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

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.

Sales

<table>
<thead>
<tr>
<th></th>
<th>1H 19/20</th>
<th>1H 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales</td>
<td>£25.0bn</td>
<td>£26.7bn</td>
</tr>
</tbody>
</table>

Profit

<table>
<thead>
<tr>
<th></th>
<th>1H 19/20</th>
<th>1H 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>£1,142m</td>
<td>£1,192m</td>
</tr>
<tr>
<td>Bank</td>
<td>n/m</td>
<td>n/m</td>
</tr>
</tbody>
</table>

Retail free cash flow

<table>
<thead>
<tr>
<th></th>
<th>1H 19/20</th>
<th>1H 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank</td>
<td>£87m</td>
<td>(£155)m</td>
</tr>
</tbody>
</table>

Dividend

<table>
<thead>
<tr>
<th></th>
<th>1H 19/20</th>
<th>1H 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit</td>
<td>(14.1)%</td>
<td>(14.1)%</td>
</tr>
<tr>
<td>Bank</td>
<td>3.20p</td>
<td>2.65p</td>
</tr>
</tbody>
</table>
Segmental performance

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

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

Channels

<table>
<thead>
<tr>
<th>Large</th>
<th>Convenience¹</th>
<th>Online</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.4%</td>
<td>7.6%</td>
<td></td>
<td>68.7%</td>
</tr>
</tbody>
</table>

Products

<table>
<thead>
<tr>
<th>Food</th>
<th>Clothing</th>
<th>GM</th>
<th>Fuel</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.2%</td>
<td>(17.2)%</td>
<td>(0.3)%</td>
<td>(41.2)%</td>
</tr>
</tbody>
</table>

Booker

<table>
<thead>
<tr>
<th>Retail</th>
<th>Catering</th>
</tr>
</thead>
<tbody>
<tr>
<td>22.7%</td>
<td>(40.6)%</td>
</tr>
</tbody>
</table>

Note: Sales change shown on a like-for-like basis
1. Convenience comprises Tesco Express and One Stop stores.
## COVID-19 costs

<table>
<thead>
<tr>
<th>Description</th>
<th>1H</th>
<th>FY forecast&lt;sup&gt;1&lt;/sup&gt; (illustrative)</th>
</tr>
</thead>
<tbody>
<tr>
<td>12 weeks pay for vulnerable colleagues incl. pregnancy</td>
<td>£(60)m</td>
<td>£(70)m</td>
</tr>
<tr>
<td>Colleague absence / backfill / additional 47,000 colleagues</td>
<td>£(153)m</td>
<td>£(240)m</td>
</tr>
<tr>
<td>Safety consumables&lt;sup&gt;2&lt;/sup&gt;</td>
<td>£(35)m</td>
<td>£(65)m</td>
</tr>
<tr>
<td>Additional distribution costs</td>
<td>£(23)m</td>
<td>£(23)m</td>
</tr>
<tr>
<td>Property costs</td>
<td>£(57)m</td>
<td>£(100)m</td>
</tr>
<tr>
<td>10% front line colleague bonus</td>
<td>£(78)m</td>
<td>£(78)m</td>
</tr>
<tr>
<td>Other costs</td>
<td>£(127)m</td>
<td>£(149)m</td>
</tr>
<tr>
<td><strong>Total UK incremental costs&lt;sup&gt;1&lt;/sup&gt;</strong></td>
<td><strong>£(533)m</strong></td>
<td><strong>£(725)m</strong></td>
</tr>
</tbody>
</table>

**Business Rates Relief**  
(England & Scotland)  
£249m  
£532m

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

<sup>2</sup> 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

Slot capacity

1.5m

Mar Apr May Jun Jul Aug

13% → 21%

Click & Collect participation

+21%

orders per van

Launched West Bromwich in August

A further 2 to open this year
Brand

Strong core brand index

Index Improvement across brand health

<table>
<thead>
<tr>
<th>YoY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index</td>
</tr>
<tr>
<td>Impression</td>
</tr>
<tr>
<td>Quality</td>
</tr>
<tr>
<td>Value</td>
</tr>
<tr>
<td>Reputation</td>
</tr>
<tr>
<td>Satisfaction</td>
</tr>
<tr>
<td>Recommend</td>
</tr>
</tbody>
</table>

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

Simpler, great value

30% → 22%

YoY promotional participation

Tesco price relative to market

Mar 2020
Sept 2020

Tesco
Rest of market

now 500+ products

Even more competitive on price

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 Sainsbury’s.
Loyalty

Greater engagement

1.1m more loyal customers

Unique Clubcard Plus proposition

Basket uplift c.300% ahead of expectation

Extension of Clubcard Prices

2,000 products

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

Q1: +23.5%
Q2: +21.0%

Catering sales recovering

Agile response

100,000 Click & Collect slots
500 Colleagues redeployed
Booker

Strong market positions

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

Best Food Logistics acquisition completed

- c.£1bn additional sales

Joining Forces

- Bulk buys in 300 stores
- Top-up at Tesco for caterers
- Started roll-out of Jack's products
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

<table>
<thead>
<tr>
<th></th>
<th>1H 20/21</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales¹</td>
<td>£1,929m</td>
</tr>
<tr>
<td>change at actual rates %</td>
<td>(4.3)%</td>
</tr>
<tr>
<td>change at constant rates %</td>
<td>(1.5)%</td>
</tr>
<tr>
<td>Operating profit²</td>
<td>£59m</td>
</tr>
<tr>
<td>change at actual rates %</td>
<td>(23.4)%</td>
</tr>
<tr>
<td>change at constant rates %</td>
<td>(23.4)%</td>
</tr>
<tr>
<td>Margin (%)</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

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

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 213p\(^1\)
  - Assumes reduction in share base of 24%\(^2\)

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

Retail cash generated from operations excl. working capital
Impact of lower fuel sales
Non-fuel impact
Retail cash generated from operations before exceptional items
Exceptional cash items
Retail operating cash flow
Cash capex
Net interest \(^1\)
Tax
Net property transactions acquisitions, disposals and dividends received
Net property acquisitions, disposals and dividends received
Market purchases of shares
Repayments of obligations under leases
Retail free cash flow

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 indebtedness\(^1\)

- **FY 19/20**: 
  - Underlying net debt: £9.5bn
  - Lease liabilities: £2.8bn
  - Pension deficit: £2.6bn
  - Total indebtedness: £14.9bn

- **1H 20/21 Reported**: 
  - Underlying net debt: £9.5bn
  - Lease liabilities: £3.0bn
  - Pension deficit: £3.3bn
  - Total indebtedness: £15.9bn

- **1H 20/21 Pro forma**: 
  - Underlying net debt: £8.7bn
  - Lease liabilities: £3.3bn
  - Pension deficit: £1.1bn
  - Total indebtedness: £13.2bn

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\(^1\) 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

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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

<table>
<thead>
<tr>
<th>Capex</th>
<th>£0.9bn–£1.2bn per annum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net finance costs¹</td>
<td>Less than 4% of long-term debt per annum</td>
</tr>
<tr>
<td>Tax</td>
<td>Effective tax rate c.22% for 2020/21; c.21% over medium term</td>
</tr>
<tr>
<td></td>
<td>No deferral of VAT payments</td>
</tr>
<tr>
<td>Dividend</td>
<td>Full year dividend pay-out ratio of 50%</td>
</tr>
<tr>
<td></td>
<td>Interim dividend 35% of prior year full year dividend</td>
</tr>
<tr>
<td>Debt metrics</td>
<td>Targeting leverage of c.2.5x Total indebtedness/EBITDA</td>
</tr>
<tr>
<td>Pension deficit contribution</td>
<td>Payments cease following lump sum payment from Asia disposal</td>
</tr>
<tr>
<td>Asia segment &amp; Poland</td>
<td>Treated as discontinued operations for FY 2020/21</td>
</tr>
</tbody>
</table>

**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 valueremeasurements.
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

By region:
- UK & ROI: £310m
- CE: £39m
- Bank: £25m

Total: £0.4bn

By type:
- Maintenance/refresh: £299m
- IT/productivity: £72m
- New space/business: £3m

Total: £0.4bn
## Exceptional items

### On a continuing operations basis

<table>
<thead>
<tr>
<th>Description</th>
<th>1H 2020/21</th>
<th>1H 2019/20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net restructuring and redundancy costs</td>
<td>-</td>
<td>(39)</td>
</tr>
<tr>
<td>Impairment of investment in India joint venture</td>
<td>-</td>
<td>(47)</td>
</tr>
<tr>
<td>Property transactions</td>
<td>(2)</td>
<td>14</td>
</tr>
<tr>
<td>Booker integration costs</td>
<td>(2)</td>
<td>(6)</td>
</tr>
<tr>
<td>Provision for customer redress</td>
<td>-</td>
<td>(45)</td>
</tr>
<tr>
<td>Bank Transformation costs</td>
<td>-</td>
<td>(12)</td>
</tr>
<tr>
<td>UK – ATM business rates</td>
<td>105</td>
<td>–</td>
</tr>
<tr>
<td>Litigation costs</td>
<td>(93)</td>
<td>–</td>
</tr>
<tr>
<td><strong>Total exceptional items in statutory operating profit</strong></td>
<td><strong>8</strong></td>
<td><strong>(135)</strong></td>
</tr>
</tbody>
</table>
Certain statements made in this document are forward-looking statements. 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 are based on current expectations and assumptions and are subject to a number of known and unknown risks, uncertainties and other important factors that could cause actual results or events to differ materially from what is expressed or implied by those statements. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics. As such, undue reliance should not be placed on forward-looking 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. Other than in accordance with legal and regulatory obligations, Tesco undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.