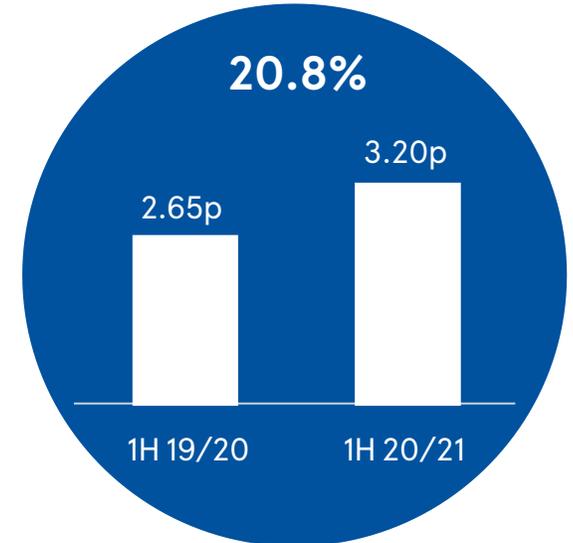
Sales¹



Profit²



Retail free cash flow³



Dividend

1. Sales exclude VAT and fuel. Sales change shown at actual rates and on a comparable days basis for Central Europe.
 2. Operating profit before exceptional items and amortisation of acquired intangibles; change shown at actual rates.
 3. Retail free cash flow excludes the impact of Tesco Bank.

Segmental performance

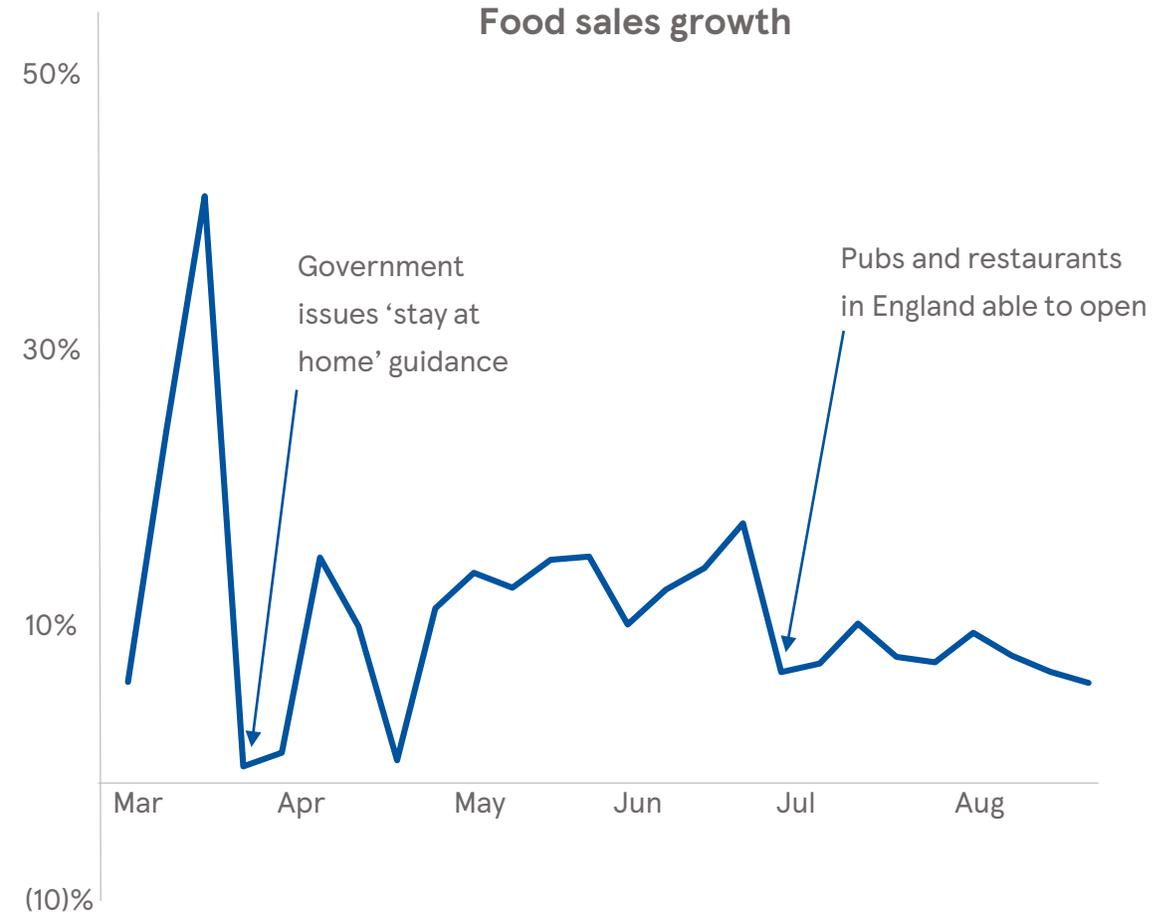
	UK & ROI	Central Europe	Total Retail	Tesco Bank	Group
Sales¹	£24,337m	£1,929m	£26,266m	£386m	£26,652m
<i>change at constant exchange rates %</i>	8.5%	(1.5)%	7.7%	(31.4)%	6.8%
Operating profit²	£1,133m	£59m	£1,192m	£(155)m	£1,037m
<i>change at constant exchange rates %</i>	6.2%	(23.4)%	4.2%	n/m	(15.8)%
Margin (%)	4.3%	3.0%	4.2%	n/m	3.6%

1. Sales exclude VAT and fuel. Sales change shown on a comparable days basis for Central Europe.

2. Operating profit before exceptional items and amortisation of acquired intangibles.

UK & ROI

- Strong top-line growth
 - LFL: 1Q +8.2%, 2Q +6.2%
- Significant stock-piling in early weeks
- Ongoing benefit of shift from 'out-of-home' consumption
- Major shifts in buying patterns
- Basket size up 56.2%, shopping frequency down (31.0)%¹

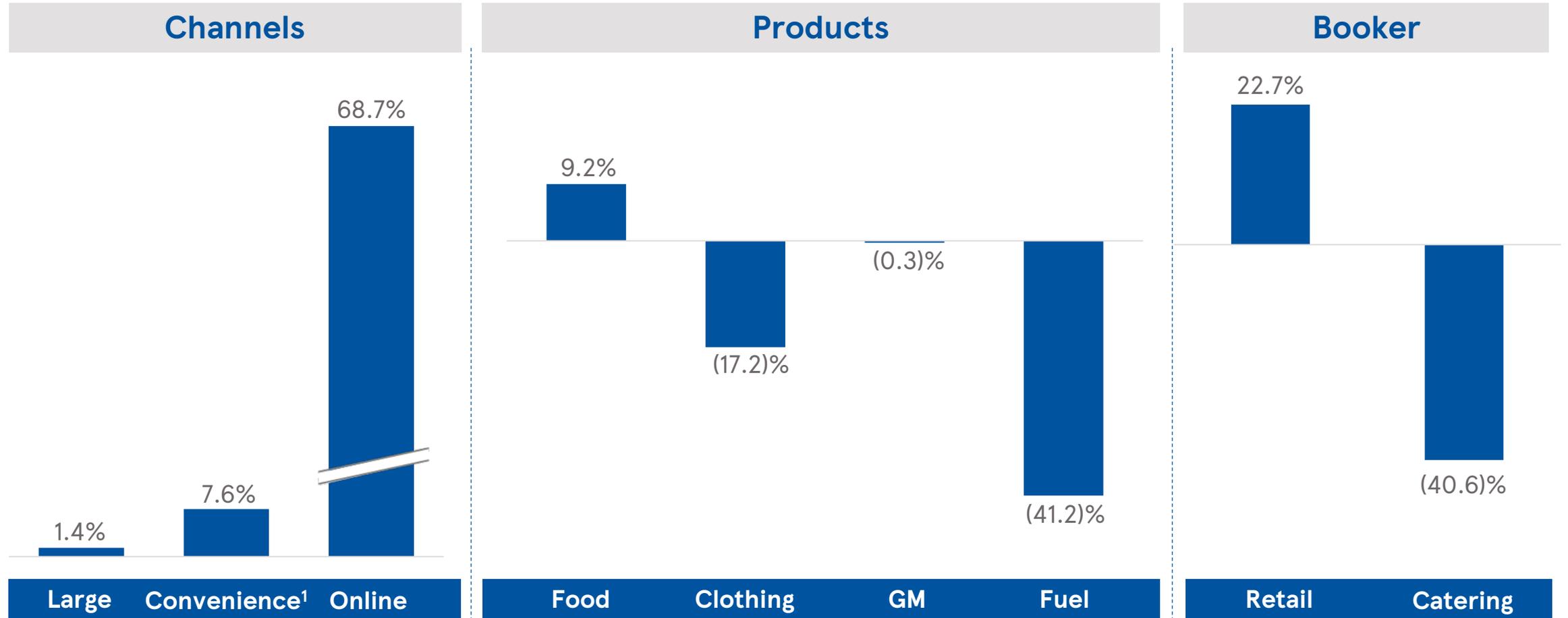


1. 1H 20/21 basket size and shopping frequency growth/(decline) vs. 1H 19/20.

Our response to COVID-19

- 1 Food for all
- 2 Safety for everyone
- 3 Supporting our colleagues
- 4 Supporting our communities

Sales mix



Note: Sales change shown on a like-for-like basis
1. Convenience comprises Tesco Express and One Stop stores.

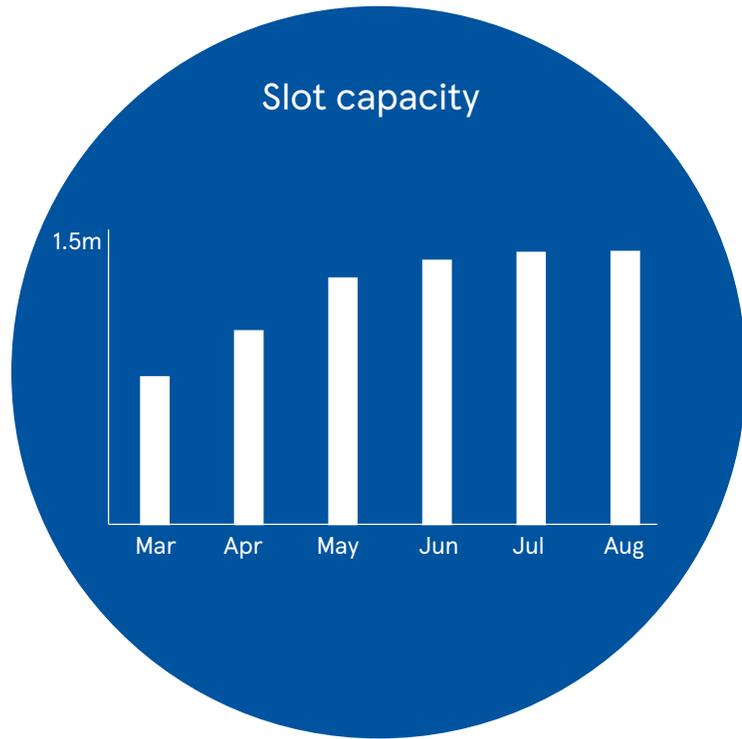
COVID-19 costs

	1H	FY forecast ¹ (illustrative)
12 weeks pay for vulnerable colleagues incl. pregnancy	£(60)m	£(70)m
Colleague absence / backfill / additional 47,000 colleagues	£(153)m	£(240)m
Safety consumables ²	£(35)m	£(65)m
Additional distribution costs	£(23)m	£(23)m
Property costs	£(57)m	£(100)m
10% front line colleague bonus	£(78)m	£(78)m
Other costs	£(127)m	£(149)m
Total UK incremental costs¹	£(533)m	£(725)m
Business Rates Relief (England & Scotland)	£249m	£532m

1. Full-year assumptions based on internal plans as at end-August 2020 and highly likely to change.

2. Safety consumables includes costs for masks, hand sanitiser, wipes, other GSNFR and additional use of carrier bags in online operations.

Online



More than doubled capacity



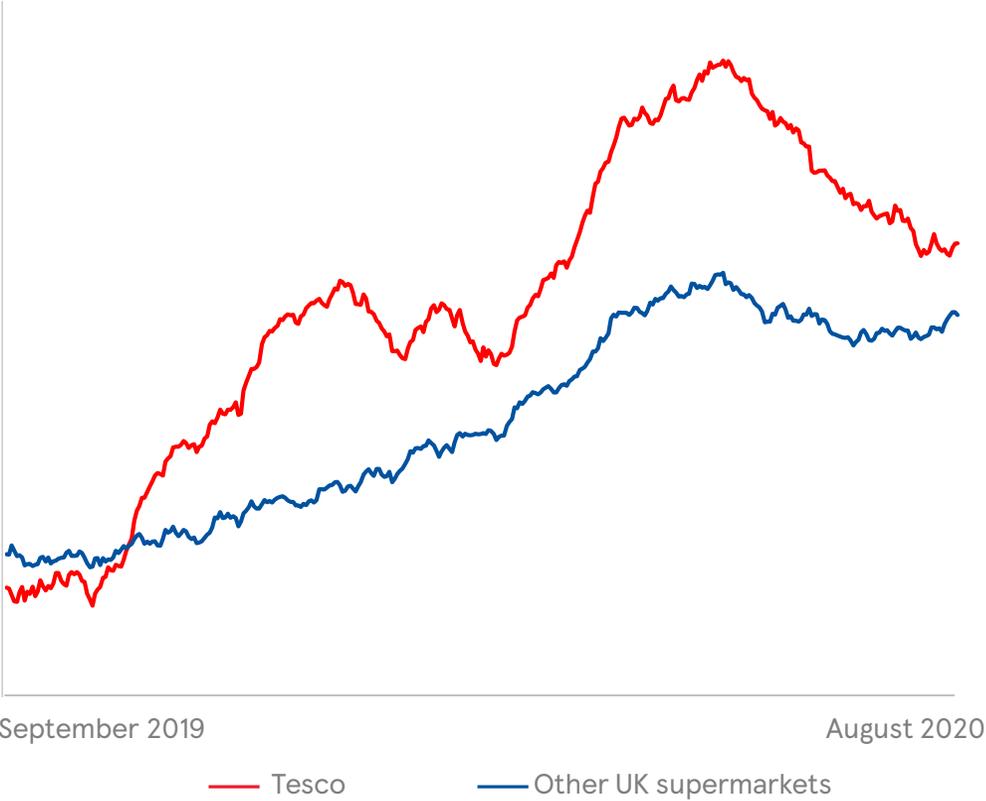
Improved productivity



Additional opportunity
through UFCs

Brand

Strong core brand index¹



Improvement across brand health²

	YoY
Index	+430 bps
Impression	+570 bps
Quality	+350 bps
Value	+530 bps
Reputation	+510 bps
Satisfaction	+220 bps
Recommend	+410 bps

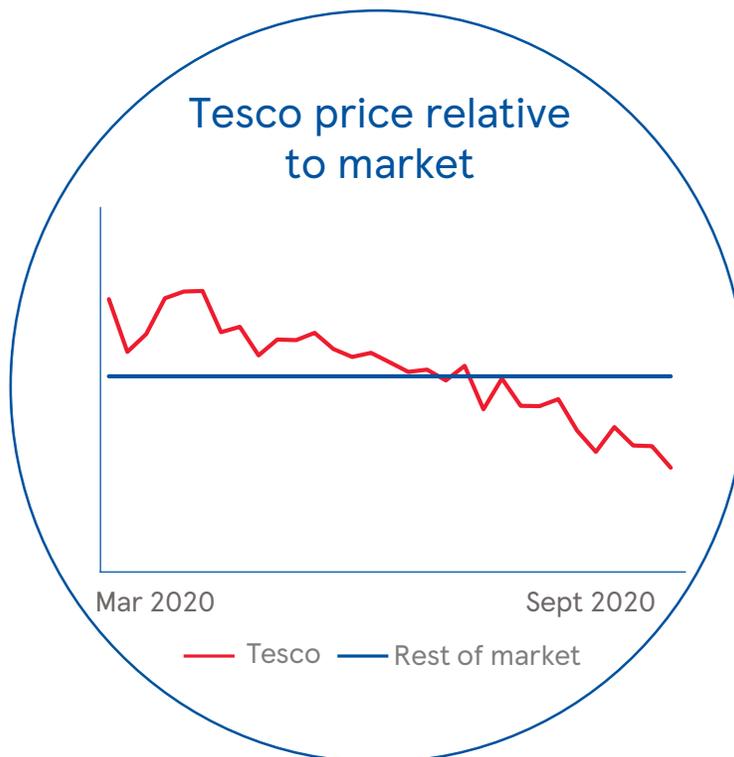
1. YouGov Brand Index, 12 week roll; 'Other UK supermarkets' consists of rest of Big 4, Aldi, Lidl, Waitrose, M&S and Co-op.
 2. YouGov index measures, 12 week roll; year-on-year bps improvement in 1H.



Value



'Aldi Price Match' extended



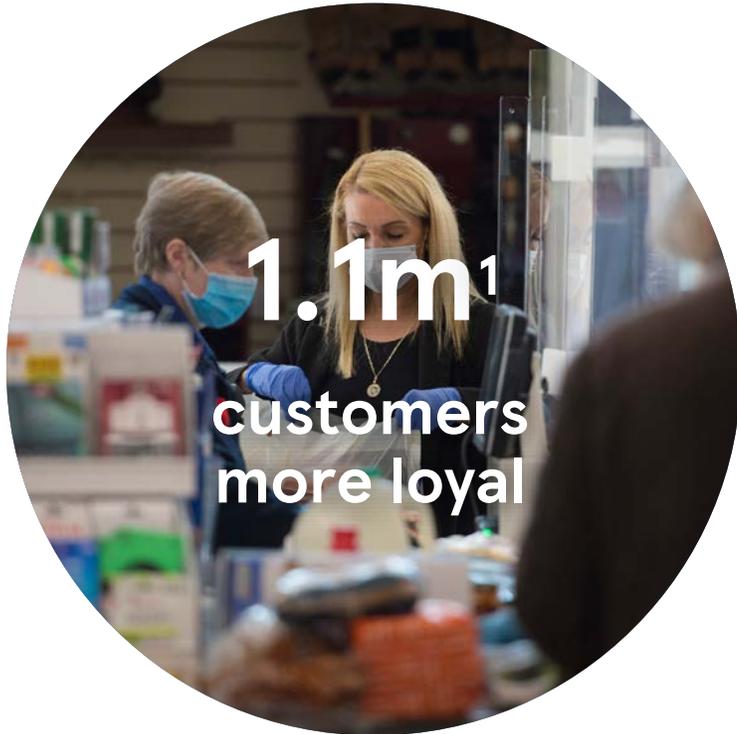
Even more competitive on price¹



Simpler, great value

¹. Calculated using the single retail selling price of each item, including price cut promotions; the index is weighted by sales and market share to reflect customer importance and competitor size. Competitor set includes Aldi, Asda, Lidl, Morrisons and Sainsburys.

Loyalty



Greater engagement



Unique Clubcard Plus proposition



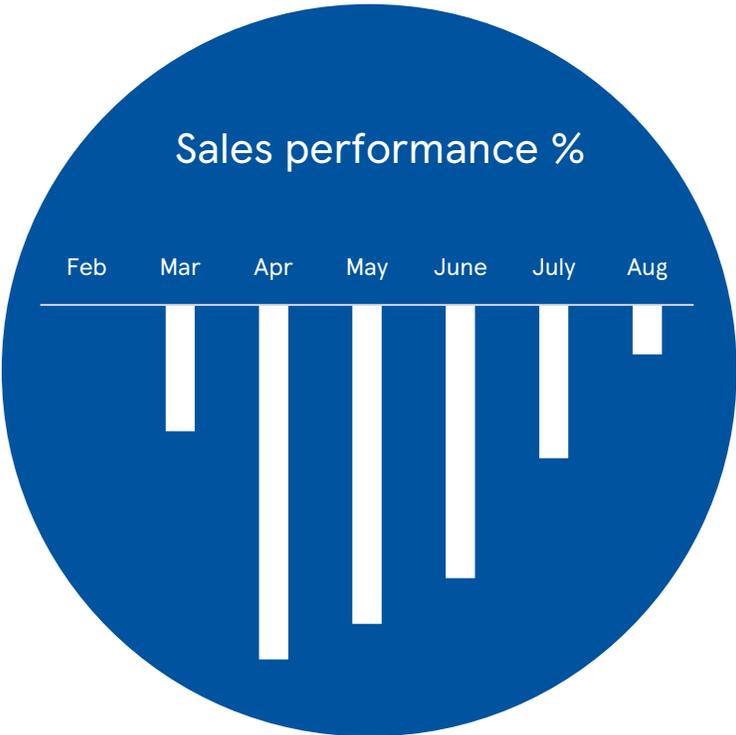
Extension of Clubcard Prices

1. Source: Kantar. The number of customers who became more loyal through COVID-19, shopping consistently with us between April and August.

Booker



Sustained strong retail growth



Catering sales recovering



Agile response

Booker



#1 Retailer
#1 Delivered Wholesale
#1 Caterer
#1 Cash & Carry

Strong market positions



c.£1bn
additional sales

Best.
Food Logistics

Best Food Logistics
acquisition completed



Bulk buys
in 300
stores

Started
roll-out
of Jack's
products

Top-up at
Tesco for
caterers

Joining Forces

Central Europe

- Changes to customer shopping behaviour similar to UK
 - Strong online grocery demand
 - Shift in sales to more essential items
- Highly competitive markets with significant competitor price activity
- Positive underlying profit performance +4%, held back by:
 - Incremental COVID-19 costs
 - Temporary mall closures
 - Hungarian sales tax introduced in May

	1H 20/21
Sales¹	£1,929m
change at actual rates %	(4.3)%
change at constant rates %	(1.5)%
Operating profit²	£59m
change at actual rates %	(23.4)%
change at constant rates %	(23.4)%
Margin (%)	3.0%

1. Sales exclude VAT and fuel. Sales change shown on a comparable days basis.

2. Operating profit before exceptional items and amortisation of acquired intangibles.

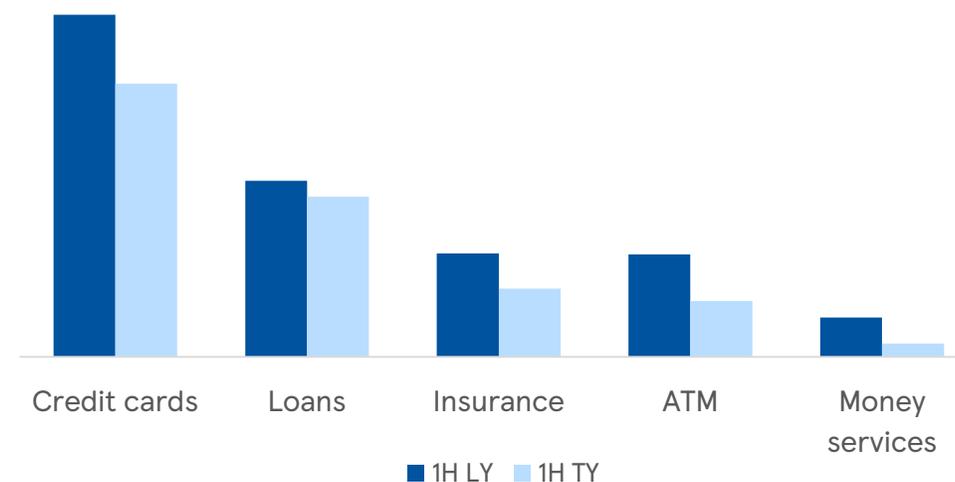
Tesco Bank

- Operating loss of £(155)m due to material impact from COVID-19:
 - Increase in provision for potential bad debts
 - Reduction in income across activities
- Continue to expect operating loss in current financial year of £(175)m-£(200)m
- Strong balance sheet
 - Total capital ratio of 24.3%, up 5.9%
 - Capital adequacy under stress scenarios regularly assessed

Macro-economic assumptions

	April ¹	Now ²
Unemployment peak	6.2%	8.5%
GDP (2Q 2020)	(12.0)%	(20.9)%

1H income trends



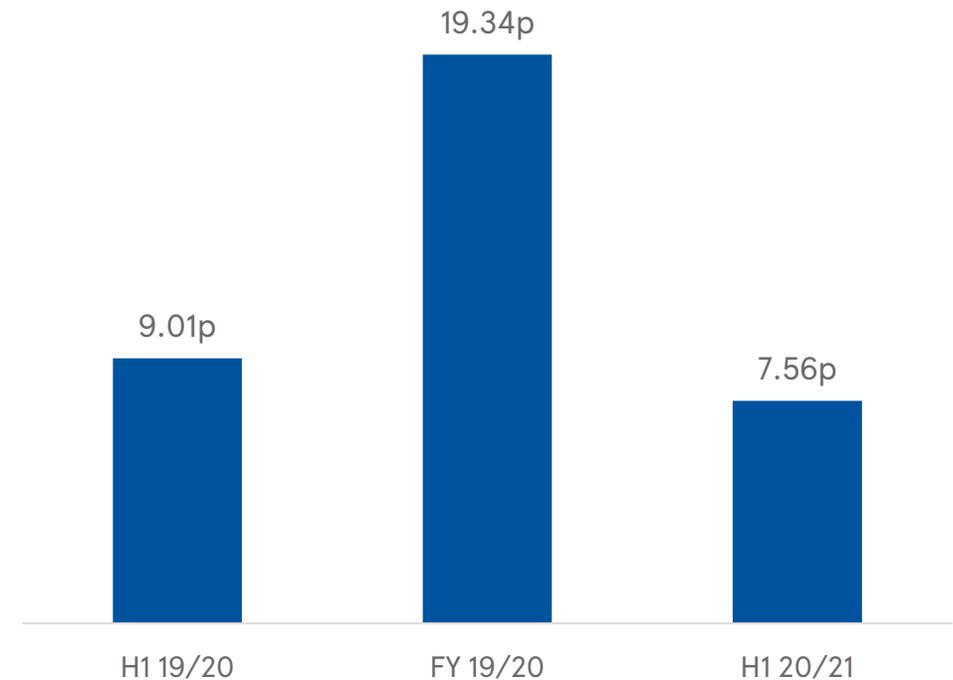
1. 'April' scenario detail is as per Note 36 'Events after the reporting period' in FY 19/20 financial statements.

2. Forecasts are sourced from Experian.

Earnings per share

- Pro forma adjusted diluted EPS of 7.56p
 - Assumes disposal of Thailand, Malaysia and Poland businesses
 - Reflects post-consolidation share base as if in place from last year
 - Based on share price of 213p¹
 - Assumes reduction in share base of 24%²

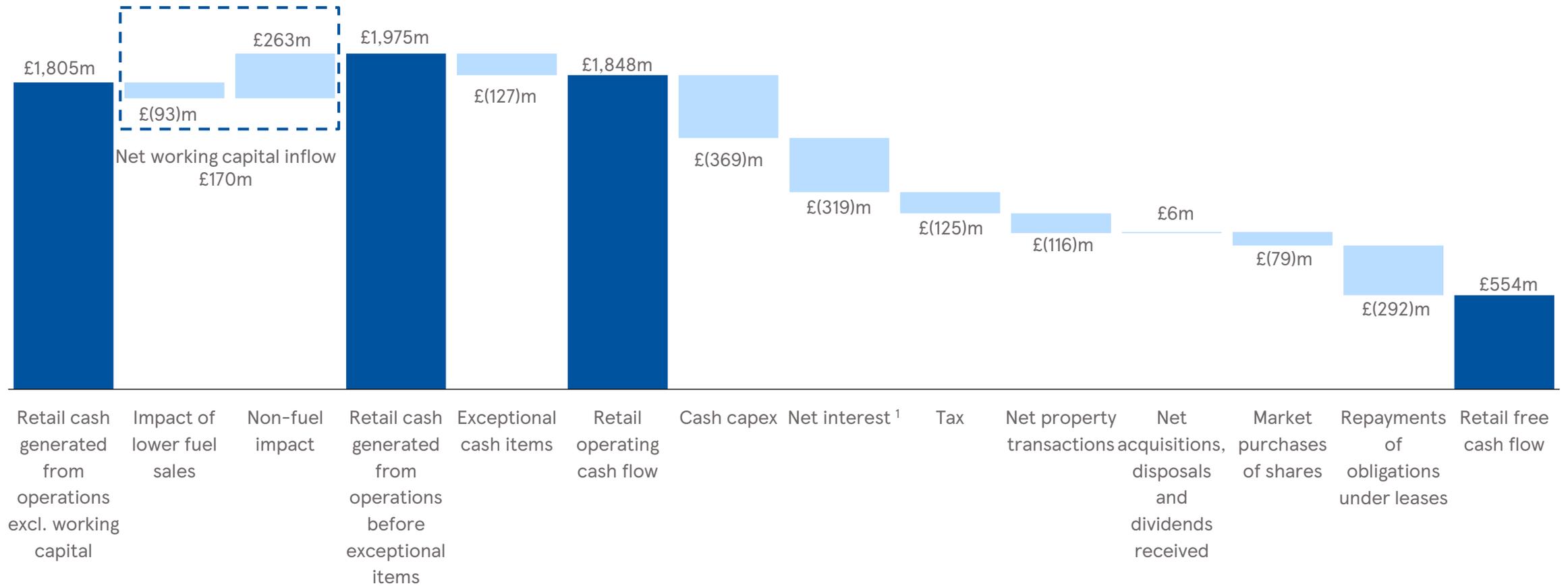
Pro forma adjusted diluted EPS
(pence per share)



1. The average share price for the five days to 2 October 2020.

2. Calculated based on share price of 213p and assuming the return of a c.£5bn special dividend in 2H.

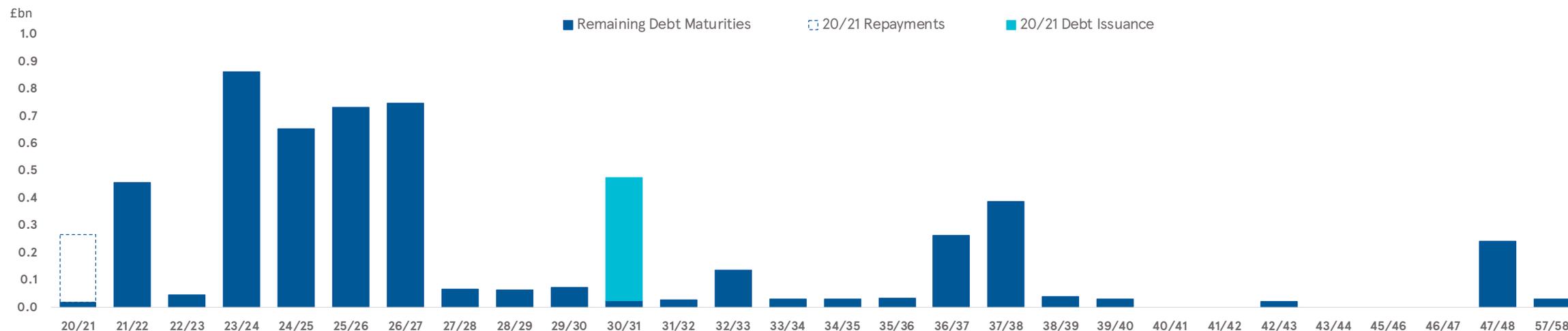
Sources and uses of cash



1. Net interest paid of £(319)m includes £(228)m of interest related to finance lease obligations.

Liquidity and debt profile

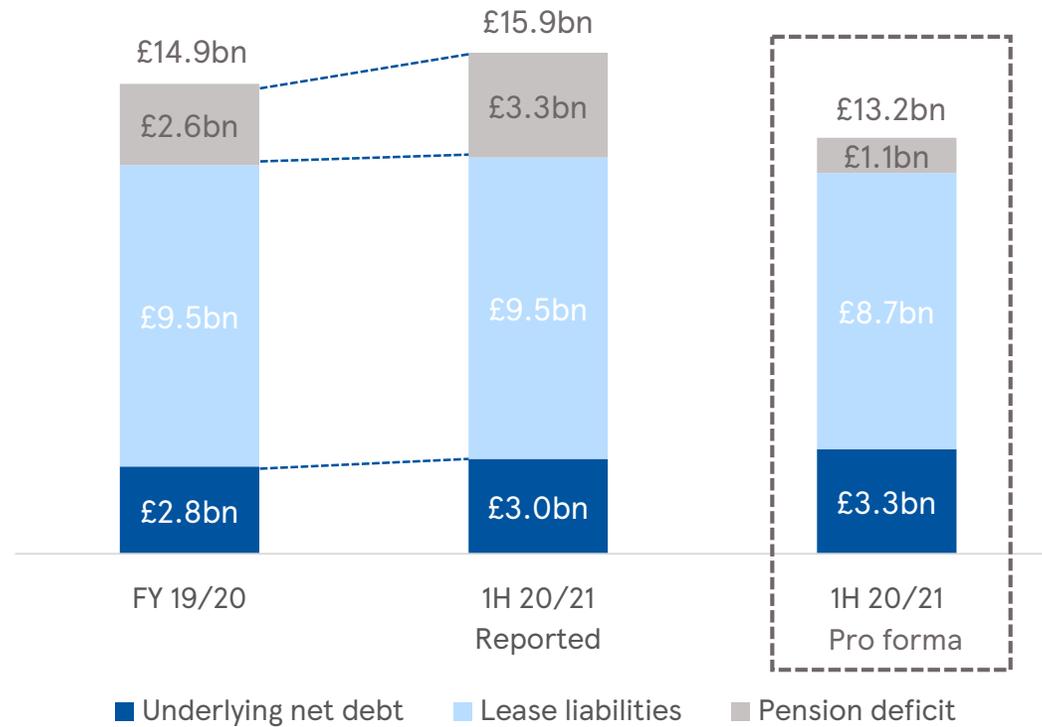
- Actions taken in 1H:
 - Early redemption of EUR 20 (£0.2bn)
 - Issued 10 year GBP £0.5bn (2.75%)
 - Committed facilities refinanced at £2.5bn for three years
- Significant cash liquidity of £2.0bn¹



1. Cash and cash equivalents plus short term investments less reported overdraft (figure excludes Tesco Bank and discontinued operations).

Total indebtedness

Total indebtedness¹



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

Sales of Thailand, Malaysia and Poland businesses

Asia disposal	£8.0bn of net cash proceeds ¹ Approved by shareholders in May Regulatory approval and sale completion due by end of calendar year Followed immediately by shareholder meeting to approve return of capital
Poland disposal	c.£165m of proceeds ² on completion Additional proceeds of c.£140m expected in 2021 from sale of residual properties Expected to complete by Spring 2021

1. Under the terms of the disposal, net cash proceeds are expected to be \$10.3 billion (equivalent to £8.0 billion) before tax and other transaction costs. For more detail see Shareholder Circular dated 22 April 2020.

2. Net proceeds, excluding 19 retained properties.

Guidance

Capex	£0.9bn-£1.2bn per annum
Net finance costs ¹	Less than 4% of long-term debt per annum
Tax	Effective tax rate c.22% for 2020/21; c.21% over medium term No deferral of VAT payments
Dividend	Full year dividend pay-out ratio of 50% Interim dividend 35% of prior year full year dividend
Debt metrics	Targeting leverage of c.2.5x Total indebtedness/EBITDA
Pension deficit contribution	Payments cease following lump sum payment from Asia disposal
Asia segment & Poland	Treated as discontinued operations for FY 2020/21

Note: All guidance assumes completion of disposal of Thailand and Malaysia businesses during 2H 2020, which is subject to regulatory approval.
1. Before exceptional charges, IAS 19 net pension finance costs and IFRS 9 fair value remeasurements.

Summary

- Strong top-line growth
- Significant additional COVID-19 costs in Retail business offset by volume and business rates relief
- Bank liquidity and capital ratios remain strong
- Sales of Thailand, Malaysia and Poland businesses progressing well
- Strengthening customer offer; will continue to invest in value proposition in 2H

Joining Tesco.



A great business

- Led by our Values
- UK market leader
- 440,000 colleagues across three regions
- UK's largest loyalty programme
- Long-term supplier partnerships
- Our reach is a strategic advantage
 - 796 large stores
 - 1,921 convenience stores
 - 1.5m online grocery slots per week
 - 363 click & collect locations
 - Serving 88,000 community retailers and 420,000 catering customers from Booker

A great team



Things that resonate

Serving shoppers
a little better
every day.

Customer focus



Looking after our colleagues



Cost-conscious

Many, many opportunities



And more...

What you can expect from me

- A relentless focus on doing the right thing for customers
- Integrating our passion for nutrition and sustainability into everything we do
- A disciplined approach to managing cash and capital allocation
- Seeking out profitable growth through serving our customers a little better every day

What's next?

- Time with colleagues, customers and supplier partners – listening and learning to what drives our business model
- Maintaining momentum of Asia sale; returning c.£5bn of capital to shareholders
- Supporting the team to deliver a great Christmas for customers, while managing the challenges of COVID-19 and Brexit

Q&A.



Appendix.



Sale of businesses in Thailand & Malaysia

9 March 2020

Sale agreed

22 April 2020

Circular and notice convening first general meeting

14 May 2020

First general meeting

2H 2020

Competition approval

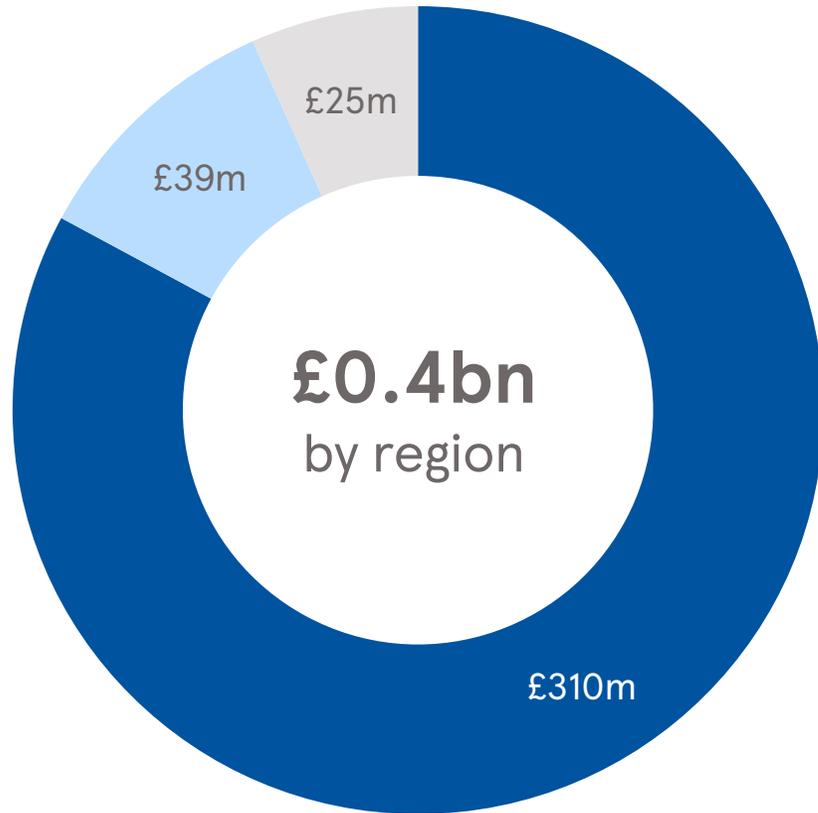
Sale completion

Notice convening second general meeting

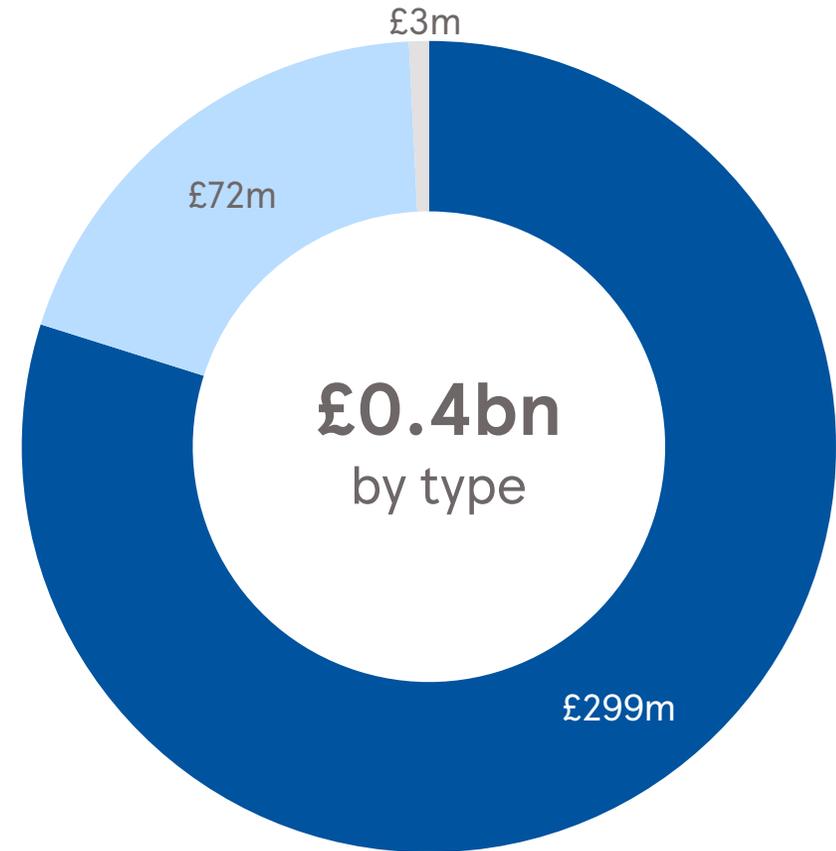
Second general meeting

Share consolidation and special dividend paid

Capital expenditure – 1H



■ UK & ROI ■ CE ■ Bank



■ Maintenance/ refresh ■ IT/ productivity ■ New space/ business

Exceptional items

On a continuing operations basis	1H 2020/21	1H 2019/20
Net restructuring and redundancy costs	-	(39)
Impairment of investment in India joint venture	-	(47)
Property transactions	(2)	14
Booker integration costs	(2)	(6)
Provision for customer redress	-	(45)
Bank Transformation costs	-	(12)
UK - ATM business rates	105	-
Litigation costs	(93)	-
Total exceptional items in statutory operating profit	8	(135)

Disclaimer

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