

Serving shoppers a little better every day.

14 April
2021

Ken Murphy, CEO
Alan Stewart, CFO



TESCO

Welcome.





Introduction.

Truly exceptional year – significant impact from COVID-19

Demonstrated the strength and agility of our business

Incredible team effort to serve customers in challenging conditions

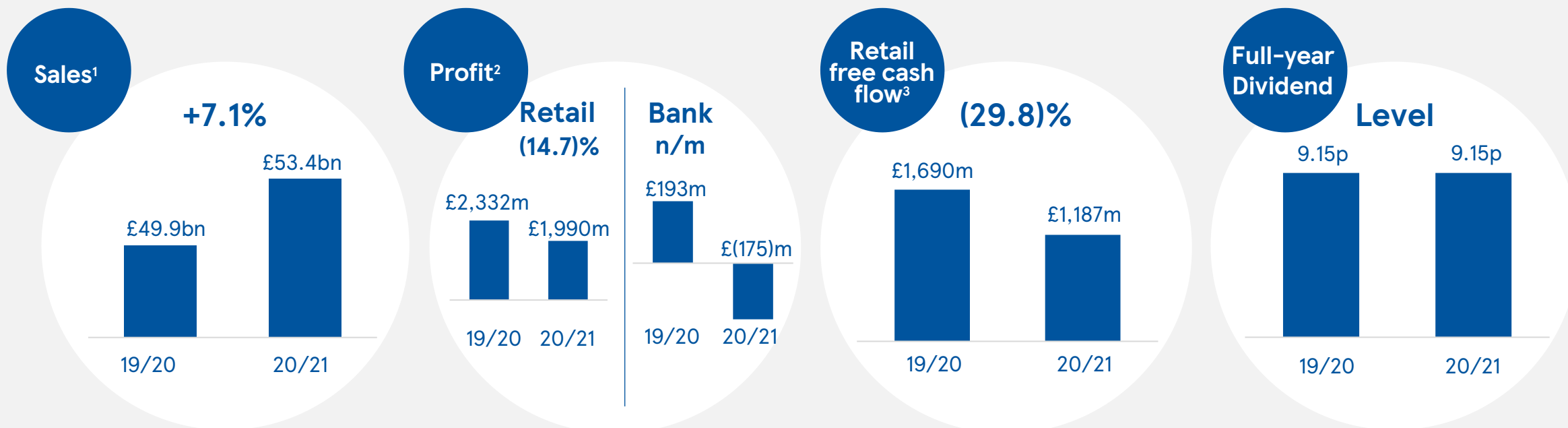
Our focus on customers is building a stronger business for all stakeholders

A close-up photograph of several bright yellow bell peppers, some with green stems, filling the background of the slide.

Full year results.

Alan Stewart

Group performance.



1. Sales exclude VAT and fuel. Sales change shown at actual rates.

2. Operating profit/(loss) before exceptional items and amortisation of acquired intangibles; change shown at actual rates.

3. Retail free cash flow excludes the impact of Tesco Bank.

4. FY 2019/20 figures are stated on a 52-week basis.

Segmental performance.

	UK & ROI	Central Europe	Total Retail	Tesco Bank	Group
Sales¹	£48,848m	£3,862m	£52,710m	£735m	£53,445m
<i>change at constant exchange rates %</i>	8.6%	(0.6)%	7.9%	(31.2)%	7.0%
Operating profit²	£1,866m	£124m	£1,990m	£(175)m	£1,815m
<i>change at constant exchange rates %</i>	(13.7)%	(29.0)%	(14.8)%	n/m	(28.3)%
Margin (%)	3.5%	3.1%	3.5%	n/m	3.1%

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.

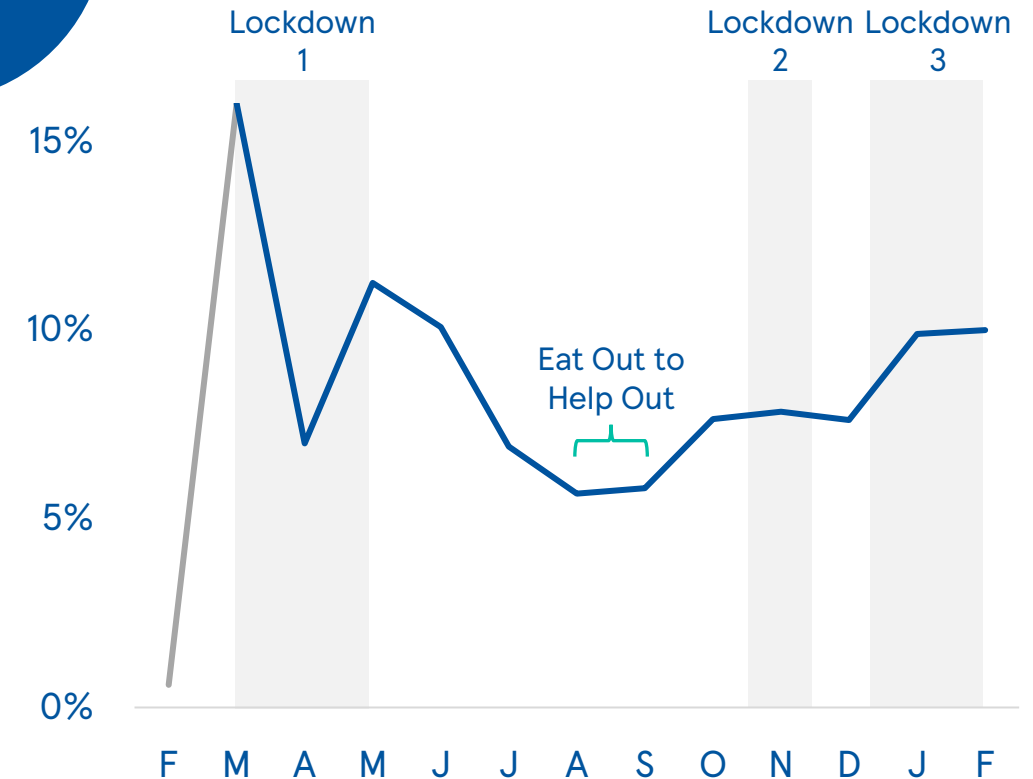
UK Food sales growth¹

Strong top-line growth

– LFL: +6.8% (H1 +7.2%, H2 +6.5%)

Ongoing, sustained benefit of shift from ‘out-of-home’ consumption in food

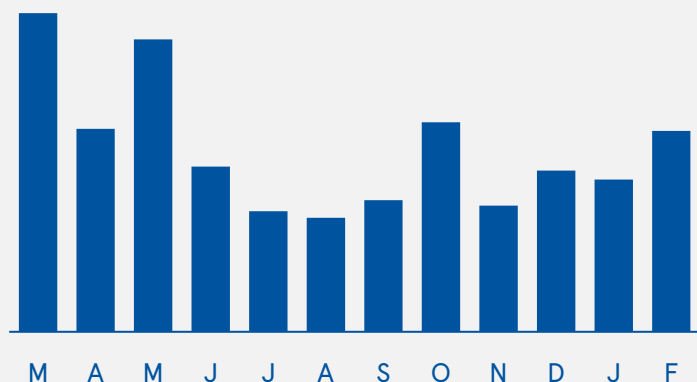
Major shifts in buying patterns, including strong online growth



ROI.

Strong sales growth

FY: +14.0%



Sales growth across all categories and formats

+15%

Food

+11%

Stores

+7%

Non Food

+61%

Online

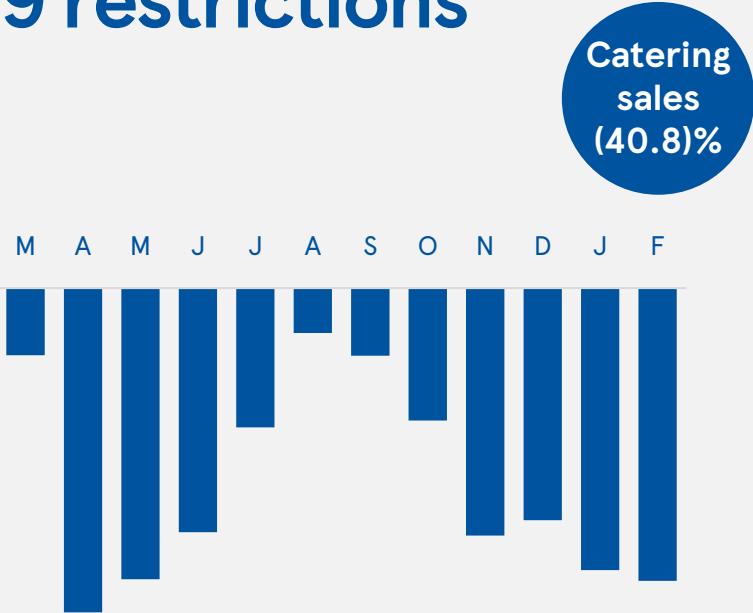
Strong customer satisfaction



Strong retail sales growth



Catering performance correlated to COVID-19 restrictions



Additional sales contribution from Best Food Logistics

£0.7bn
Sales

UK & ROI.

Repayment of £(535)m business rates relief included in operating profit before exceptional items

Operating profit growth significantly impacted by the COVID-19 pandemic:

- £(892)m direct UK COVID-19 costs
- Increased contribution from retail sales
- Decline in Booker catering sales

	FY 20/21
Operating profit¹	£1,866m
change at actual rates %	(13.5)%
change at constant rates %	(13.7)%
Margin (%)	3.5%

UK COVID-19 costs.

	1H	2H	Full Year
12 weeks pay for vulnerable colleagues incl. pregnancy	£(60)m	£(19)m	£(79)m
Colleague absence / backfill / additional colleagues	£(153)m	£(137)m	£(290)m
Front line colleague bonuses	£(78)m	£(95)m	£(173)m
Safety consumables ¹	£(35)m	£(23)m	£(58)m
Additional distribution costs	£(23)m	£(7)m	£(30)m
Property	£(57)m	£(37)m	£(94)m
Other costs	£(127)m	£(41)m	£(168)m
Total UK incremental costs	£(533)m	£(359)m	£(892)m

Central Europe.

LFL (0.4)%; Food LFL +0.3%

Changes to customer shopping behaviour different to UK & ROI:

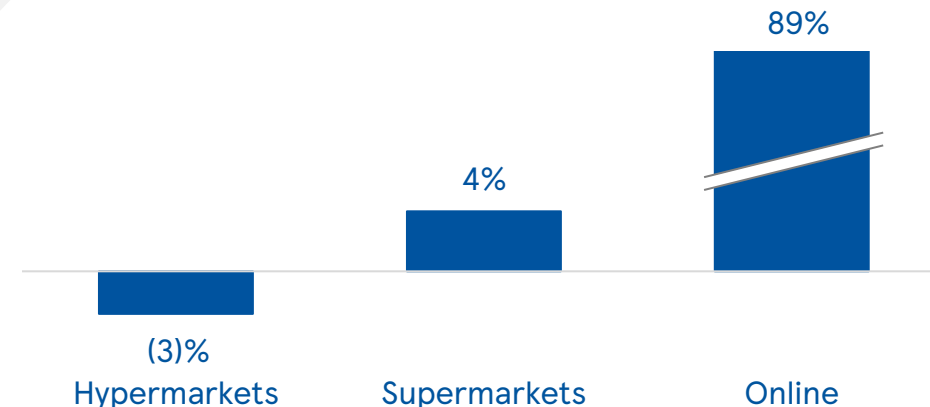
- Hypermarkets and non-food trading restrictions
- Smaller 'out of home' market

Trading regulations continue to be challenging

Profit performance held back by:

- COVID-19 costs
- Hungarian sales tax

Year-on-year sales performance¹



Operating profit²

	FY 20/21
Operating profit	£124m
change at actual rates %	(29.5)%
change at constant rates %	(29.0)%
Margin (%)	3.1%

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 £(175)m due to material impact from COVID-19:

- Increase in provision for potential bad debts
- Reduction in income across activities

Goodwill impairment charge of £(295)m driven mainly by increased discount rate

Strong balance sheet

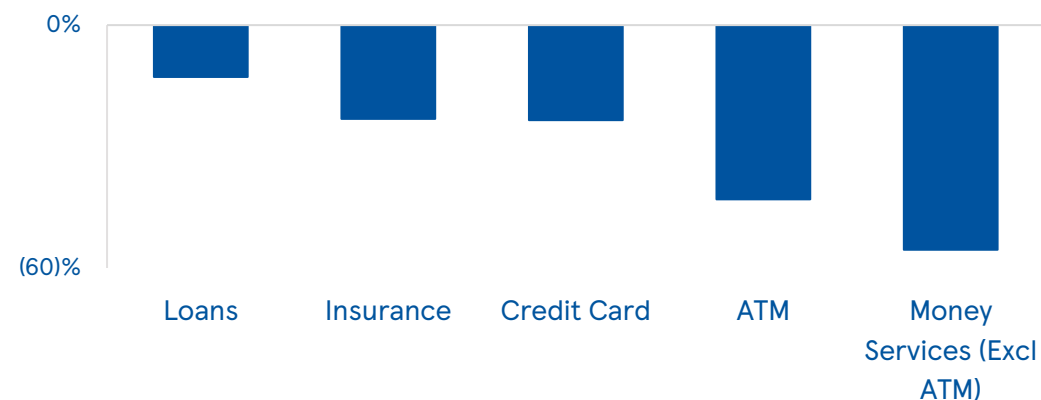
- Total capital ratio of 28.2%, up 5.1% pts

Anticipated return to profitability in 2021/22

Macro-economic assumptions¹

	April 2020	Now
Unemployment peak ²	6.2%	8.0%
GDP ³	(12.0)%	(8.0)%

FY income performance year-on-year %



1. Macro-economic forecasts are sourced from Experian.

2. In April 2020 an unemployment peak rate of 6.2% was forecast to occur in Q4-2020. The latest forecast is a peak rate of 8.0% to occur in Q3-2021.

3. In April 2020 GDP was forecast to decline in fiscal year 2020 by 12%. The actual GDP decline in 2020 was 8%.



Asia.

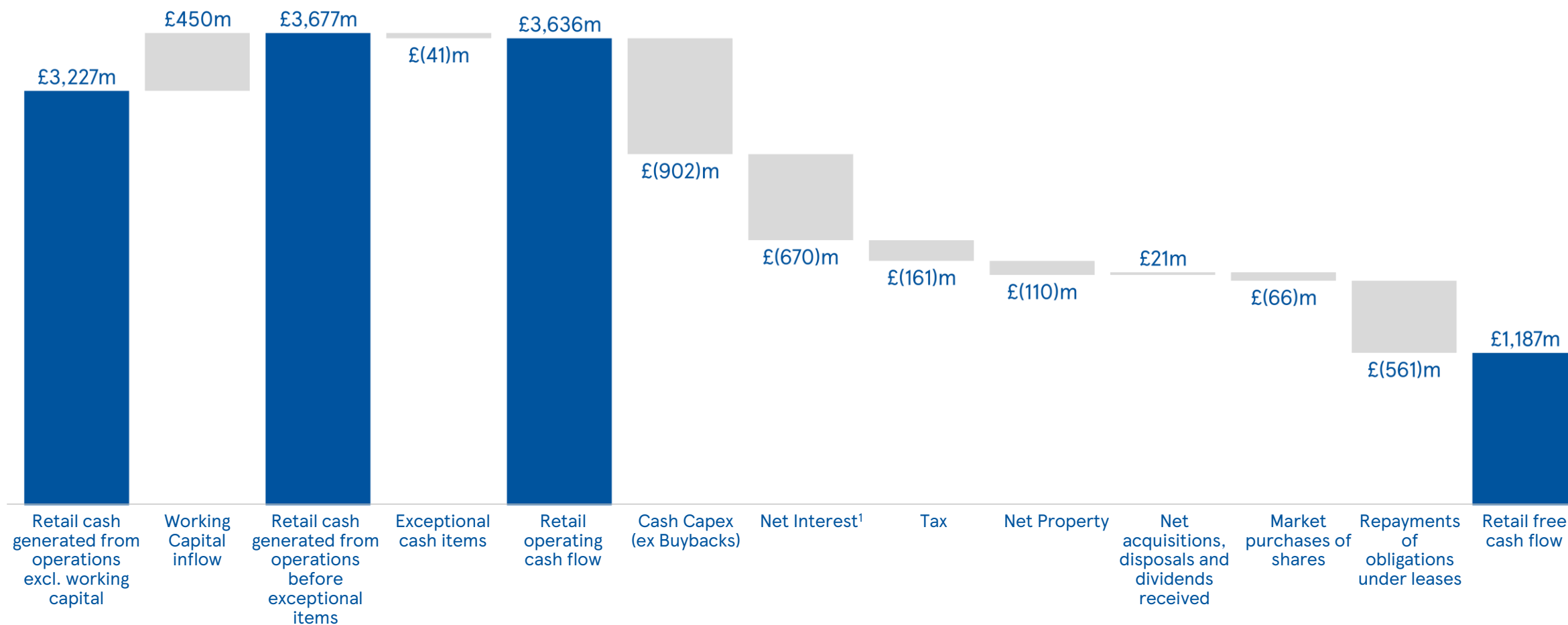
£8.2bn sale completed in December 2020

£5.0bn returned to shareholders in February

£2.5bn payment to pension scheme, freeing up c.£260m future annual cashflows

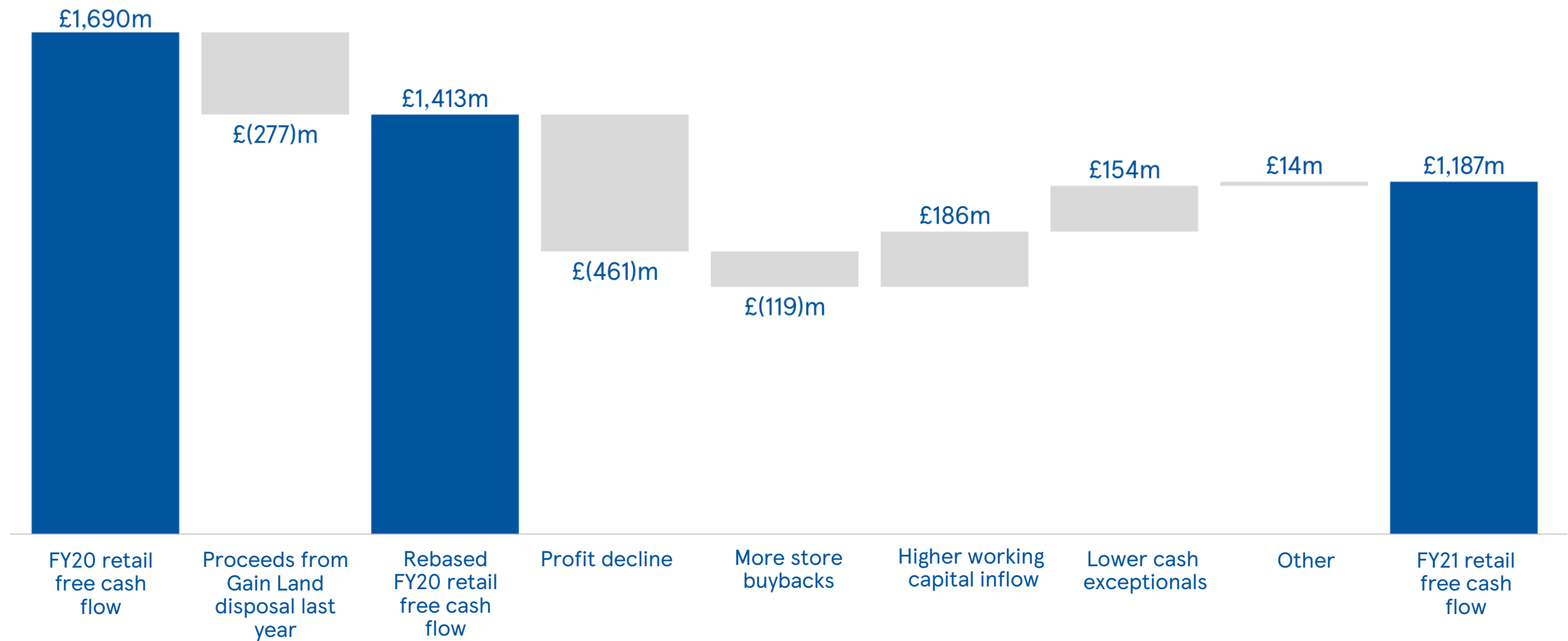
Value created through efforts of 50,000 colleagues over two decades

Sources and uses of cash.



1. Net interest paid of £(670)m includes £(444)m of interest related to finance lease obligations.

Retail free cash flow year-on-year.



Total indebtedness.

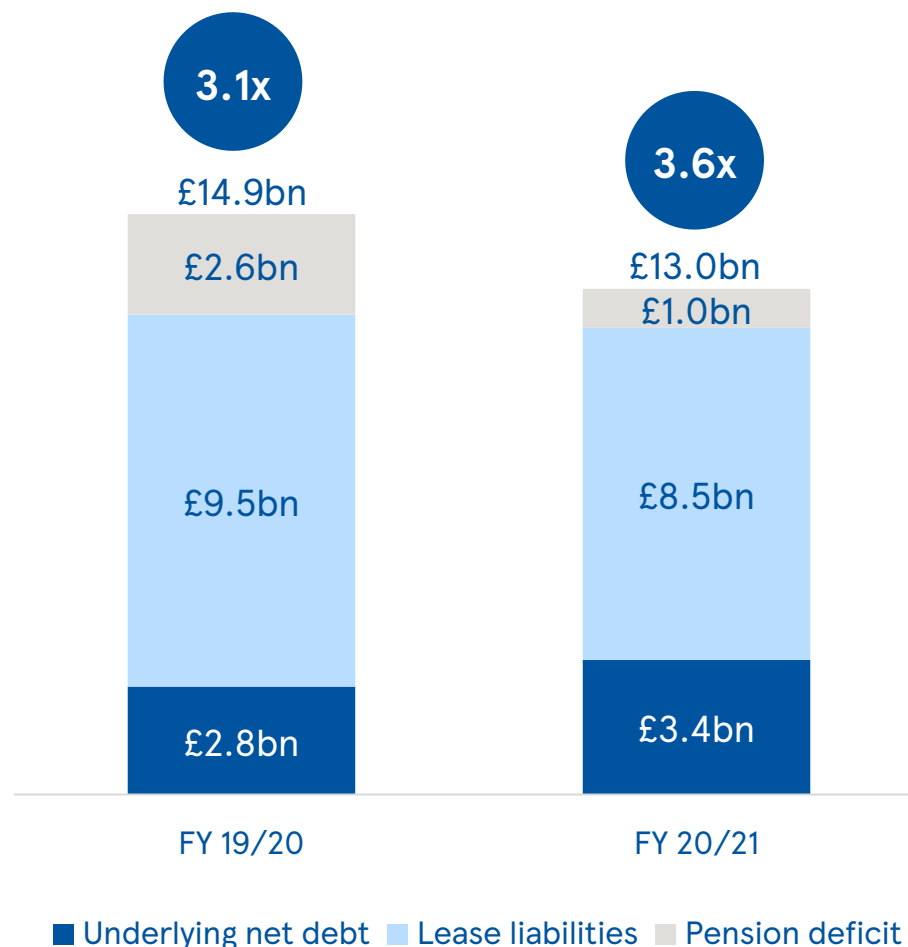
Total indebtedness £13.0bn, down £1.9bn

- Driven by £2.5bn one-off pension contribution

Total indebtedness ratio 3.6x from 3.1x last year due to:

- COVID-19 impact on retail EBITDA
- Increase in underlying IAS19 pension deficit, no cash impact

Remain committed to maintaining a strong balance sheet



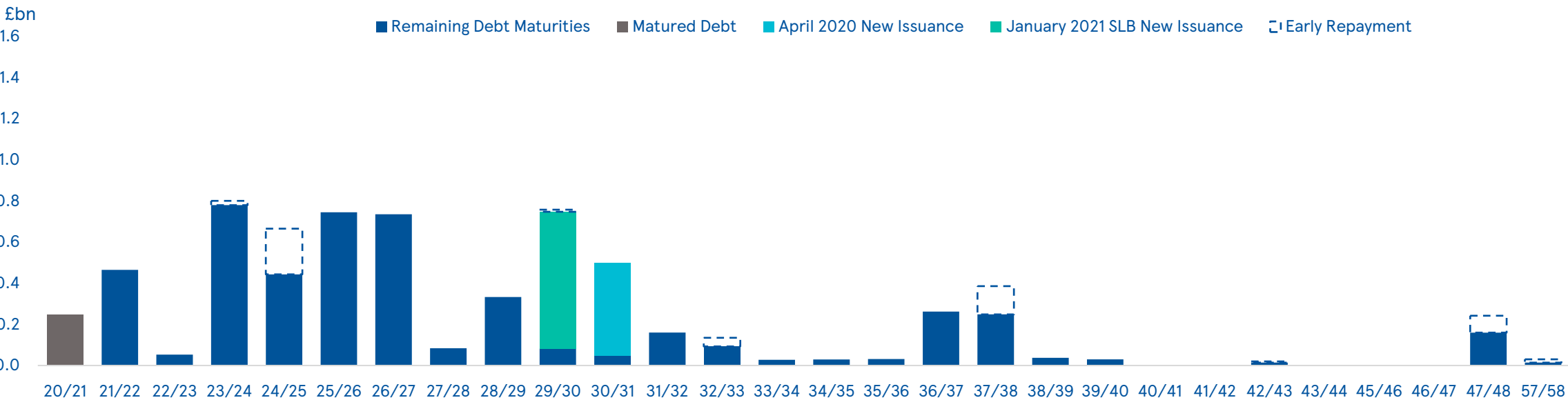
1. Total indebtedness post-IFRS 16 comprises net debt (inc. lease liabilities) plus the IAS 19 deficit in the pension schemes (net of tax) for both continuing and discontinuing operations.
2. FY21 total indebtedness includes £141m relating to Poland; £7m underlying net debt and £134m lease liabilities.
3. Underlying net debt increase is driven by acquisition of The Tesco Property (No.2) Limited Partnership.

Liquidity and debt profile.

Actions taken in the year:

- New issuance of GBP 450m 10-year Bond (2.750%) & EUR 750m 8.5 year Sustainability Linked Bond (0.375%)
- Early repayment of £0.5bn of outstanding debt through tender offers
- Committed facilities refinanced at £2.5bn for three years including a sustainability link

Significant cash liquidity of £2.1bn¹



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

Integrating sustainability.

Sustainability-linked committed facility

Interest linked to:

- 1 Carbon emissions
- 2 Renewable energy
- 3 Food waste

Sustainability-linked bond

First for a retailer

€750m

Coupon of 0.375%

8.5 year maturity

Enhanced TCFD

Embedded in strategic business decision making

New quantitative assessment

Expanded reporting



Summary.

Well positioned to build on momentum

Expect strong recovery in profit and free cash flow in 2021/22

- Retail operating profit estimated to be similar to 2019/20
 - Tesco Bank return to operating profit
-

Significant economic and consumer uncertainties remain

We are a highly cash generative business

Remain committed to a strong balance sheet

Imran Nawaz to start on 1 May 2021

My perspective.

Ken Murphy

The first six months.

Joined a great business

A team of everyday heroes

Focused on doing the right thing for customers

2020/21 – a truly remarkable year

The first six months.

Joined a great business

A team of everyday heroes

Focused on doing the right thing for customers

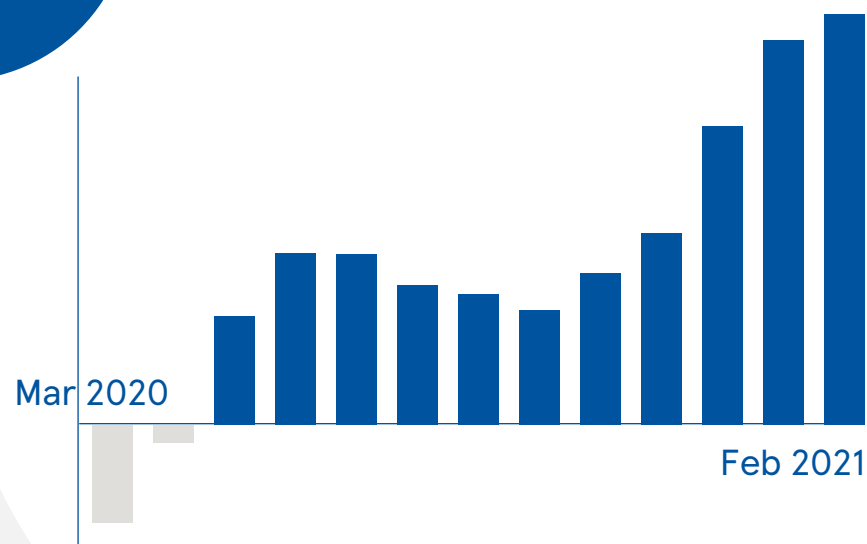
2020/21 – a truly remarkable year



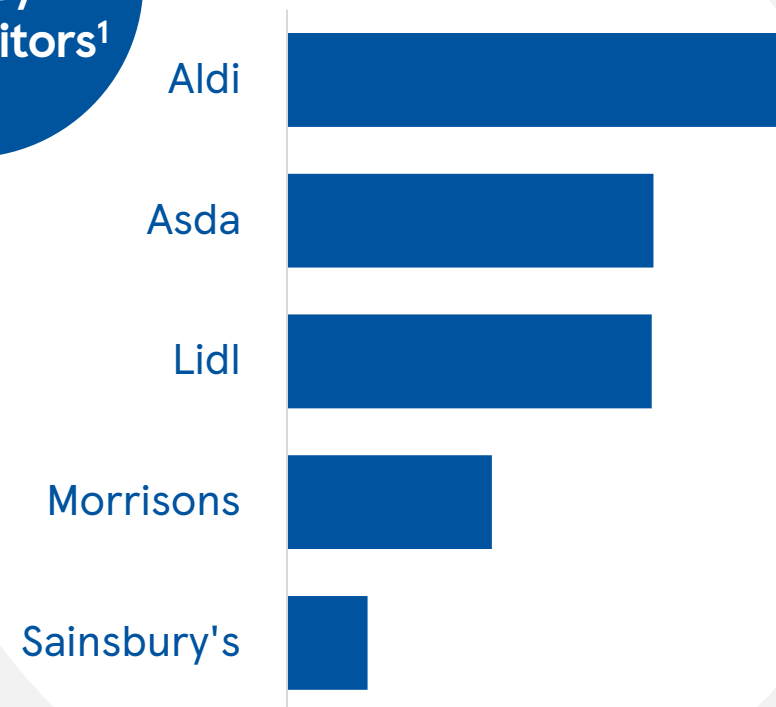
Gained share
Strengthened brand
Improved customer satisfaction
Improved value perception
Doubled the size of online business

Market outperformance.

Switching gains¹



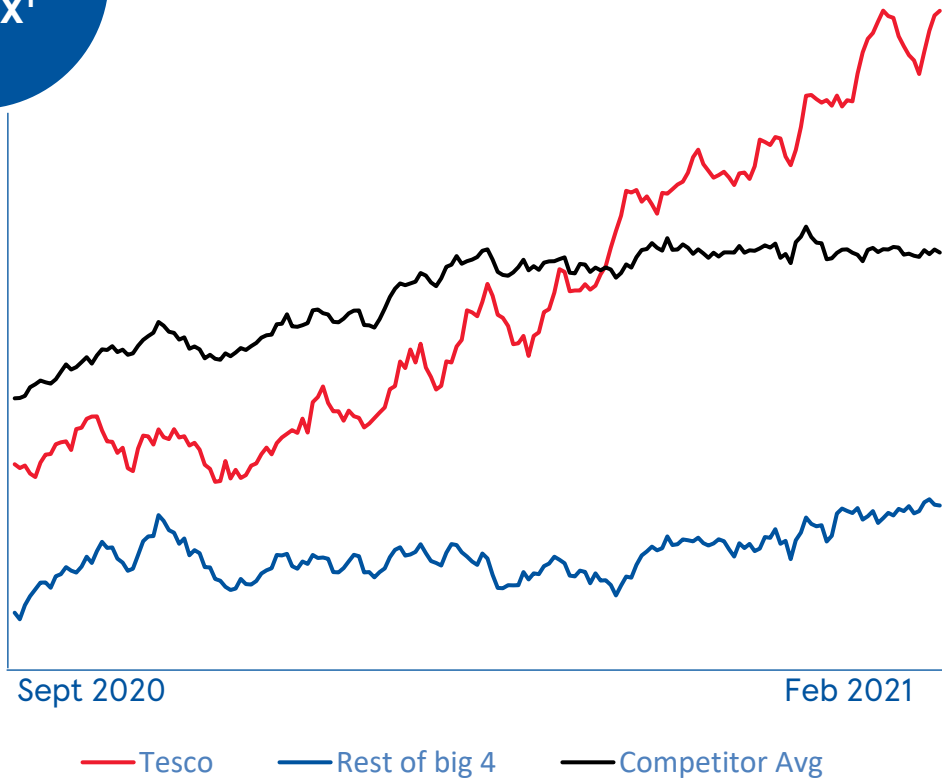
Gaining from all key competitors¹



1. Source: Kantar. Net switching gains from competitors refers to 12 w/e data to 21 February 2021.

Brand.

Brand index¹



Brand health²

(vs. last year)

	Tesco	vs Competitors
Index	+404 bps	+211 bps
Impression	+376 bps	+173 bps
Quality	+374 bps	+182 bps
Value	+484 bps	+347 bps
Reputation	+360 bps	+166 bps
Satisfaction	+497 bps	+235 bps
Recommend	+333 bps	+162 bps

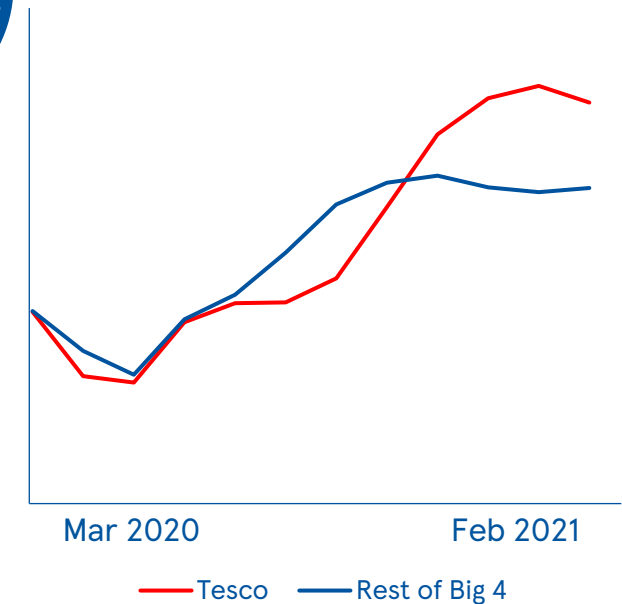
1. YouGov Brand Index to 28 February 2021, 12 week roll. 'Rest of big 4' consists of JS, Morrisons and Asda, 'Competitor average' consists of rest of Big 4, Aldi, Lidl, Waitrose, M&S and Co-op.
2. YouGov index measures, to 28 February 2021, 12 week roll, year-on-year bps improvement. 'vs competitors' shows difference between Tesco year-on-year growth compared to the average year-on-year growth of competitors. Competitors consist of rest of the Big 4, Aldi, Lidl, Waitrose, M&S and Co-op.

Customer satisfaction.

Customer shopping metrics¹

Easy Shopping Trip	Total Business	YoY
Ease of shop	86.5%	+4.1%
Clean and tidy	87.9%	+4.5%
Get what I want	82.8%	+2.0%
Prices are good	73.9%	+4.8%
I don't queue	82.1%	+5.8%
Colleagues are helpful	84.7%	+3.3%

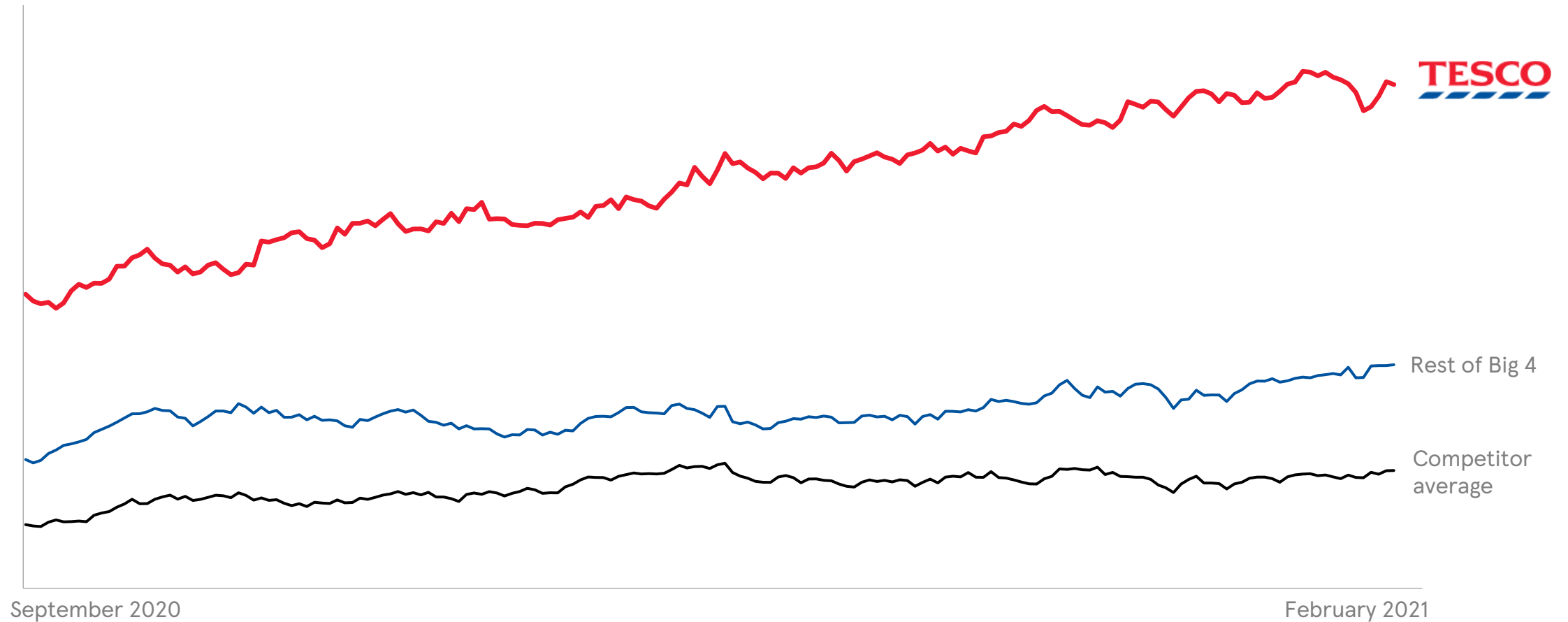
Customer Recommend²



1. UK Multichannel Tracker. Total Business %s represent 3 period rolled data to P12 2021.

2. UK Multichannel Tracker. 3 period rolled data. 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?"

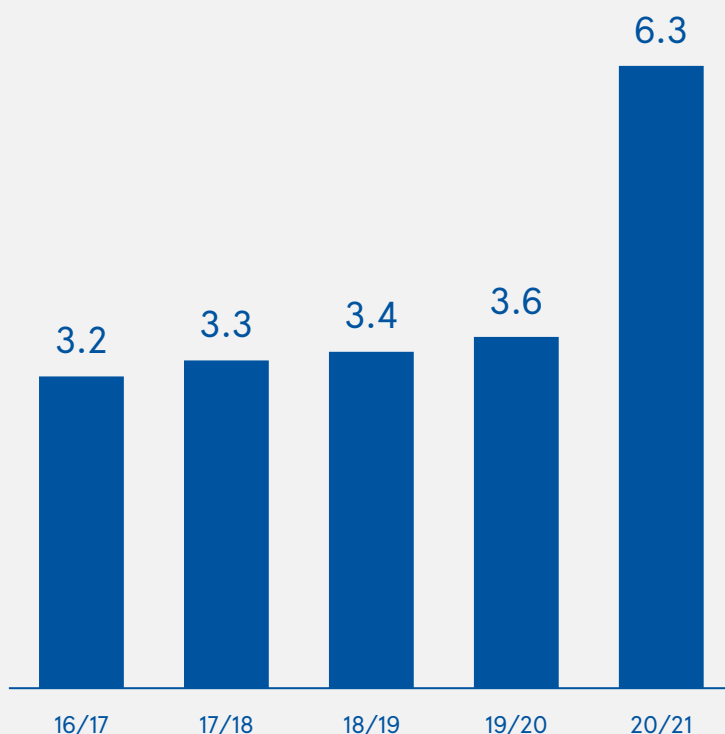
Value perception.



Note: YouGov Value perception to 28 February 2021, 12 week roll. 'Rest of Big 4' consists of JS, Morrisons and Asda, 'Competitor average' consists of rest of Big 4, Aldi, Lidl, Waitrose, M&S and Co-op.

Online growth.

Sales up 77%



Significant increase in scale

£6.3bn

Total online sales¹

+£2.8bn

Online sales YoY

Largest quantum growth²



1. Online sales shown inc. VAT.

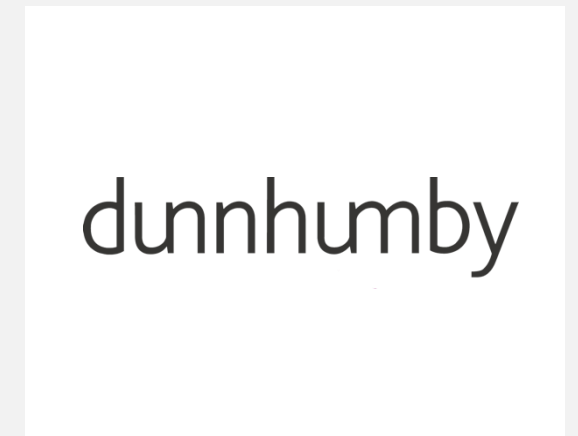
2. Source: Kantar - share of market growth for 12 weeks ending 21 Feb 2021.

My guiding principles.

- | | | |
|---|--------------------------------------|---|
| 1 | Customer satisfaction | Always first and foremost |
| 2 | Market share | Competitiveness is key; challenger brand mentality
Long-term profit growth through sales, not just costs |
| 3 | Cost & capital discipline | Rigorous focus on returns
Overall capital spend broadly in the right place |
| 4 | Shareholder returns | Firmly committed to returning excess cash |

Sustainability: integrated throughout

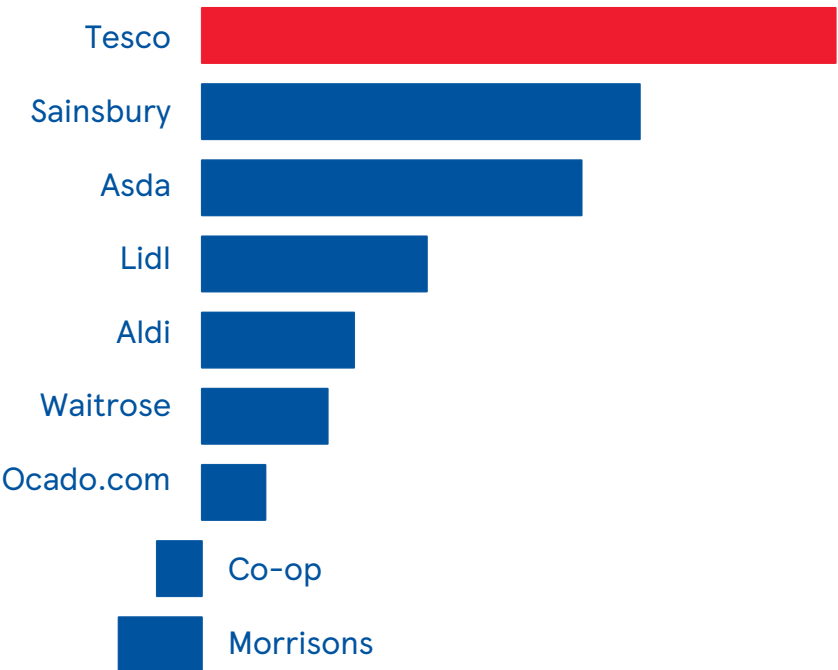
The Tesco Group.



Reiterating our commitment to value.



Prices are good¹ (YoY change)



1. UK Multichannel Tracker. 3 period rolled data to P12 2021. YoY change in percentage of customers rating the prices of the products they bought as either 'Good' or 'Very good' (excluding any special offers).

Reiterating our commitment to value.

Fewer promotions

36% → 21%

Held prices low¹



Simpler ranges²

29 sub-categories reviewed so far

639 of 3,451 SKUs removed

+32% space for Aldi price match products

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.

2. Range reduction within a typical Extra store.

Clubcard Prices – rewarding loyalty.



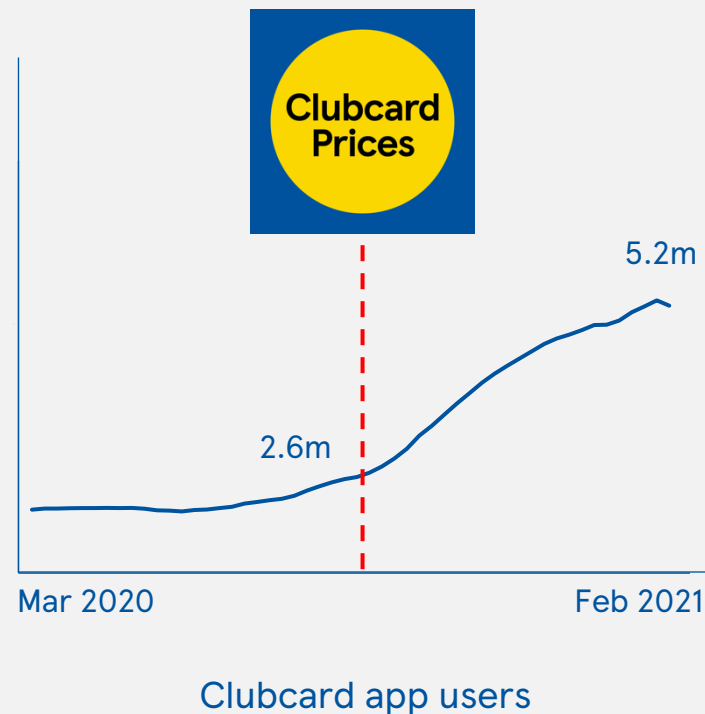
Clubcard Prices – building a digital platform.

Increased Clubcard penetration¹

67% → 79%



Digital migration

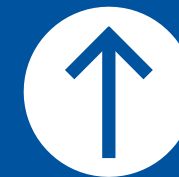


Improved Clubcard perception²



12%

Personalised to me



7%

Rewards my loyalty

1. Clubcard sales penetration in large stores from September 2020 to February 2021.
2. P12 Clubcard Loyalty Sentiment Tracker.

Increasingly digitally focused.

£6.3bn profitable* online grocery sales

Unrivalled reach: >99% coverage

Flexible model: stores, C&C, CFCs, UFCs

16m weekly visits to website

20m Clubcard households = rich data & insight

5m active App users

Increased online penetration

9% → 18%

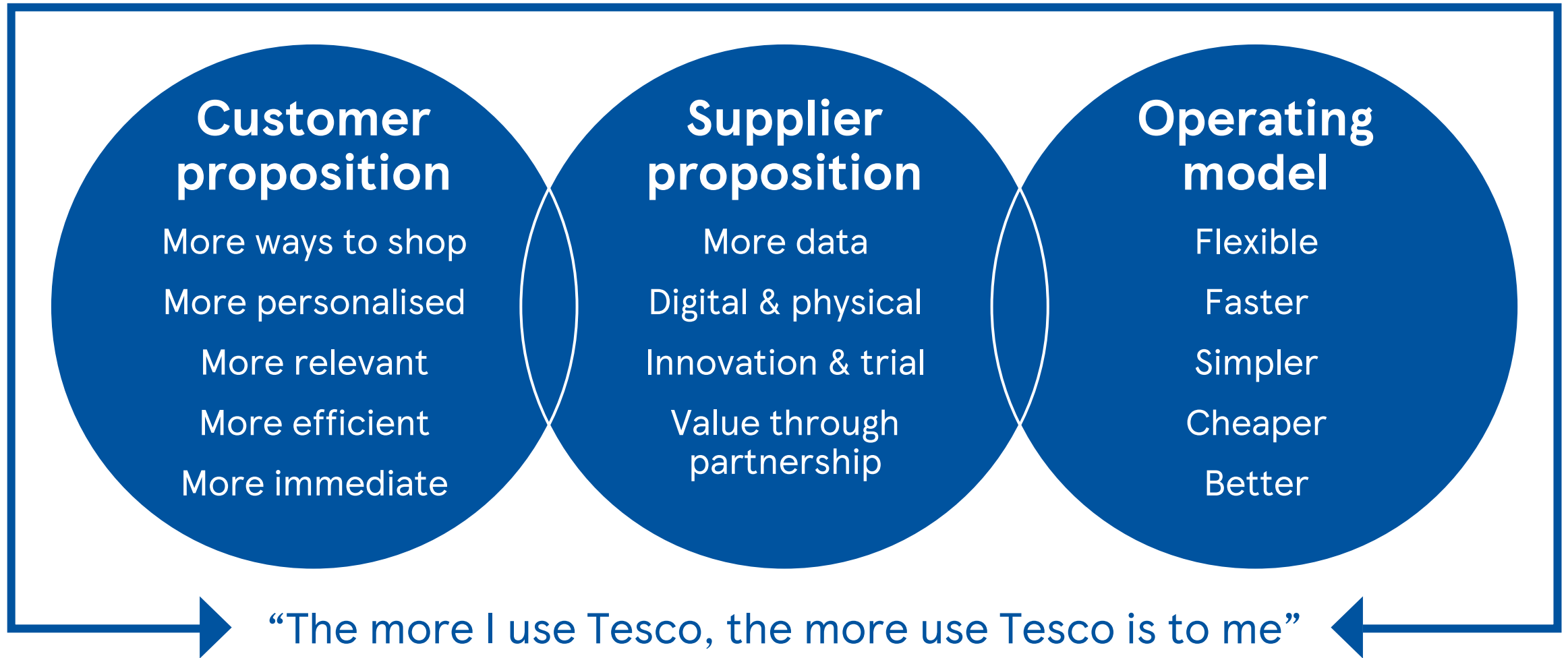
Share:
Online > Traditional

35% vs. 27%

Strongest physical network + Digital = even more convenience

* Includes full allocation of all costs.

Digital platform opportunity.



Sustainability – integral to commercial strategy.



Healthier foods

50bn calories removed since 2018

New commitment to increase sales of healthy¹ products to 65% by 2025

Working together

TESCO



Plant-based ranges

Now over 350 plant-based meat alternatives

Commitment to increase sales by 300% by 2025



WWF

Long term goal of halving environmental impact of average shopping basket

11% of the way towards target

Sustainability – Net zero.



Leading
reduction of
food waste



Packaging:
4 R's strategy



Home delivery
fleet fully
electric by 2028



Energy efficiency
– continuous
improvement

A workforce representing our community.





Summary.

Truly remarkable year – a stronger business

Outperformed market

Brand, customer satisfaction, value all improved

Focus on value, loyalty, online

Digital platform opportunity

Integrated approach to sustainability

Demonstrating our commitment to shareholders

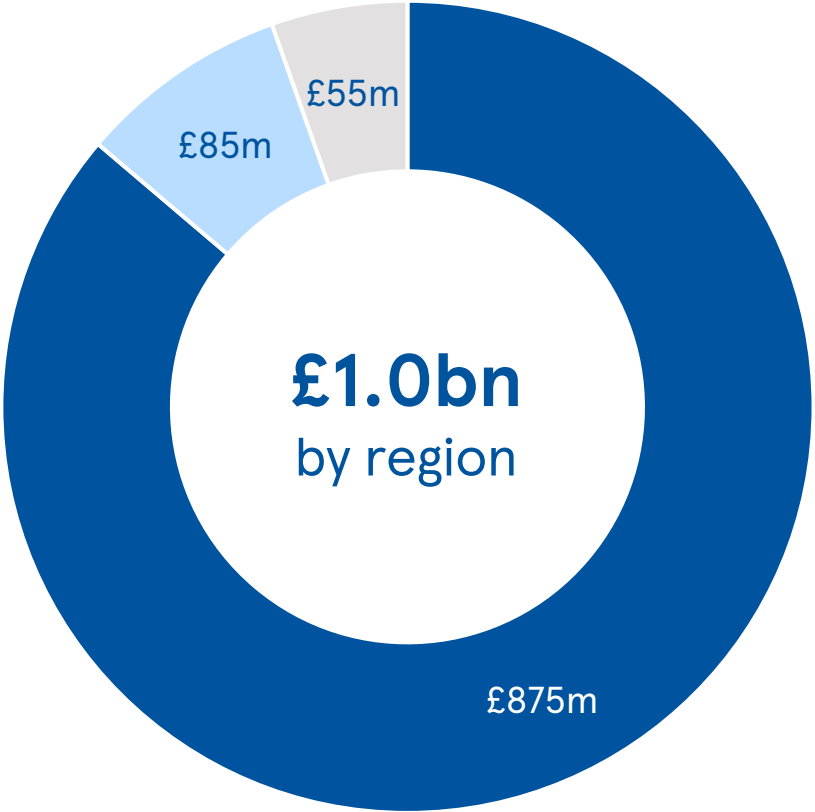
Q&A.



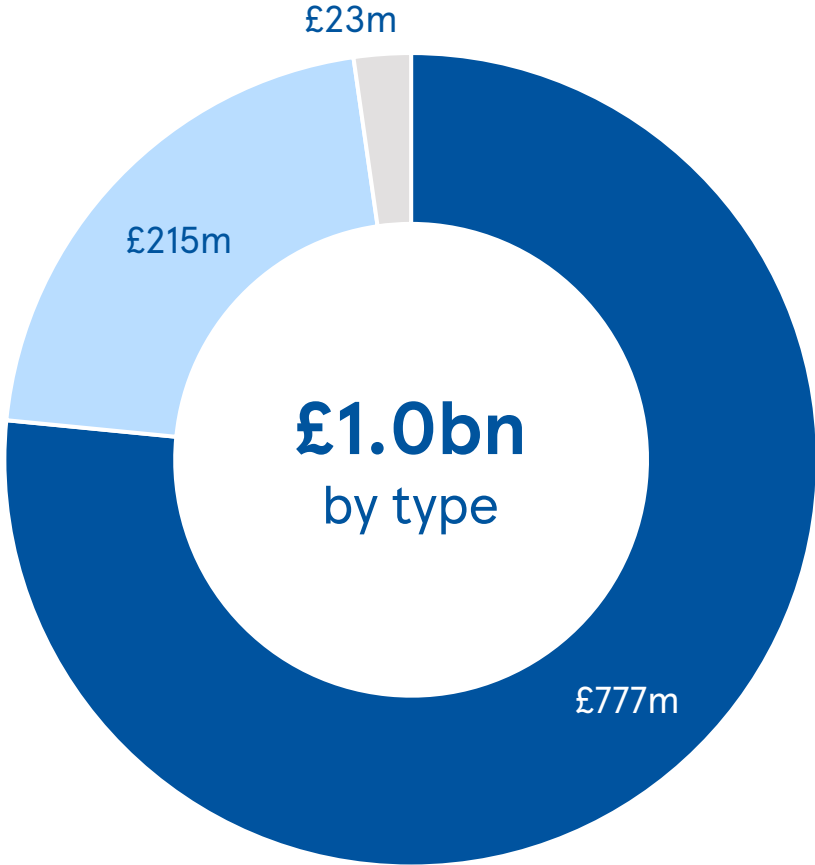
Appendix.



Capital expenditure – FY21.



■ UK & ROI ■ CE ■ Bank



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

Exceptional items – FY21.

On a continuing operations basis

	FY 20/21	FY 19/20 ¹
Impairment charge on Tesco Bank goodwill	£(295)m	-
Net impairment reversal of non-current assets	£156m	£64m
Acquisition of property joint venture	£134m	£(136)m
UK – ATM business rates	£105m	-
Litigation costs	£(93)m	-
Property transactions	£26m	£22m
Booker integration costs	£(25)m	£(23)m
GMP Equalisation	£(7)m	-
Employee share scheme	£(4)m	-
Net restructuring and redundancy costs	-	£(64)m
Closure of Tesco Bank current accounts to new customers	-	£(56)m
Impairment of investment in India joint venture	-	£(47)m
Provision for customer redress	-	£(45)m
Disposal of Gain Land associate	-	£37m
Tesco Bank mortgage book disposal	-	£(5)m
Total exceptional items in statutory operating profit	£(3)m	£(253)m

1. 19/20 is presented on a 52 week basis

Disclaimer.

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.