Tesco Interim Results 2022/23.

Ken Murphy, Chief Executive Officer
Imran Nawaz, Chief Financial Officer

5 October 2022

Agenda.

01. Introduction

02. Half year results

03. Strategic priorities

04. Q&A

Six months of progress.

Supporting customers with a relentless focus on value

Leading combination of Aldi Price Match, Low Everyday Prices & Clubcard Prices

Most competitive price index vs limited-range discounters to date

Brand NPS now ranked No.1 of full-line grocers

Focus on quality, with perception up +208bps YoY

Rewarding loyalty through Clubcard

Over 20 million households now actively using Clubcard (up 3.3 million YoY)

Clubcard penetration increased in UK, ROI & all three Central European markets

Clubcard satisfaction up +505bps

Extended in-app personalised rewards to over two million customers

Creating value for all stakeholders

Announced biggest single year investment in colleague pay in a decade at start of H1

Further increase for UK store colleagues announced today – to £10.30/hr

Daily donations to support unprecedented foodbank demand – over 20m meals in H1

Returned £450m to shareholders via ongoing buyback; £750m since Oct 2021

TESCO

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1. Full-line grocers refers to Tesco, Sainsbury's, Asda & Morrisons; Limited-range discounters refers to Aldi & Lidl.

A challenging backdrop.

Customers under pressure

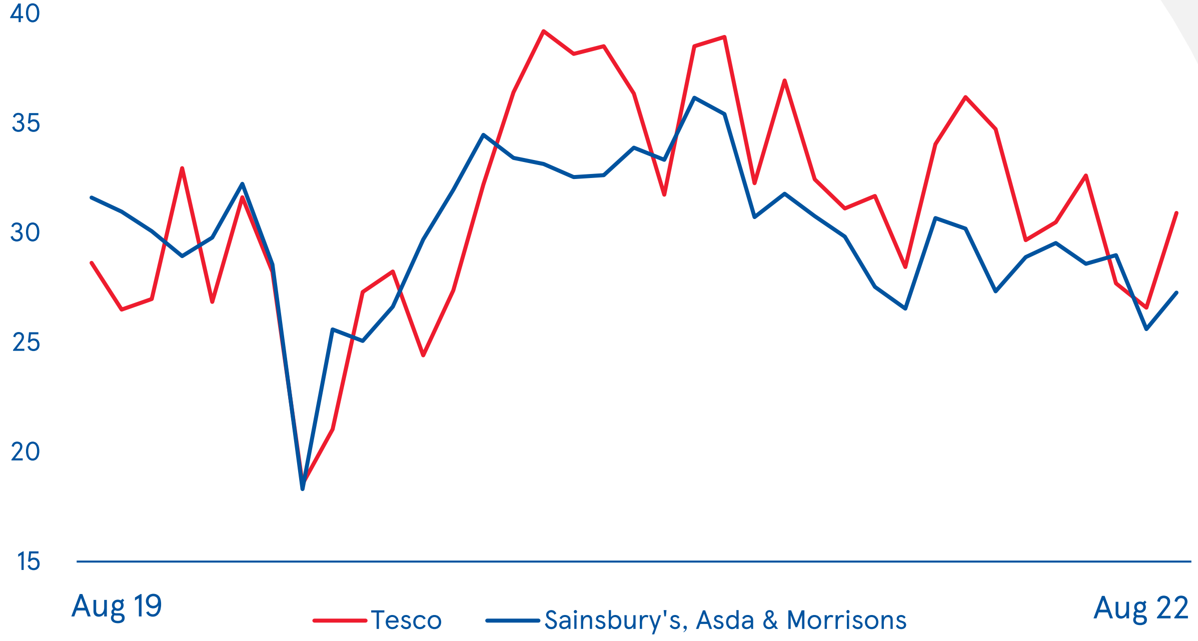
Changing shopping behaviours

Inflationary environment

Customer satisfaction.

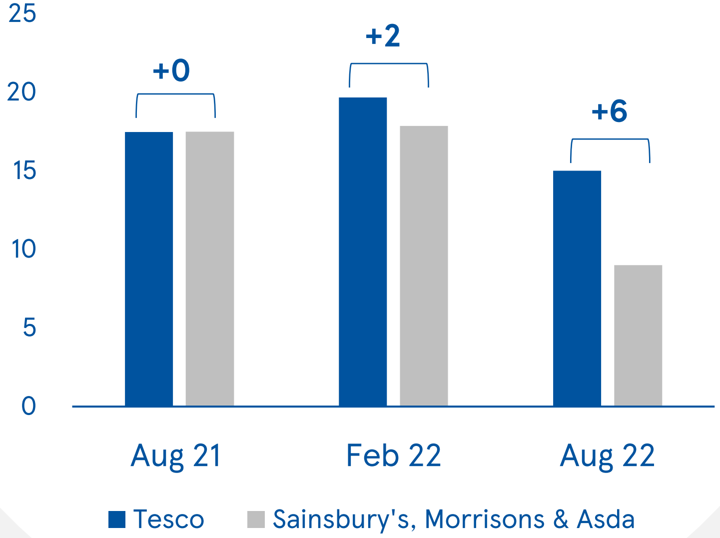
Customer Recommend[1]

Continued strength



Brand NPS[2]

Widening our relative outperformance



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1. UK Multichannel Tracker. 3 period rolling 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?"
2. BASIS Global Brand Tracker. 3 period rolling data. Chart responses to the question: "How likely is it that you would recommend the following company to a friend or colleague?"

UK market share.

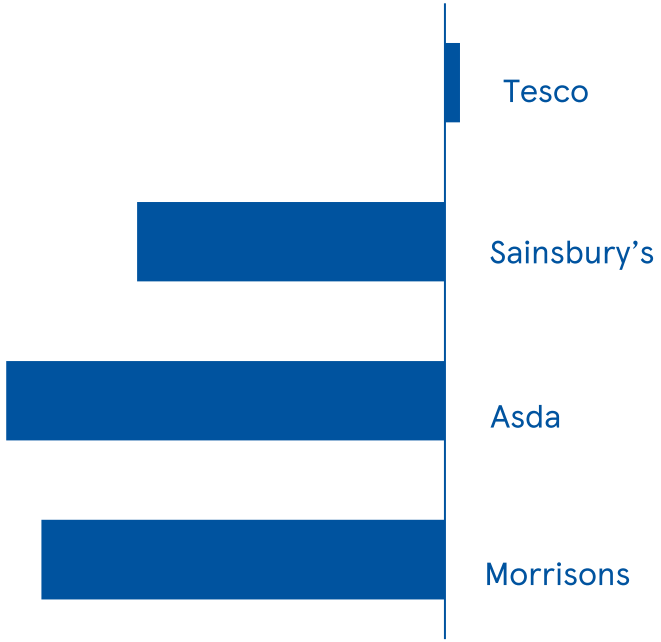
Market share[1]

Market share change last three years

	Market share	bps change		
		1 YoY	2 YoY	3 YoY
Tesco	26.87%	(49)	+11	+3
Sainsbury's	14.65%	(33)	(27)	(65)
Asda	14.15%	(21)	(32)	(93)
Morrisons	9.08%	(75)	(105)	(86)

3-year market share[1]

Tesco, only full-line grocer to gain share vs 2019



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[1] Tesco share of Total Grocers Till Roll sales on a 12 week rolling basis to 4 September 2022 vs 5 September 2021, 6 September 2020 and 8 September 2019.

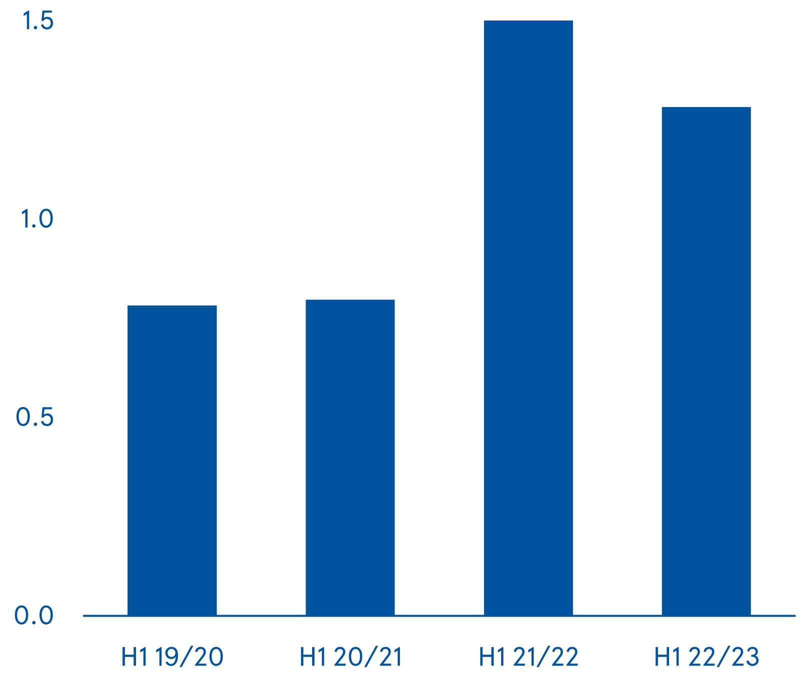
Strong cash generation.

£1.3bn retail free cash flow in H1

Interim dividend 3.85p, in line with policy

£750m capital returned to date, including £450m since April 2022

H1 Retail free cash flow (£bn)

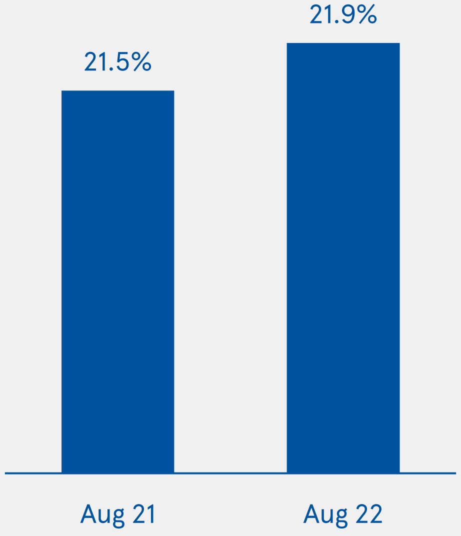


Progress across the Group.

Booker

Opened 69 Click & Collect sites; expanded 'Food Clubs' to 43,439 members

ROI



Resilient performance with market share +43bps[1]

Central Europe

Launched Low Price Guarantee & extended Clubcard Prices with Clubcard penetration now at 73%[2]

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[1] Kantar market share data on a 12 week rolling basis to 4 September 2022 vs 5 September 2021.

[2] Clubcard sales penetration across all formats in all three markets for August 2022.

Unwavering support for customers.

Leveraging our scale and capability across every part of the Group

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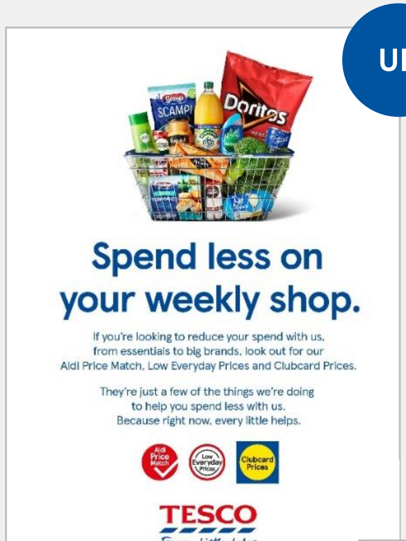
Helping customers spend less across even more of their household expenses

UK



Spend less on your weekly shop.

If you're looking to reduce your spend with us, from essentials to big brands, look out for our Aldi Price Match, Low Everyday Prices and Clubcard Prices.

They're just a few of the things we're doing to help you spend less with us. Because right now, every little helps.

ROI

We want you to spend less with us.

We know it's tough right now. So we want to show all the ways we can help you spend less and use a Clubcard to get more for your money. From your food to fuel, to your phone and energy.

Because right now, every little helps.

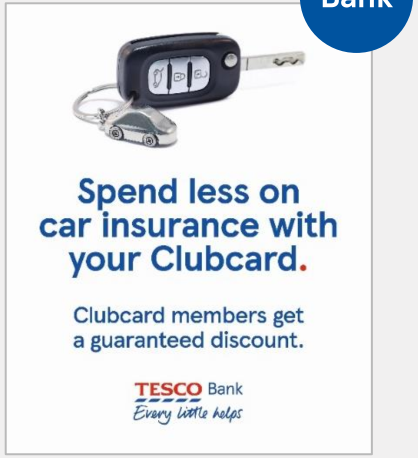
Mobile

Spend less with us.

Earn Clubcard points on every mobile bill.

This is Supermarket Mobile

Bank



Spend less on car insurance with your Clubcard.

Clubcard members get a guaranteed discount.

CE

Záleží nám na tom, abyste platili méně.

Ušetřete na základních potravinách i vašich oblíbených značkách. Hledejte produkty označené Nízké ceny zaručeny a Clubcard cena.

UK

Helping you spend less with your Tesco Clubcard or App.

Download the Tesco Grocery and Clubcard app today.

CE

TESCO

Half year results.

Imran Nawaz

Group performance.

Sales[1]

+3.5%

Like-for-like +3.2%

Group profit[2]

£1,315m

(9.8)% vs. last year

Retail free cash flow

£1,283m

£(0.3)bn vs. last year

Net debt

down £0.5bn

EPS

10.67p

(4.9)% vs. last year

Dividend

3.85p

+20.3% vs. last year

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1. Sales exclude VAT and fuel. Sales change shown at constant rates.
2. Operating profit before adjusting items. Change shown at constant rates.

Segmental performance.

	Sales[1]	Change at constant rates	LFL	Adjusted operating profit[2]	Change at constant rates	Margin
UK & ROI	£25,630m	2.6%	2.7%	£1,169m	(11.5)%	3.9%
Central Europe	£2,008m	9.5%	10.4%	£79m	19.1%	3.7%
Total Retail	**£27,638m**	**3.1%**	**3.2%**	**£1,248m**	**(10.0)%**	**3.9%**
Bank	£540m	24.6%	n/a	£67m	(6.9)%	12.4%
Group	**£28,178m**	**3.5%**	**3.2%**	**£1,315m**	**(9.8)%**	**4.1%**

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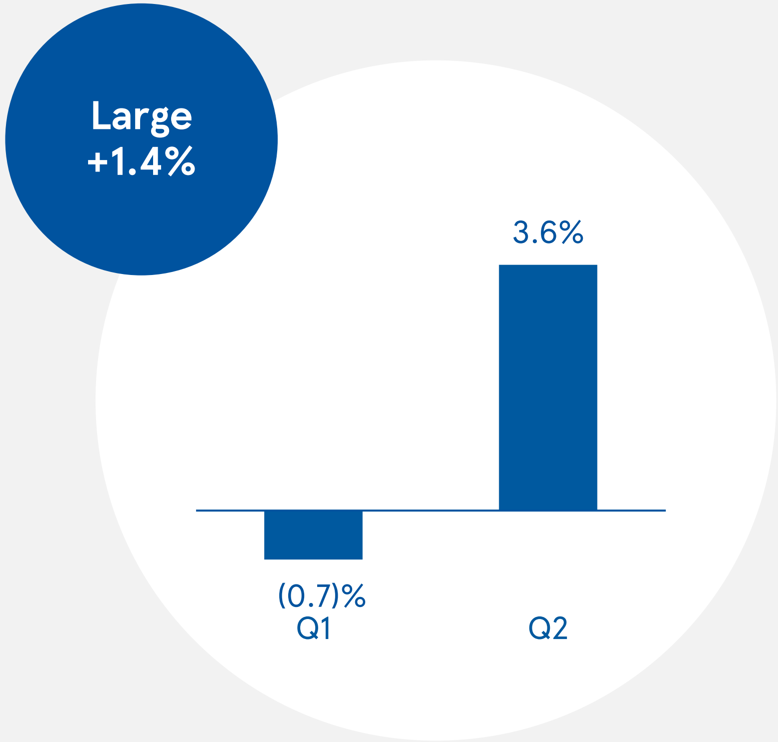
1. Sales exclude VAT and fuel. Sales change shown at constant rates.
2. Operating profit before adjusting items.

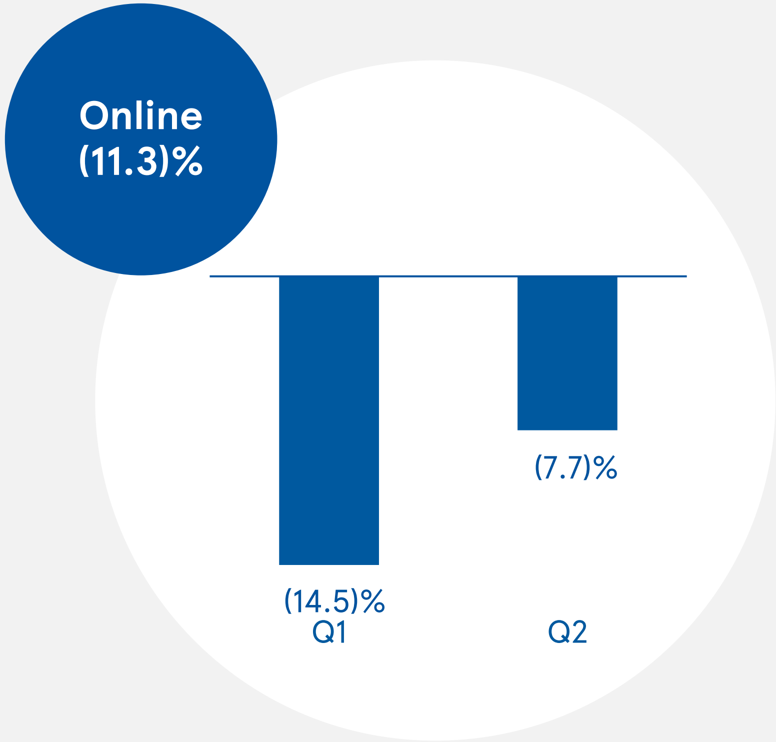
UK sales.

Like-for-like by channel

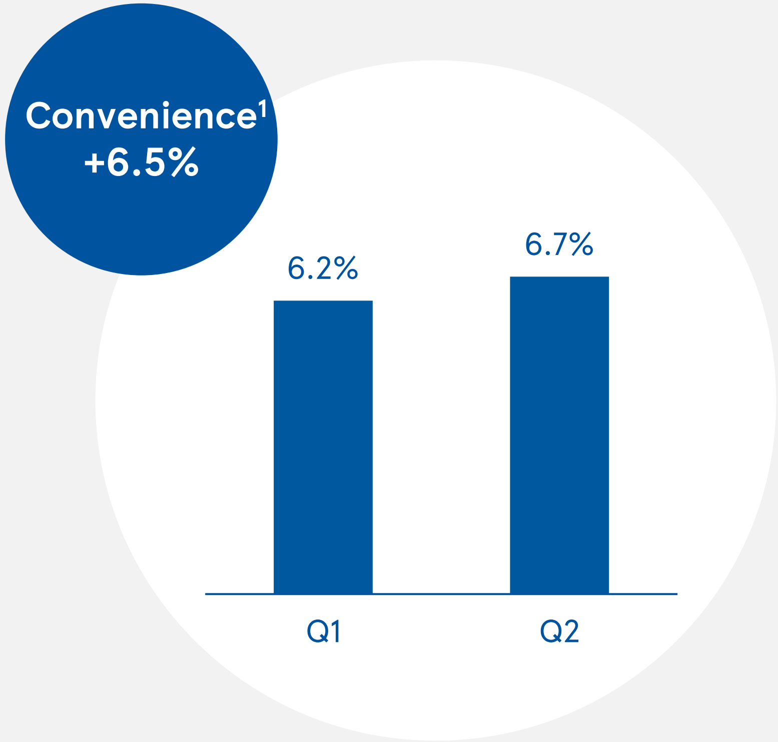
	Q1	Q2	H1
UK LFL	(1.5)%	+2.8%	**+0.7%**



Q1 reflects annualisation of COVID-19 benefit



Seeing some normalisation as customers switch back to stores



Strong footfall recovery in city and town centre stores

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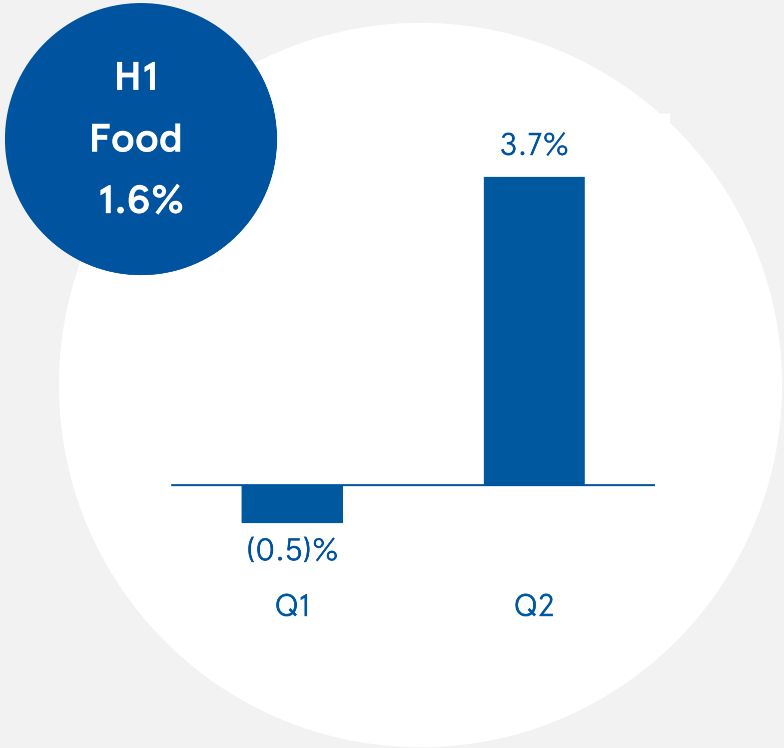
1. Convenience includes One stop.

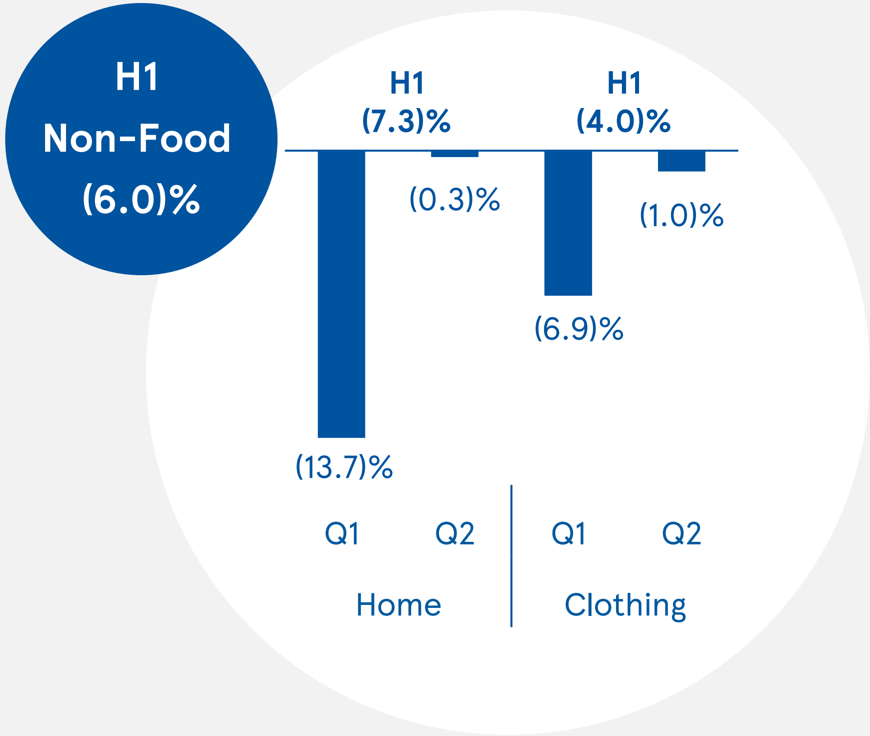
UK sales.

Like-for-like by category

	Q1	Q2	H1
UK LFL	(1.5)%	+2.8%	**+0.7%**



Q1 reflects annualisation of higher in-home consumption



Trading over significant recovery in Q1 last year

ROI.

Trading over highest level of COVID-19 restrictions in Q1 last year

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Further expansion of Online – now represents 9% of sales

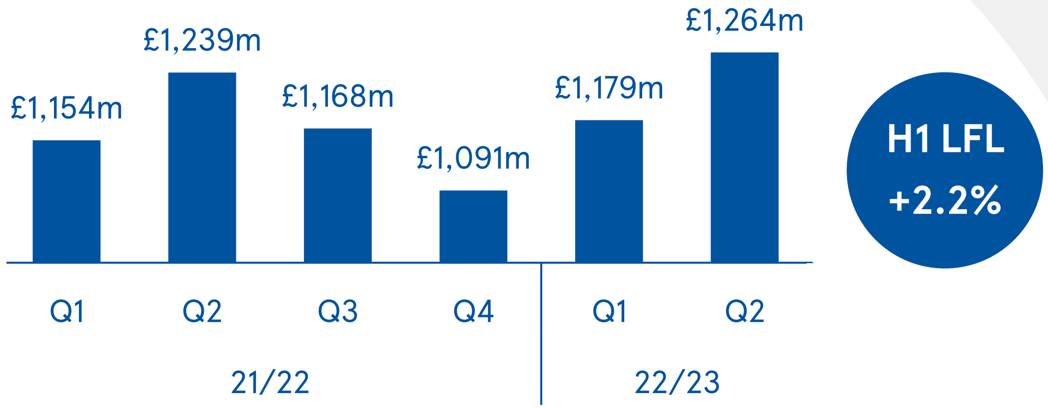
Completed Joyce's Supermarkets acquisition in June

		LFL
	Total	**(0.1)%**
Channel	Large	(1.7)%
	Convenience	6.4%
	Online	5.9%
Category	Food	(0.7)%
	GM	(2.8)%
	Clothing	23.0%

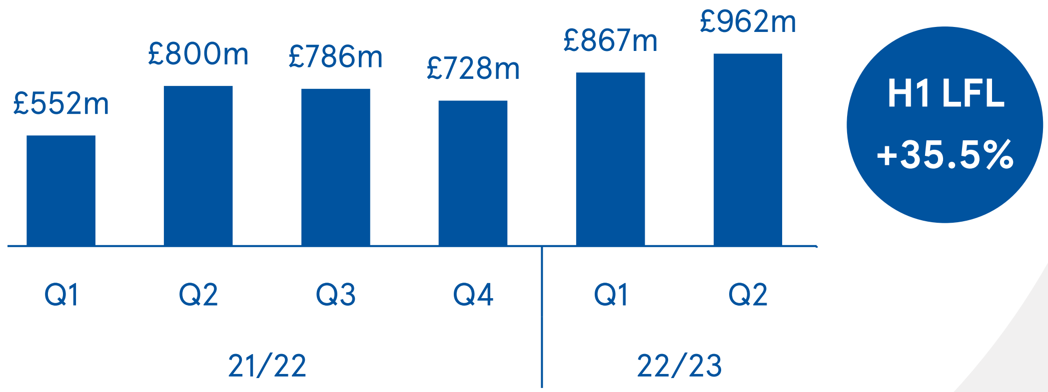
Booker.

	Sales	LFL
Total	**£4,399m[1]**	**13.9%**
Retail	£2,442m	2.2%
Catering	£1,830m	35.5%
Booker Catering	£1,090m	36.1%
Best Food Logistics	£740m	34.6%

Retail Sales



Catering Sales



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[1] Including small business £127m.

Central Europe.

Significantly inflationary environment due to macroeconomic factors

Volumes resilient, market share up +16bps[1] YoY driven by switching gains

Clubcard Prices and Low Price Guarantee rolled-out across all countries

		LFL
	Total	**10.4%**
Channel	Large	10.6%
	Convenience	12.6%
	Online	(11.0)%
Category	Food	12.0%
	GM	4.6%
	Clothing	(4.9)%

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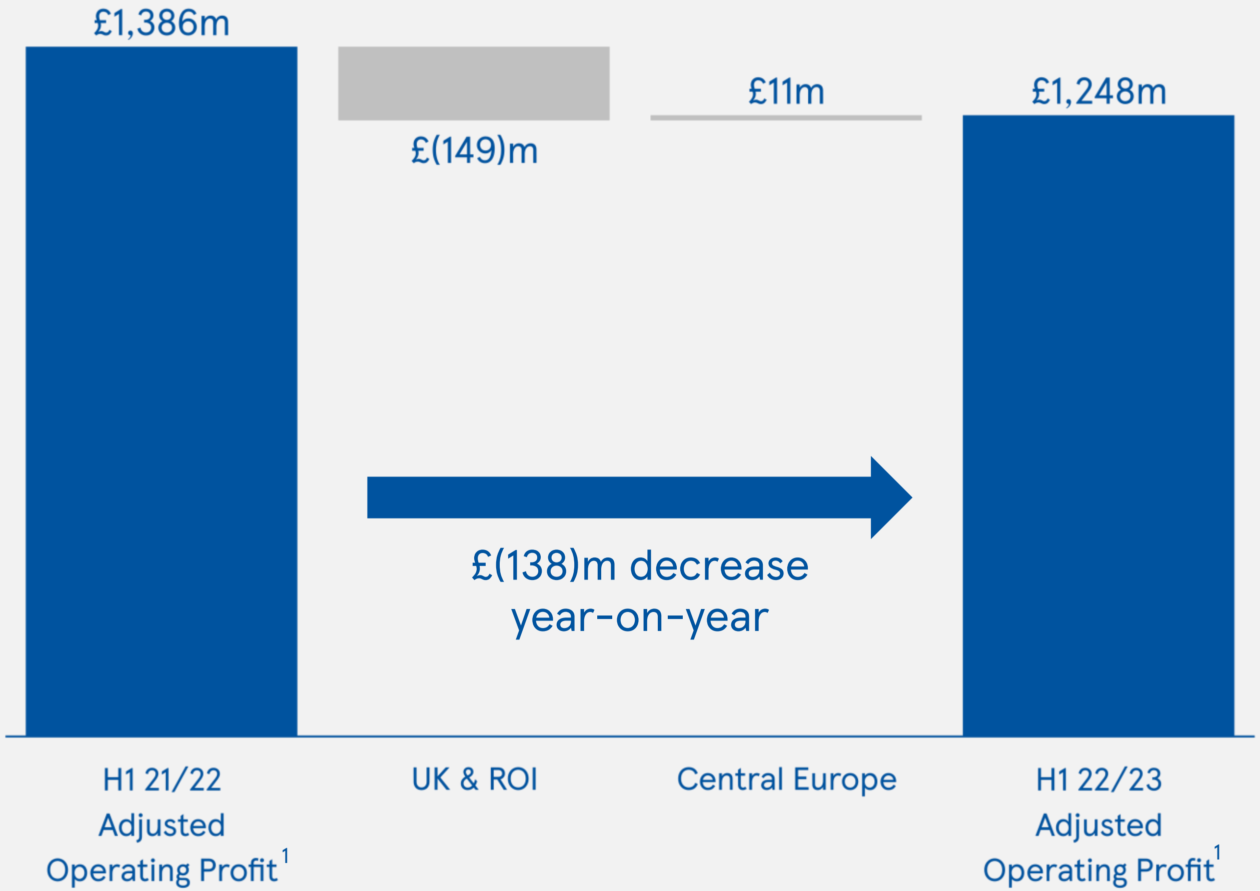
1. GFK Household Food panel data for the YoY growth of the 22 week period between March and July 2022.

Retail operating profit.



	UK & ROI	CE	Retail
Adjusted operating profit[1]	£1,169m	£79m	**£1,248m**
Year-on-year	£(149)m	£11m	**£(138)m**
Change %[2]	(11.5)%	19.1%	**(10.0)%**
Margin (%)	3.9%	3.7%	**3.9%**

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1. Operating profit before adjusting items.
2. Percentage change shown at constant rates.

Retail operating profit – UK & ROI.

Profit (11.5)%[2] reflects:

- Post-pandemic sales normalisation
- Margin mix impact as customers respond to cost-of-living pressures
- Ongoing investment in our customer offer
- Inflation largely offset by accelerated Save to Invest programme

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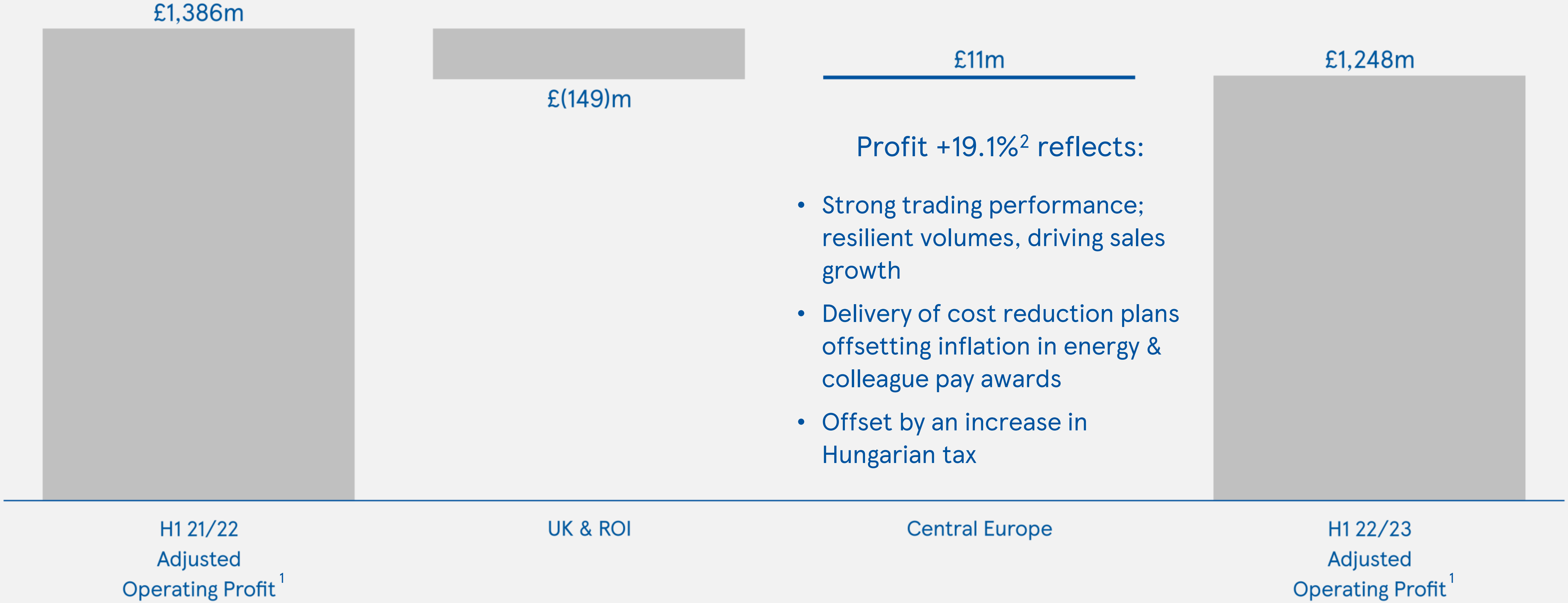
1. Operating profit before adjusting items.
2. Percentage change shown at constant rates.

Retail operating profit – Central Europe.



Profit +19.1%[2] reflects:

- Strong trading performance; resilient volumes, driving sales growth
- Delivery of cost reduction plans offsetting inflation in energy & colleague pay awards
- Offset by an increase in Hungarian tax

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1. Operating profit before adjusting items.
2. Percentage change shown at constant rates.

Tesco Bank.

Strong revenue from increased retail spending, travel money & new credit card customers

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Profit reduced predominantly due to a higher impairment charge driven by:

- Up-front charges on new business
- Impact of a weaker macro-economic outlook

Tesco Underwriting Ltd £18m contribution (£12m LY)

Balance sheet remains strong

	H1 22/23	H1 21/22
Operating profit[1]	£67m	£72m
Net interest margin	4.9%	5.1%
Cost : income ratio	72.3%	71.3%
Tier 1 capital ratio	22.6%	23.9%
Bad debt coverage ratio	6.4%	8.3%

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1. Operating profit before adjusting items.

Statutory profit after tax.

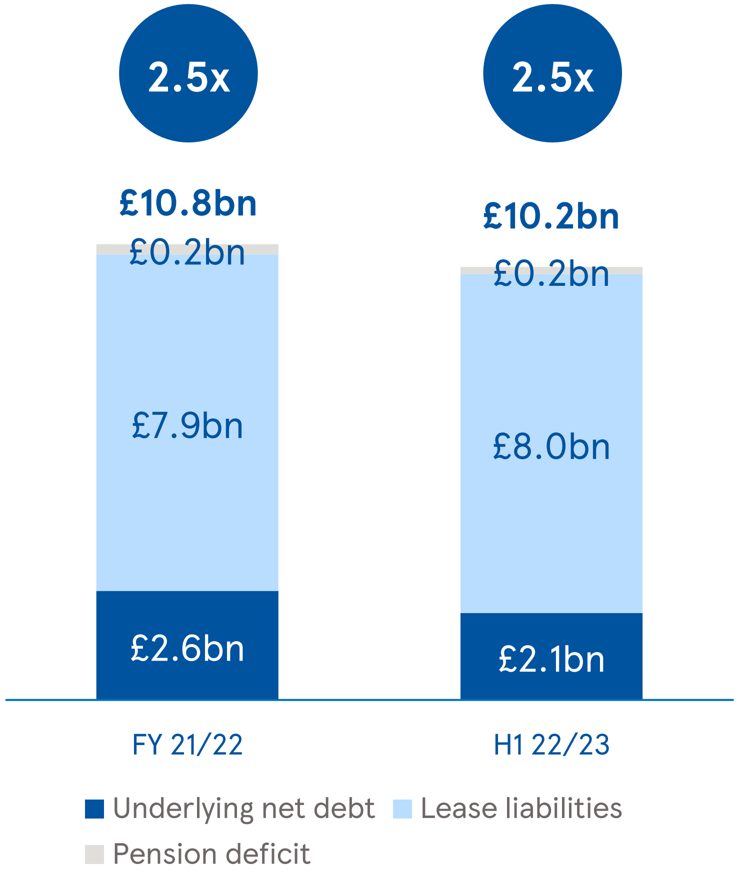
	H1 22/23	H1 21/22	Change %	
Adjusted operating profit	**£1,315m**	**£1,458m**	**(9.8)%**	
Adjusting items	£(579)m	£(154)m		
Impairment of non-current assets	£(626)m	£36m		Non-cash impairment charge in current year driven by increase in discount rates
Litigation costs	£0m	£(193)m		Prior year charge relates to historical shareholder claims
Other	£47m	£3m		
Net finance costs	£(325)m	£(158)m		
Net finance costs before FV remeasurements	*£(250)m*	*£(338)m*		Net pension finance income compared to charge last year and reduction in lease finance costs
FV remeasurements	*£(75)m*	*£180m*		Fair value remeasurement related to the mark-to-market movement on inflation linked swaps
Joint ventures and associates	£2m	£(3)m		Increase in profits from our UK property JV and a reduction in losses from our India JVs
Group tax	£(148)m	£(313)m		Reflects lower levels of operating profit and one-off charge LY related to the revaluation of deferred tax
Statutory profit after tax	**£265m**	**£830m**	**(68.1)%**	

Retail free cash flow.

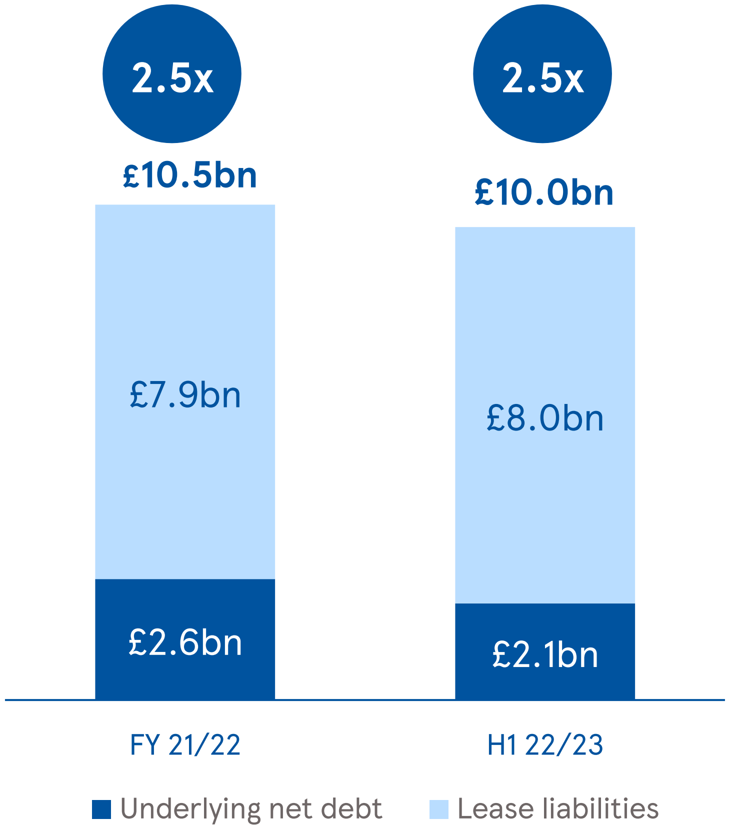
	H1 22/23	H1 21/22	YoY	
Retail cash generated from operations exc. working capital	**£2,030m**	**£2,183m**	**£(153)m**	Lower volumes and opex inflation, partially offset by Save to Invest
Decrease in working capital	£390m	£556m	£(166)m	Inflow from higher trade balances due to higher food cost prices
Retail operating cash flow	**£2,420m**	**£2,739m**	**£(319)m**	
Cash capex (exc. buybacks)	£(507)m	£(495)m	£(12)m	Cash capex on track for full year guidance
Net interest	£(294)m	£(314)m	£20m	Reduction driven by lower lease liabilities due to property buybacks
Tax paid	£(45)m	£(49)m	£4m	
Dividends	£5m	£3m	£2m	
Repayments of obligations under leases	£(292)m	£(286)m	£(6)m	
Own shares purchased for share schemes	£(4)m	£(55)m	£51m	Reflects timing of colleague contributions and purchases to settle colleague awards
Retail free cash flow	**£1,283m**	**£1,543m**	**£(260)m**	

Balance sheet metrics.

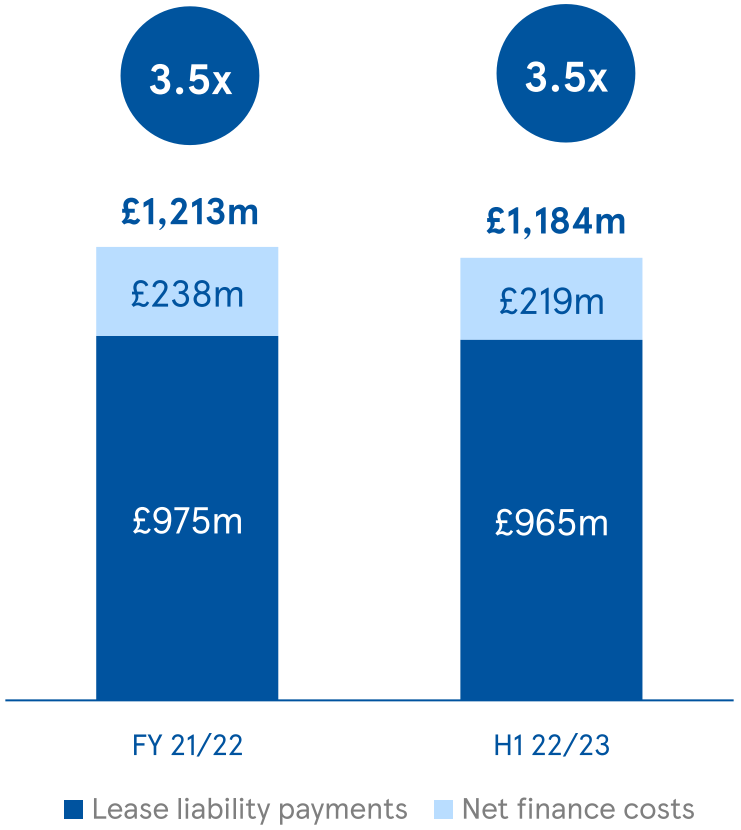
Total indebtedness[1]



Net debt[2]



Fixed charge cover[3]



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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) for both continuing and discontinued operations.
2. Net debt is inclusive of IFRS 16 lease obligations.
3. Fixed charge comprises net finance costs excluding net pension finance cost, adjusting items, capitalised interest, fair value remeasurements of financial instruments and finance charges payable on lease liabilities .plus retail total lease liability payments.
4. Group pension surplus of £1.1bn at the end of the first half.

Guidance.

Expect full year retail adjusted operating profit of between £2.4bn and £2.5bn

Significant external uncertainties still exist, most notably evolving customer behaviour

Upgrade in expectation for full year retail free cash flow to be at least £1.8bn

Continue to expect Bank adjusted operating profit of c.£120m to £160m

Summary.

Solid performance in challenging half

Confidence in multi-year performance framework

Half year dividend 3.85p, inline with policy

Leverage currently 2.5x, within target range, with confidence in future cash flows

£450m of shares repurchased since April 2022, contributing to £750m to date

Strategic priorities.

Ken Murphy

Our strategic priorities.

Magnetic value for customers

Re-defining value to become the customer's favourite

I love my Tesco Clubcard

Creating a competitive advantage through powerful digital capability

Easily the most convenient

Serving customers wherever, whenever and however they want to be served

Save to invest

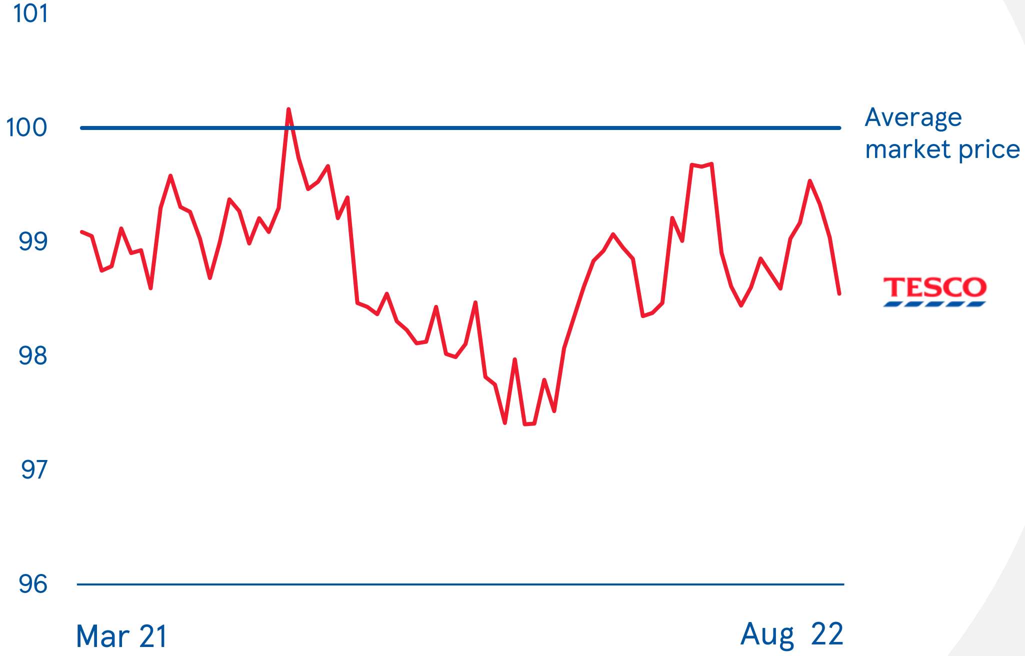
Simplify, become more productive & reduce costs

Magnetic value for customers.

Great prices.

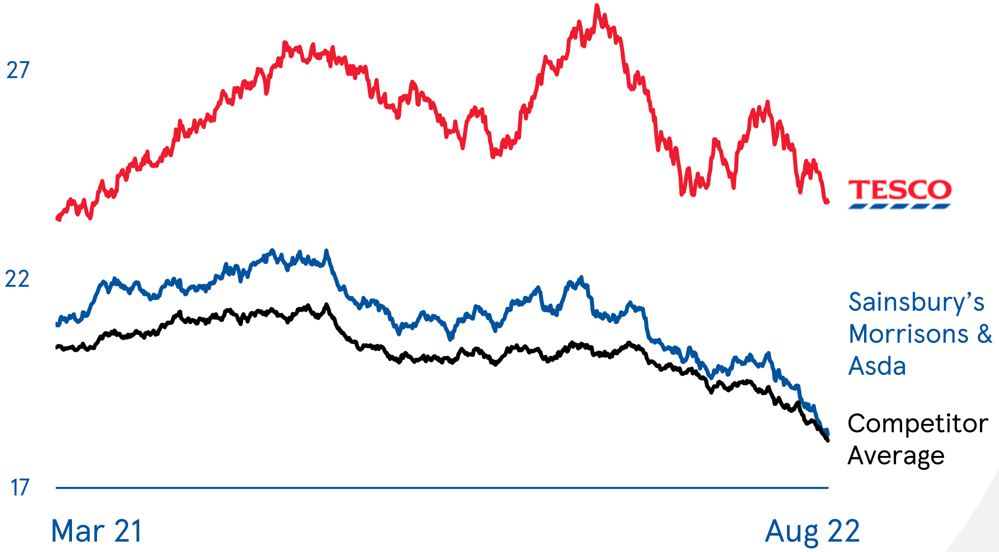
Price position vs market[1]

Lower prices relative to competition



Value perception[2]

Improved relative performance



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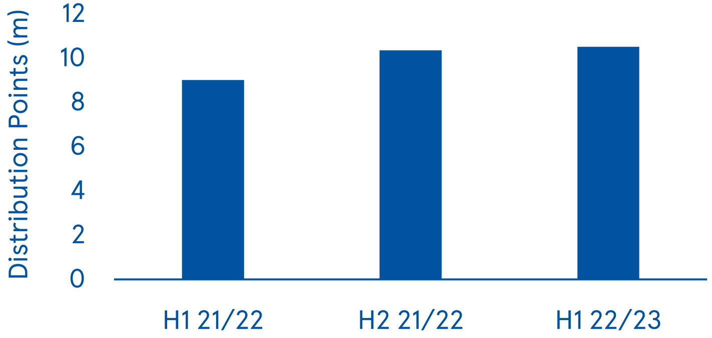
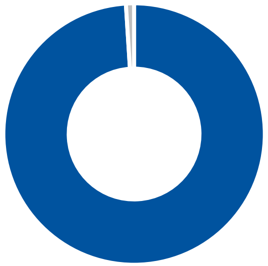
1. Calculated using the single retail selling price of each item, including price cut promotions; the index is weighted by sales and market share to reflect customer importance and competitor size. Competitor set consists of Sainsbury's, Morrisons, Asda, Aldi and Lidl.
2. YouGov Value perception on a 12 week rolling basis to 27 August 2022. 'Competitor average' consists of rest of Sainsbury's, Asda, Morrisons, Aldi, Lidl, M&S, Ocado, Co-op & Iceland.

Great prices.

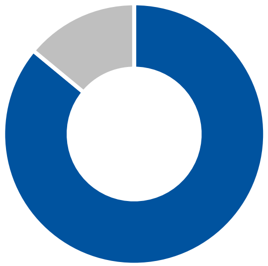
APM distribution



Aldi Price Match items in 99% of large baskets[1]



Aldi Price Match items in >80% of top up baskets[2]



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1. Percentage of baskets with over 30 items in Large stores that contained at least one Aldi Price Match product.
2. Percentage of baskets with between 10 to 30 items in Large and Express stores that contained at least one Aldi Price Match product.

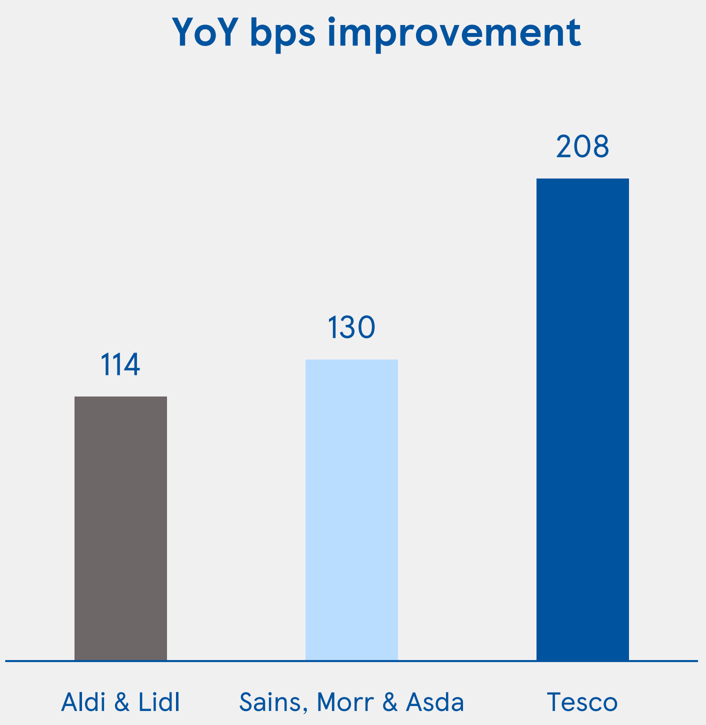
Great prices.


TESCO

Over 1000 low prices **locked** until 2023.

Great quality.

Quality perception[1]

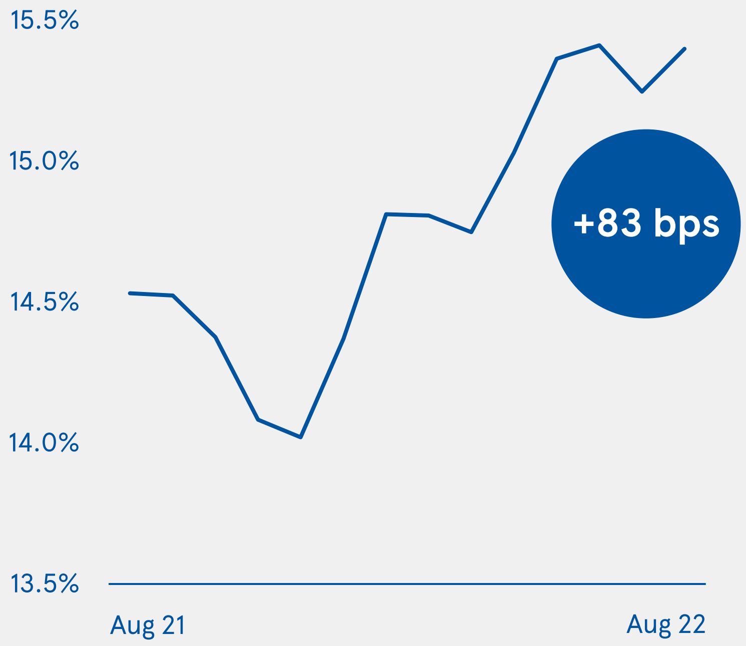


New product development

+13% Tesco Finest SKU's

1,612 product improvements

Increased market share in Dinner For Tonight occasions[2]



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1. YouGov quality perception on a 12 week rolling basis to 27 August 2022. YoY is comparing the 12 weeks to 27 August 2022 to the 12 weeks to 28 August 2021. 'Discounters' consists of Aldi and Lidl.
2. Kantar 12w/e data to 4 September 2022, showing Tesco's share of the Dinner For Tonight market

Health & Sustainability.

Taking action to deliver against ambitious health targets

Electrifying our transport

Supporting British agriculture

Reducing food and packaging waste

I my

TCC

I love my Tesco Clubcard.

4:04

Ruby's Clubcard

Scan this at the till to collect points

It did not scan?

42 points

108 more points until your next voucher worth £1.50

How to collect more points

The last day to collect points for your next statement is 20/10/22.

Clubcard Plus

Save up to £40 in-store every month

Only £7.99 a month. Cancel anytime.

T&Cs apply

You have £5 in vouchers

Spend your vouchers in-store, online and with our reward partners

More engaging, relevant & personal.

Clubcard penetration[1]

UK 70% ▶ 75%

ROI 56% ▶ 65%

CE 54% ▶ 73%

Clubcard personalisation

Coupons specially selected for you

Find them in the Tesco Grocery & Clubcard app for a gr
value summer*. And you could win £100 off your F
summer wardrobe**.

2m Clubcard holders

Clubcard app users

UK 10m

ROI 300k

CE 1.0m

Scan this at the till to collect points

1455 points

45 more points to your next voucher worth £15

The last day to collect points for your next statement period is 20/10/22

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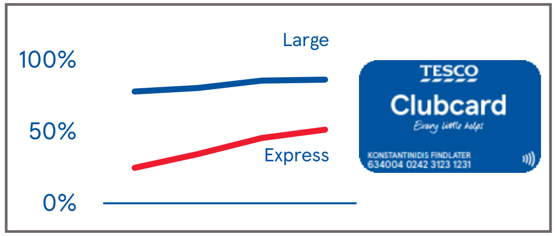
[1] Clubcard sales penetration across all formats in all three markets for August 2022.

Building a digital platform.

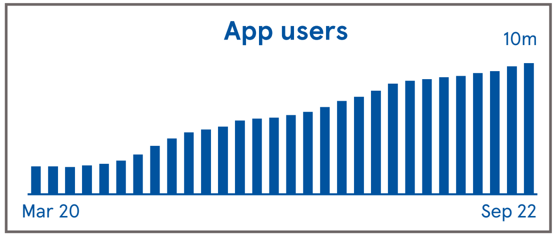
TESCO Clubcard THE POWER TO LOWER PRICES

Clubcard Prices

Customer proposition



Increasing penetration



Digital migration

Foundations

2.0m Clubcard holders

Personalisation

Digital experience

dunnhumby

Helping retailers and brands perfect the science of shopping

Data science

Capability

UK ROI CE

Group-wide

dunnhumby Shop

Putting the Customer at the heart of every decision

Working with suppliers

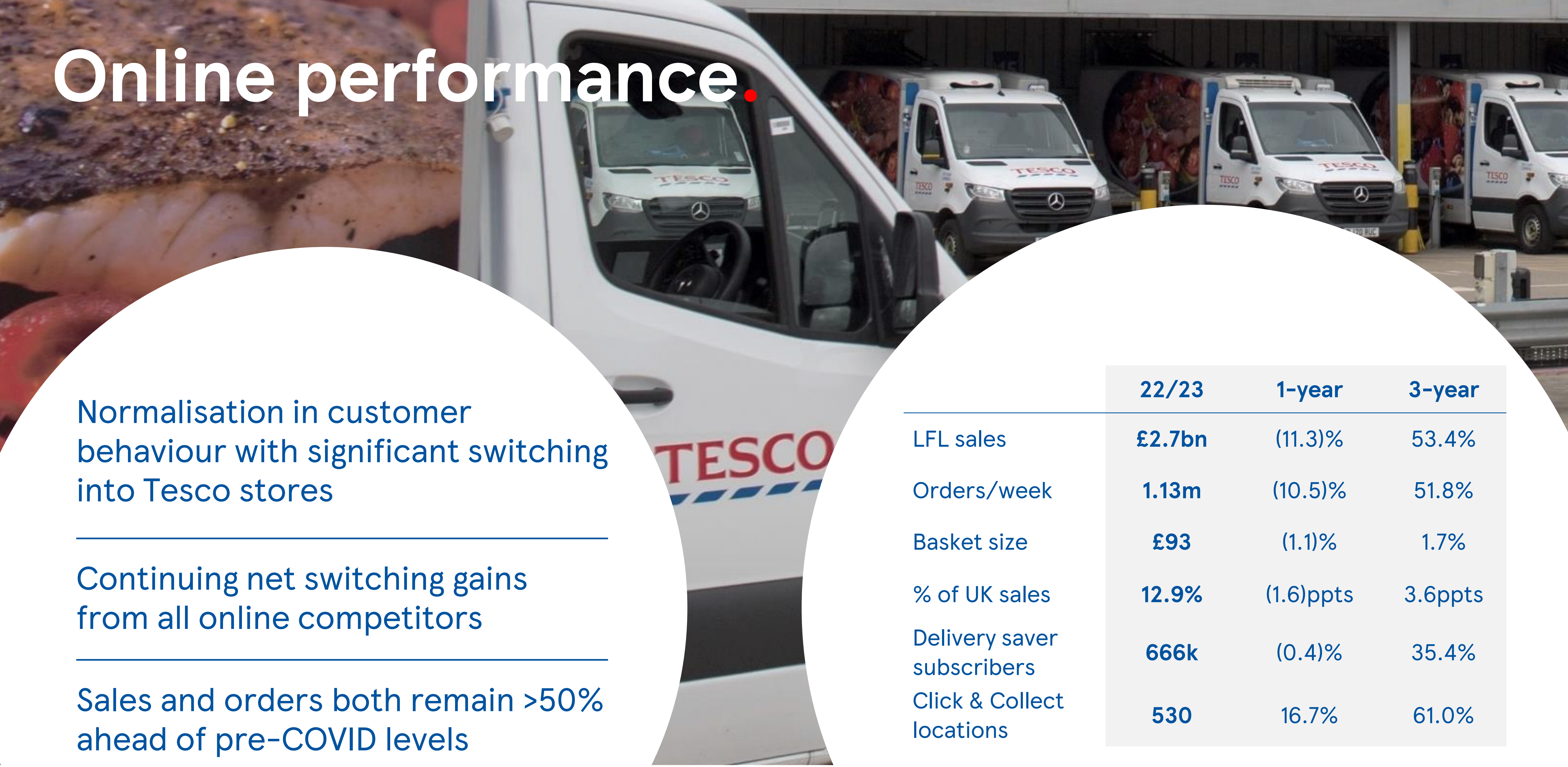
Tesco Media & Insights

New opportunities

Application

Easily the most convenient.

Online performance.



Normalisation in customer behaviour with significant switching into Tesco stores

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Continuing net switching gains from all online competitors

Sales and orders both remain >50% ahead of pre-COVID levels

	22/23	1-year	3-year
LFL sales	**£2.7bn**	(11.3)%	53.4%
Orders/week	**1.13m**	(10.5)%	51.8%
Basket size	**£93**	(1.1)%	1.7%
% of UK sales	**12.9%**	(1.6)ppts	3.6ppts
Delivery saver subscribers	**666k**	(0.4)%	35.4%
Click & Collect locations	**530**	16.7%	61.0%

Online performance.

✓

Opened fifth UFC; two more later this year. Continuing to refine model

Click & Collect now within a 25min drive of >70% of UK households

More than doubled number of Whoosh sites to 442

Enhancing our physical network.

New stores: **5**
New franchises: **28**

New Express stores
UK: **17**
ROI: **2**
CE: **1**

Net new openings: **195**

Save to invest.

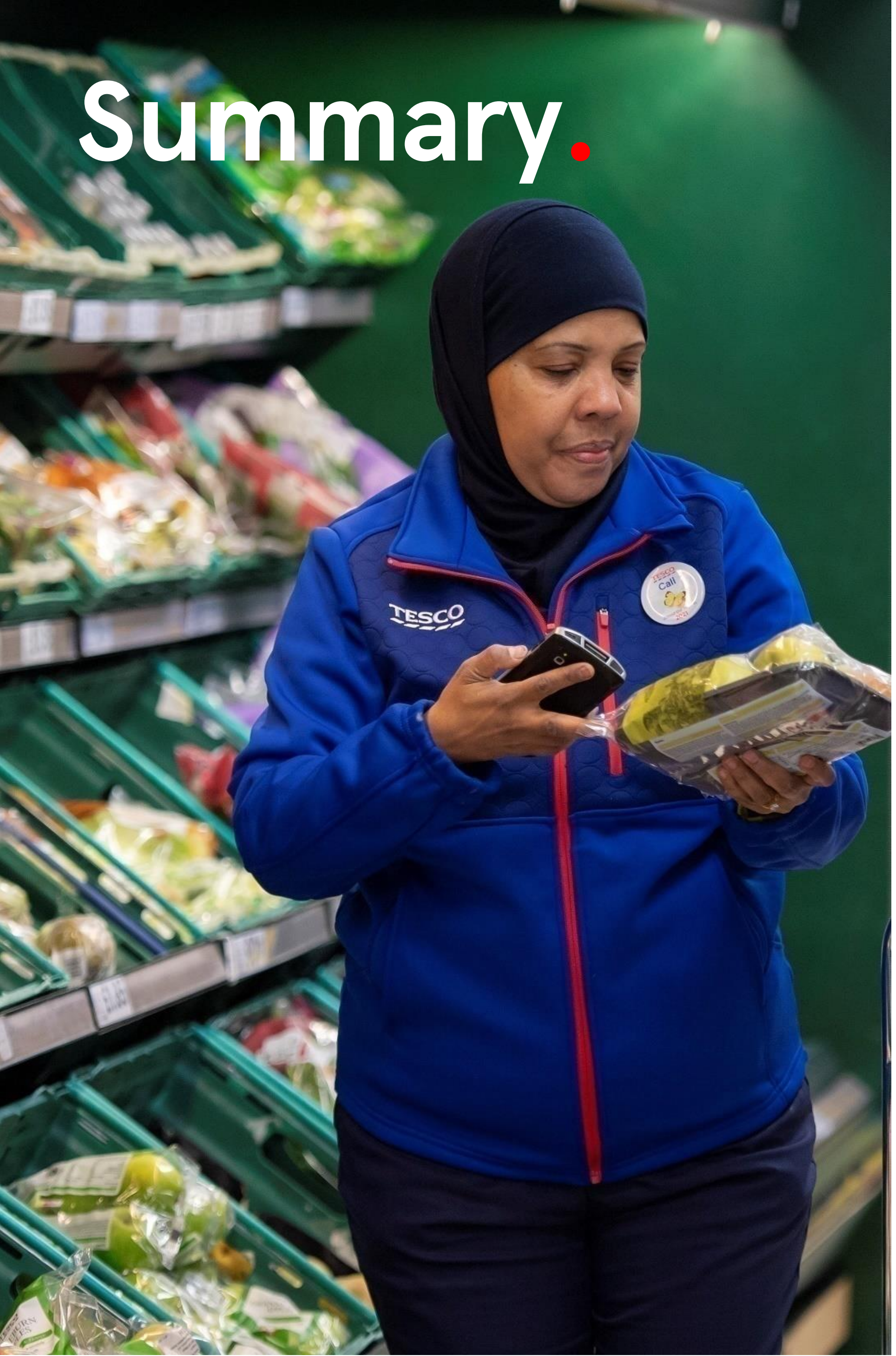
Save to invest.

Ahead of original three year plan

On track for c.£500m this year

Seeking to deliver c.£1bn by Feb 24 – one year early

Summary.



A strong performance in a challenging market

Investing for customers and colleagues at a time when they need us most

Strategic priorities serving us well

Relentless focus on value, competitiveness and operational execution

Confident in our ability to generate and return cash

Q&A.

Appendix.

Guidance.

Retail profit	FY 22/23 between £2.4bn and £2.5bn
Bank profit	c.£120m to £160m
Retail free cash flow	At least £1.8bn
Capex	At top end of guidance range of £0.9bn-£1.2bn per annum
Net finance costs	c.3.5% of long-term debt p.a.
Leverage ratio	Targeting c.2.8 – 2.3 times Net debt[1]/EBITDA
Tax[2]	Effective tax rate around 18% for FY 22/23; around 21% over medium term
Dividend	Progressive (broadly targeting c.50% of earnings) Interim dividend 35% of prior year full year dividend
Share buyback	Ongoing programme: £750m to be repurchased between April 2022 and April 2023

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1. Net debt is inclusive of IFRS 16 lease obligations.
2. Tax guidance assumes the legislation is enacted ahead of our financial year-end. In the instance that this is not enacted by our financial year-end, our previous guidance for the current year, of between 21% and 22%, remains unchanged. Our guidance for the medium term of around 21% remains.

Multi-year performance framework.

Drive top-line growth, underpinned by:

- Increasing customer satisfaction relative to the market
- Growing or at least maintaining our core UK market share

Grow absolute profits whilst maintaining sector-leading margins through:

- Leveraging our assets efficiently across all channels
- Accessing new revenue streams across our digital platform
- Targeting productivity initiatives to at least offset inflation

In doing so, generate between £1.4bn and £1.8bn retail free cash flow per year

Capital allocation.

	Principles		Parameters
1	Reinvest in business and customer offer	=>	Capex within range of £0.9bn to £1.2bn per year
2	Maintain a solid investment grade balance sheet	=>	Target/maintain leverage at c.2.8-2.3 times Net debt[1]/EBITDA
3	Pay a progressive dividend	=>	Target a pay-out ratio of c.50% of earnings
4	Consider inorganic growth opportunities that may arise	=>	Include property buybacks where economically viable
5	Return surplus cash to shareholders	=>	Likely to be in the form of share buybacks

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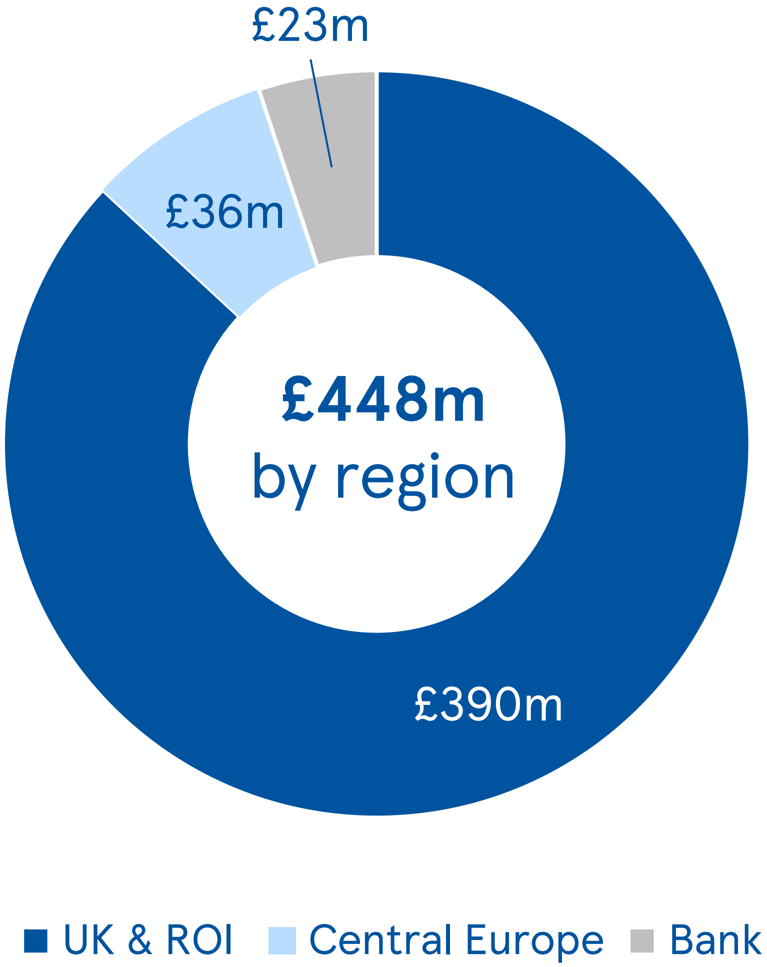
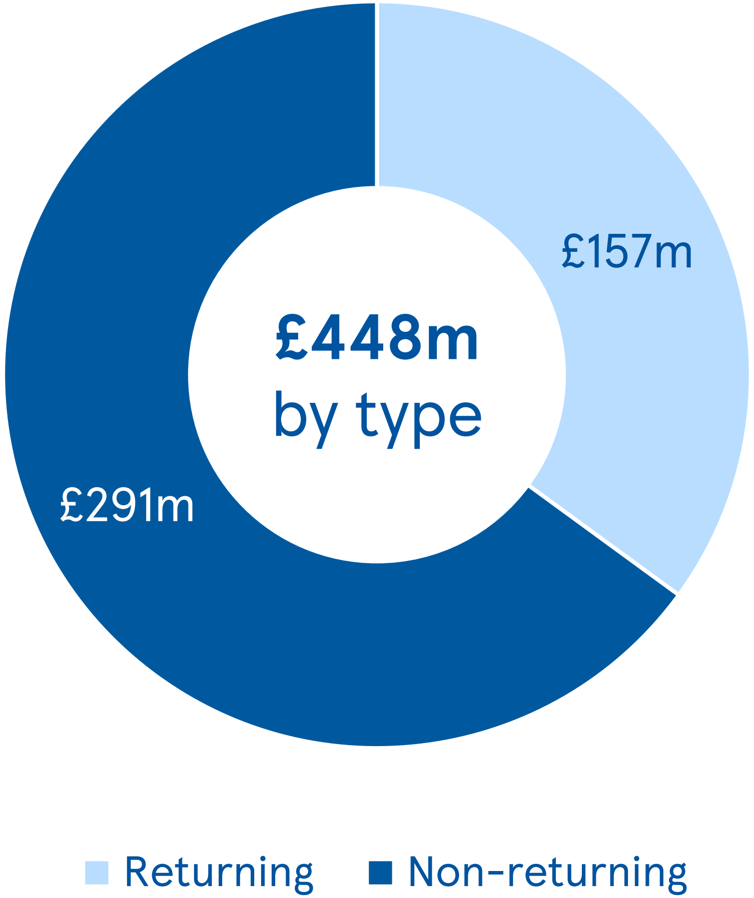
[1] Net debt is inclusive of IFRS 16 lease obligations.

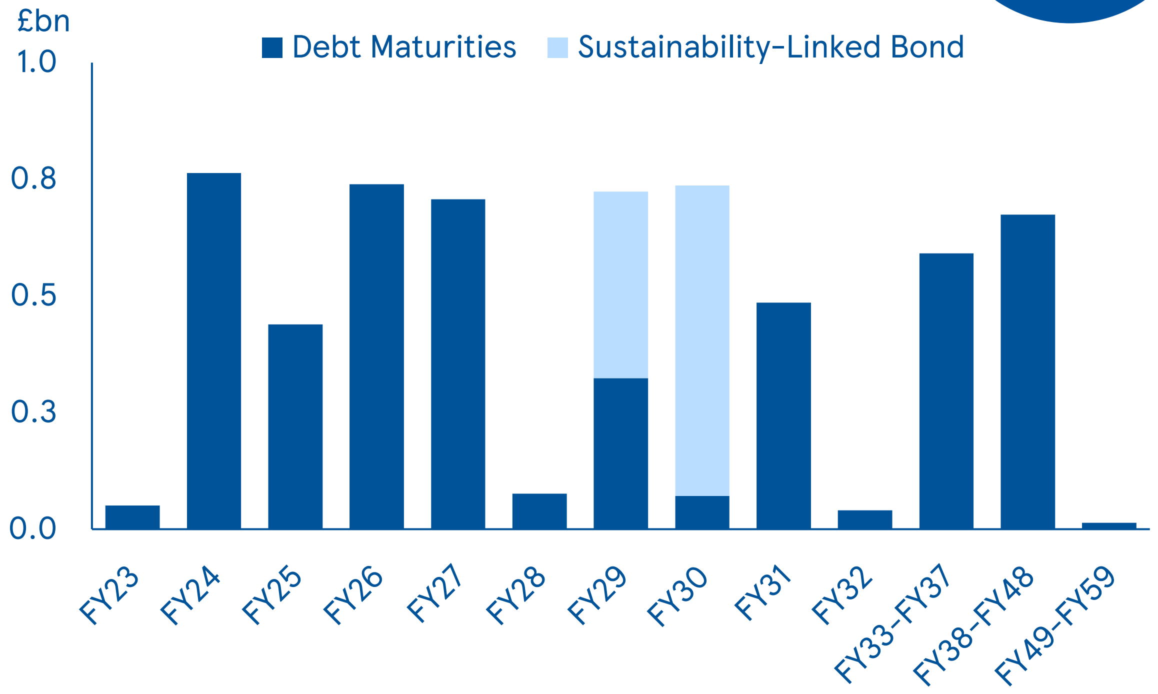
Capital expenditure – H1 22/23.





Debt and liquidity.

Debt maturity profile



Smooth debt maturity profile

- Less than £1bn maturing in any year
- Weighted average maturity of c.8 years

Weighted average interest cost of 3.5%

Strong liquidity position

- £3.2bn cash[1]
- £2.5bn of undrawn committed facilities

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

Adjusting items – H1 22/23.

	H1 22/23	H1 21/22
Net impairment reversal of non-current assets	£(626)m	£36m
Litigation costs	–	£(193)m
Property transactions	£81m	£21m
Amortisation of acquired intangible assets	£(38)m	£(38)m
Restructuring provision	£(7)m	–
ATM Business rates refund	£7m	–
Release of onerous contract provision	£5m	–
Disposal of Asia Operations	£2m	£19m
Fair value less cost of disposal movements on assets held for sale	£(3)m	£1m
Total adjusting items in statutory operating profit	**£(579)m**	**£(154)m**

Disclaimer.

Certain statements made in this document are forward-looking statements. For example, statements regarding future financial performance, 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.