



8 January 2015

TESCO UPDATE

Dave Lewis - CEO, Alan Stewart - CFO

TESCO

Agenda

- Since we last met
- Results: Q3 and Christmas Trading
- Update on three key priorities
- Next steps



Since we last met

- 23rd October
First half impact of commercial income overstatement
Immediate priorities set out
- 9th December
New commercial approach
Full year guidance provided: 'no more than £1.4bn'
- 8th January
Update on priorities
Guidance reiterated



Investing in our customer offer



Service



Availability



Price



Service



6,700
colleagues



More than 2
million hours

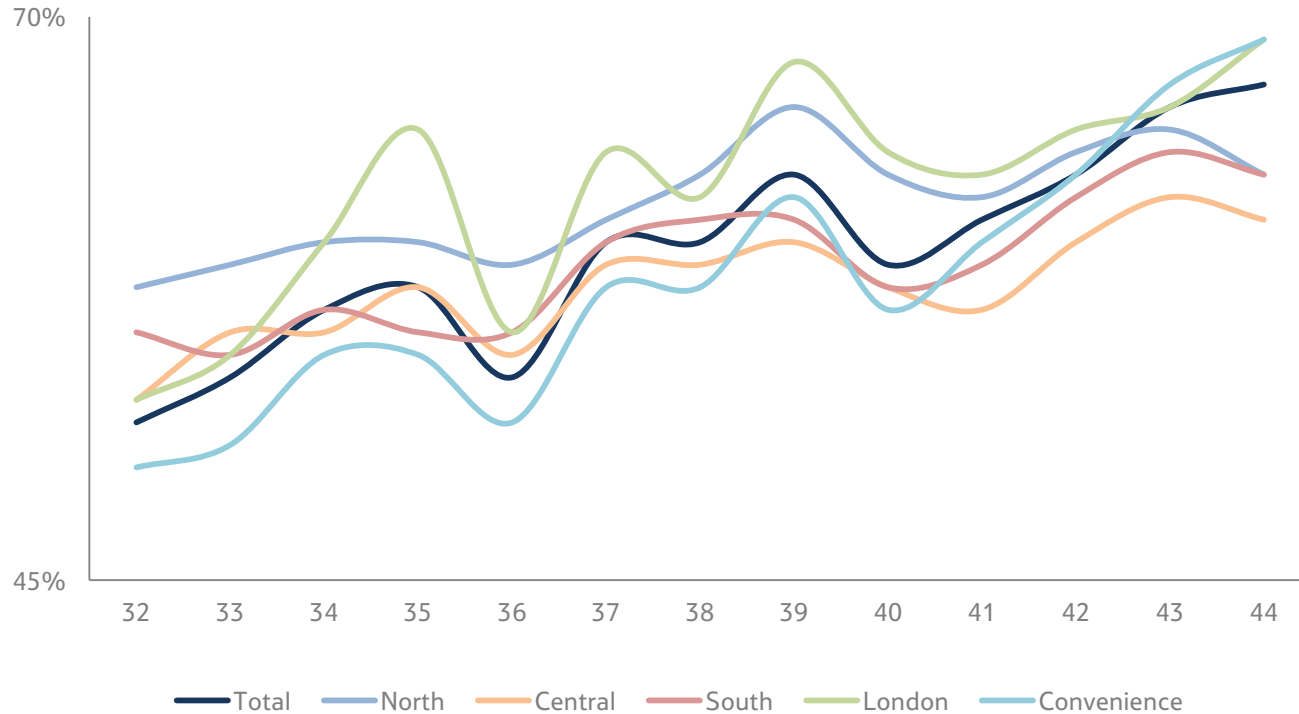


Feet on the
Floor



Customer metrics

Customers rating overall service & colleague helpfulness as excellent

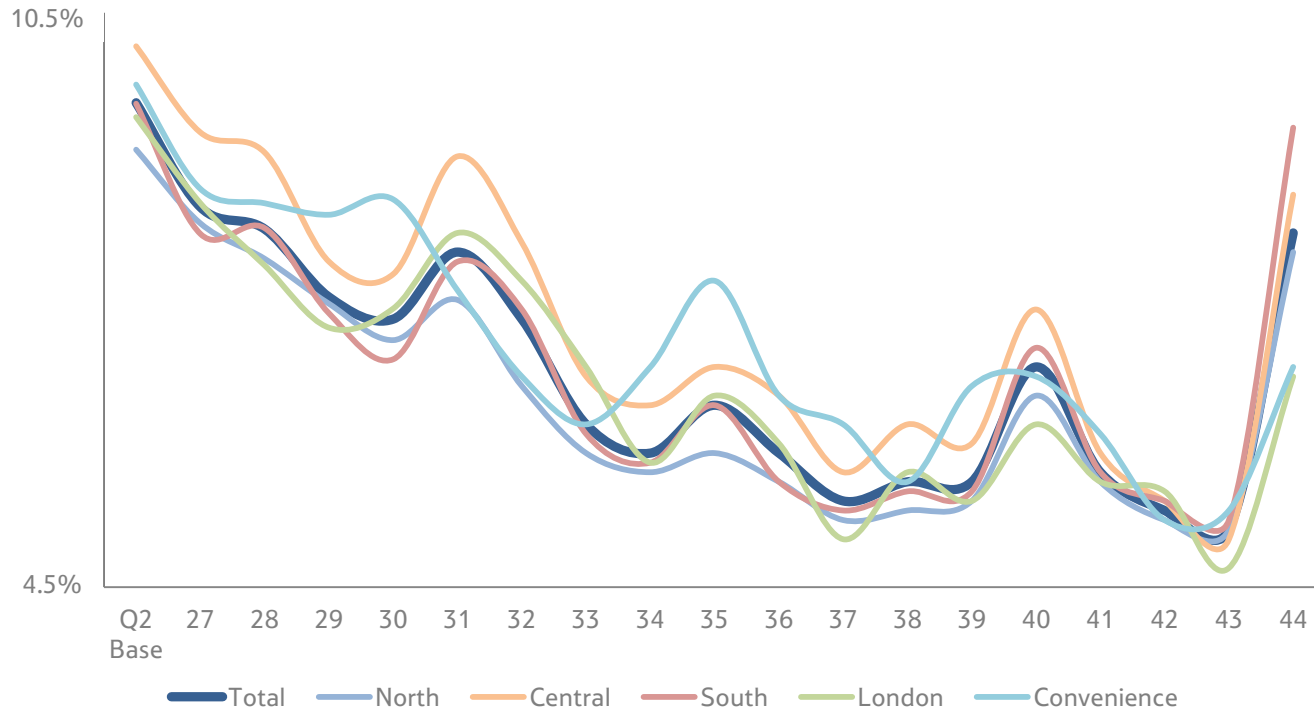


Source: Customer Viewpoint measure



Customer metrics

Evening 'I Don't Queue' performance



Source: Retail Dashboard report



Availability

98.4%

Dot com

93%

9pm sales
based

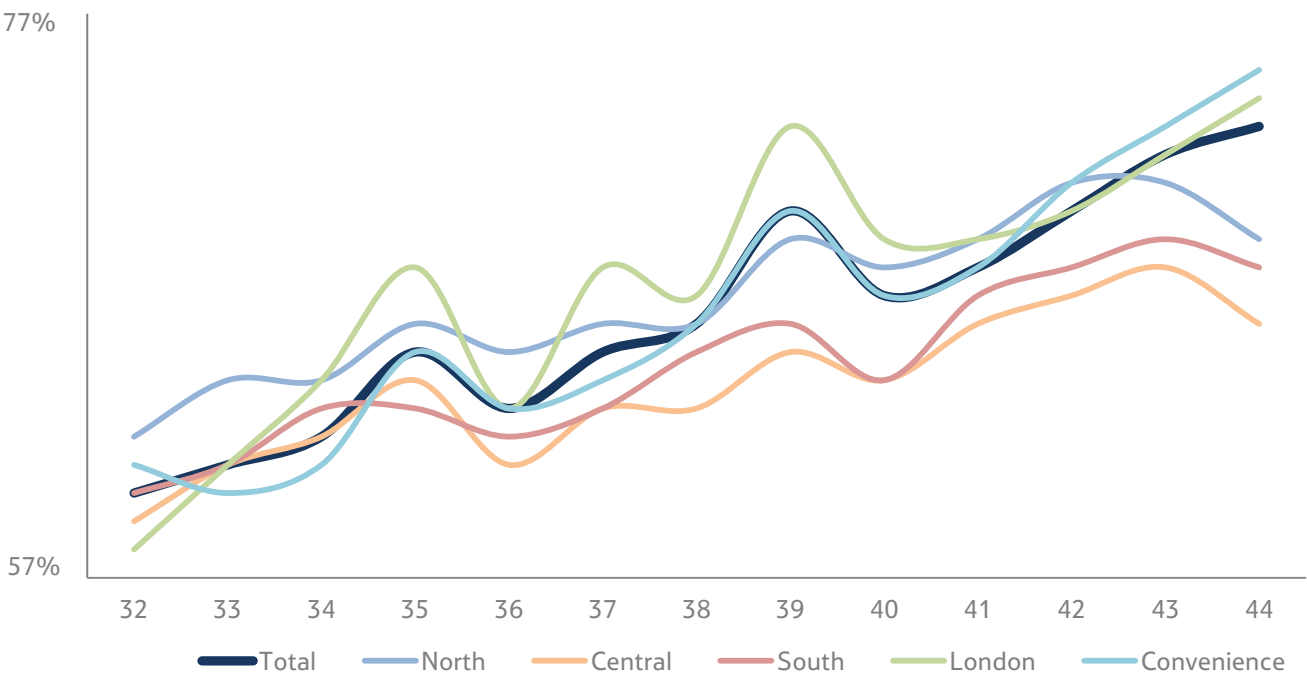
250

1,000 lines

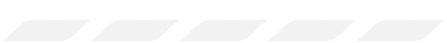


Customer metrics

Customers who were strongly satisfied with overall availability



Source: Customer Viewpoint measure



Selective investment in price



1,000 lines



Category
review

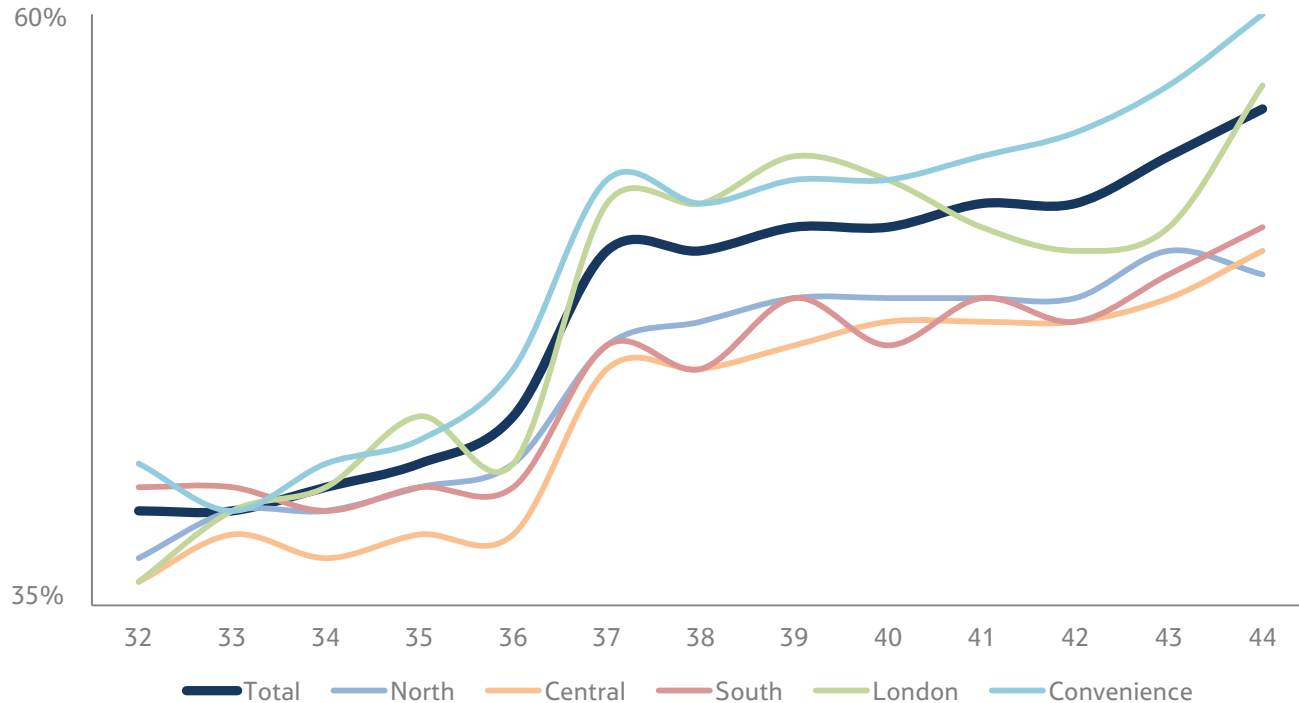


Promotional



Customer metrics

Customers very satisfied with the prices paid



Source: Customer Viewpoint measure



And....

Workload to stores

↓ 75%

Time

Food	↓	2.2
Hardlines	↓	12.1
Clothing	↓	8.2
Total	↓	2.7

(days cover YoY)

Stock



Service



Results – 3Q and Christmas Trading

	Like-for-like sales growth*			
	1Q	2Q	3Q	Christmas
UK	(3.7)%	(5.4)%	(4.2)%	(0.3)%
Asia	(3.2)%	(4.9)%	(5.0)%	(3.9)%
Europe	(1.0)%	(2.5)%	(1.2)%	1.0%
Group	(3.2)%	(4.8)%	(3.8)%	(0.6)%

* Inc. VAT, Exc. Fuel.



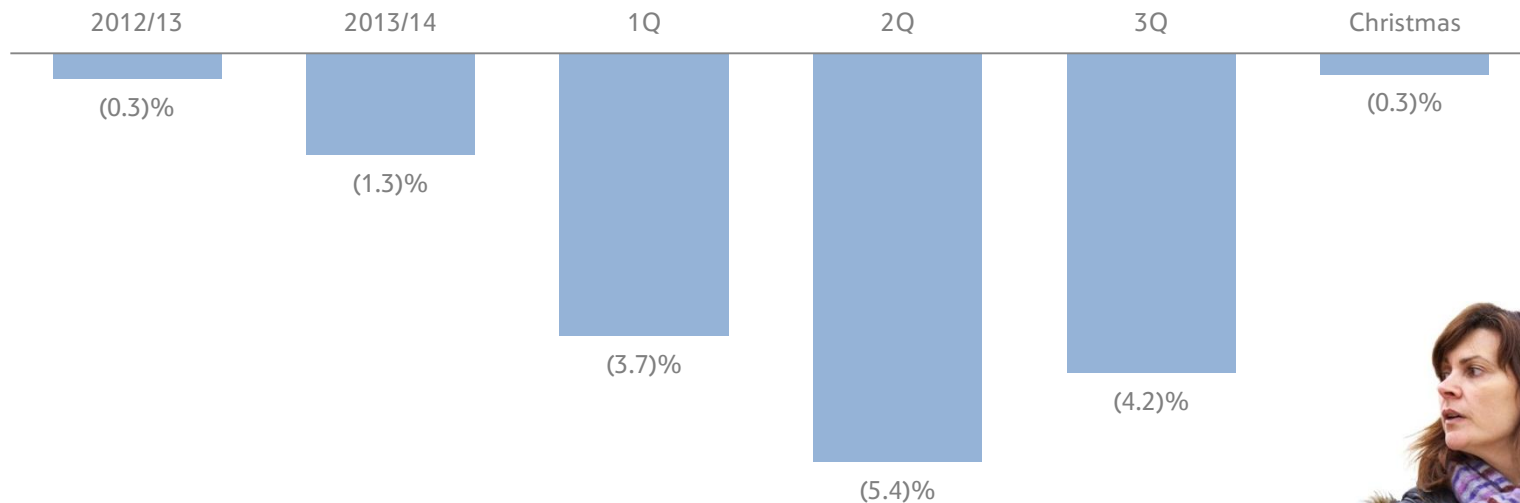
Results – 3Q and Christmas Trading

	Total sales growth* (constant rates)			
	1Q	2Q	3Q	Christmas
UK	(1.7)%	(3.3)%	(2.6)%	1.2%
Asia	1.5%	(0.9)%	(1.7)%	(1.0)%
Europe	(0.6)%	(1.6)%	(0.3)%	1.6%
Tesco Bank	3.6%	5.8%	2.7%	3.8%
Group	(0.9)%	(2.5)%	(2.0)%	0.9%

* Inc. VAT, Exc. Fuel.



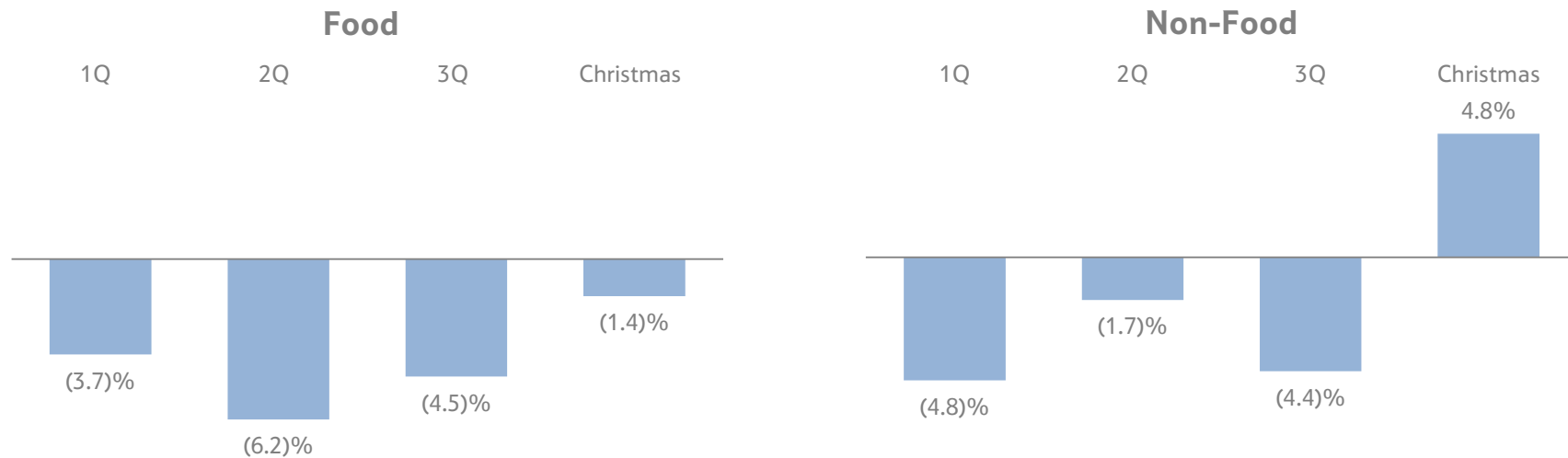
UK like-for-like sales performance*



* Inc. VAT, Exc. Fuel.



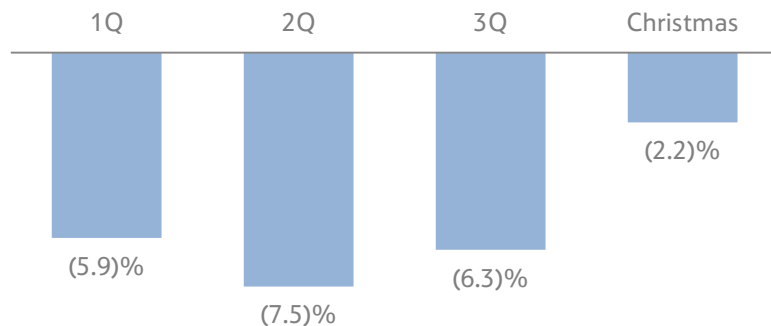
UK Category like-for-like sales performance*



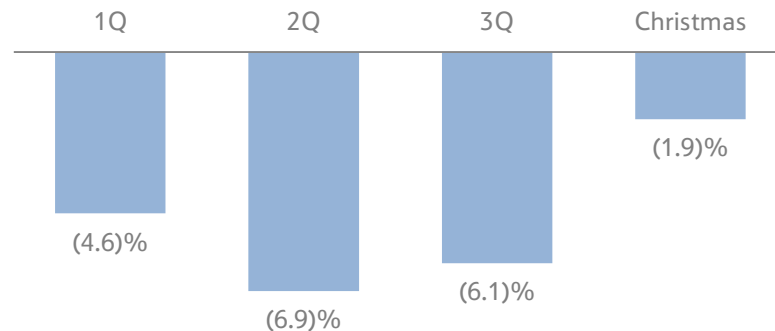
* Inc. VAT, Exc. Fuel.

UK Format like-for-like sales performance*

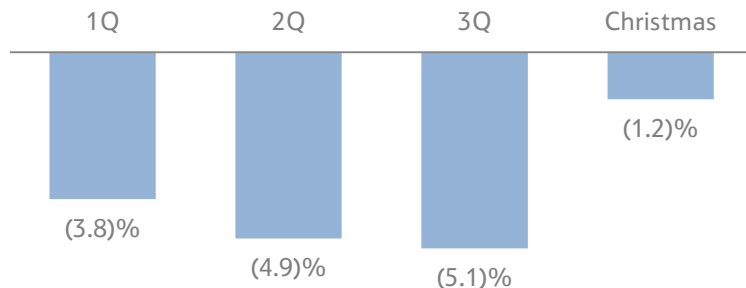
Extra



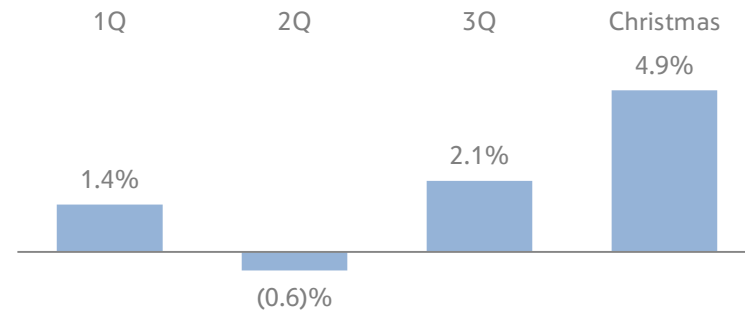
Superstore



Metro



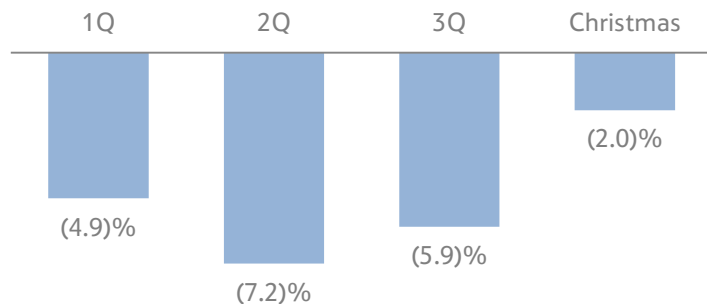
Express



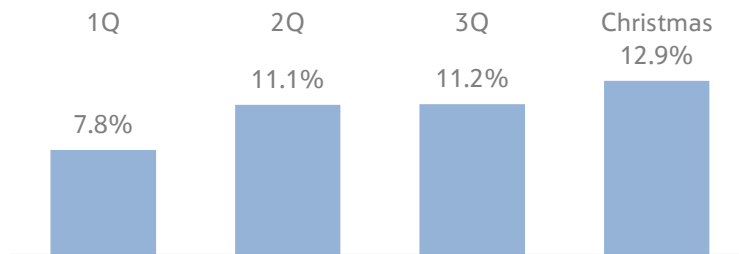
* Inc. VAT, Exc. Fuel. Excludes statutory adjustments.

UK Channel like-for-like sales performance*

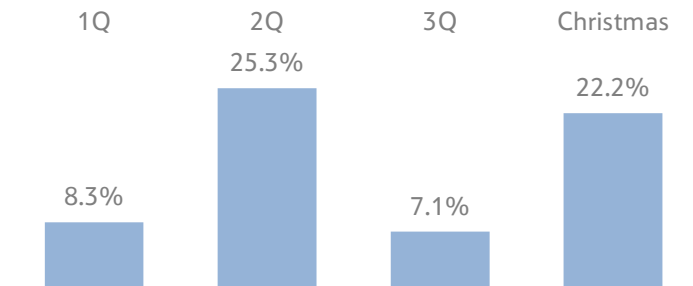
Stores



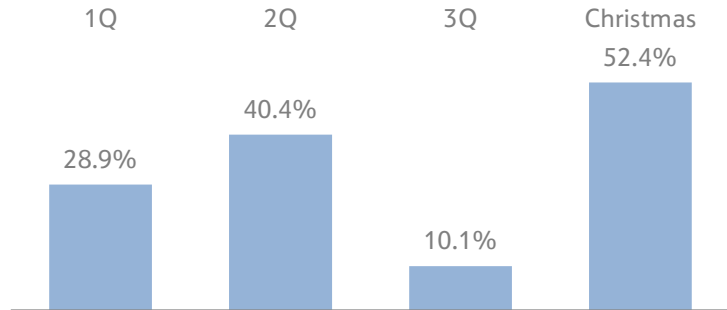
Grocery Home Shopping



Online General Merchandise

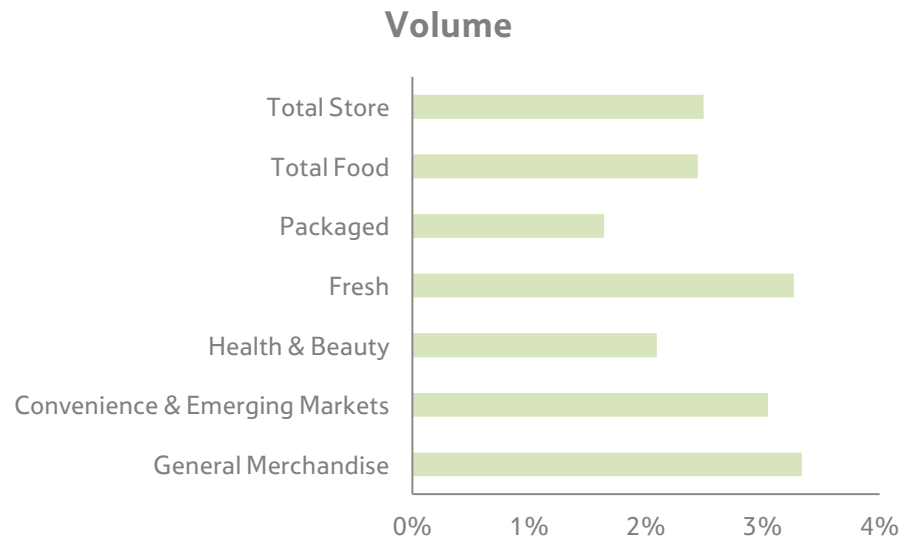
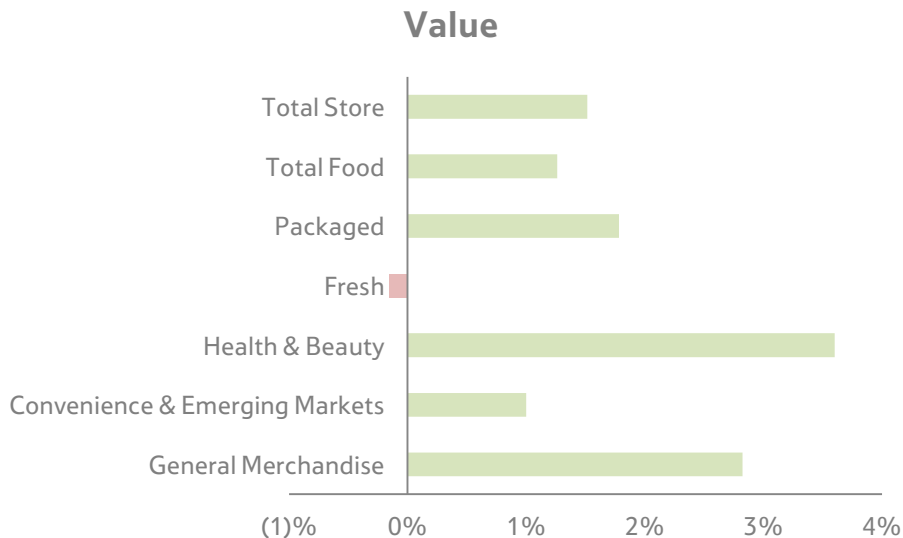


Online Clothing



* Inc. VAT, Exc. Fuel. Excludes statutory adjustments.

UK Category like-for-like sales performance versus the market*



* Data is for Tesco Weeks 40-44 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry.
IRI market definition excludes Aldi and Lidl.

Team Tesco



Executive Committee changes



Trevor Masters - CEO, International



Matt Davies - CEO, UK & Ireland

Three priorities

- 1 Regaining competitiveness in core UK business
- 2 Protecting and strengthening the balance sheet
- 3 Rebuilding trust and transparency



1 Regaining competitiveness in core UK business

2015
Customer-focused retail excellence <ul style="list-style-type: none">- Service- Availability- Stock- Price integrity
Category range resets <ul style="list-style-type: none">- Customer-centric- Balance quantum and rate margin- Create new category value
Customer reasons to re-believe



1st Jan: Sweet-free checkouts

All formats
All checkouts
from 1st January
2015

Industry-
leading



Healthier
options



Healthier
lives



8th Jan: The Nation's Favourite Brands



Brands



Unit Price



No promotion



Simple, agile, lower cost



Restructuring

£250m+
per annum

Cost reduction



Closure of 43
unprofitable stores



Store management
structures

2 Protect and strengthen the balance sheet

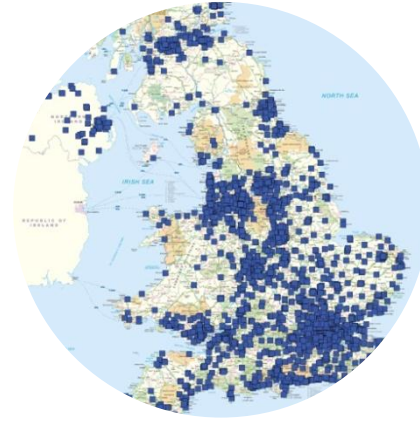
- Property
- Pensions
- Capital expenditure
- Portfolio
- Dividend



Property



Pipeline review



End-to-end
property review



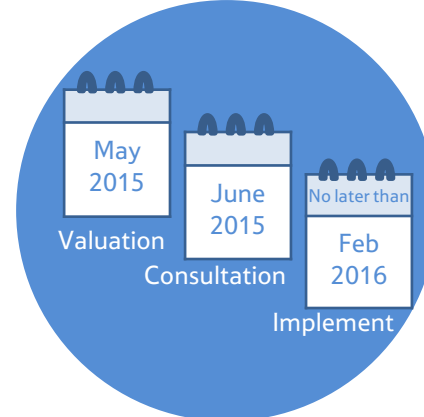
Pensions



Important
benefit



Consultation



Timing



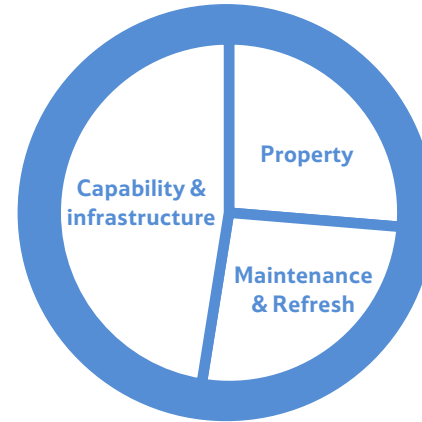
Capital expenditure



2015/16



Discipline



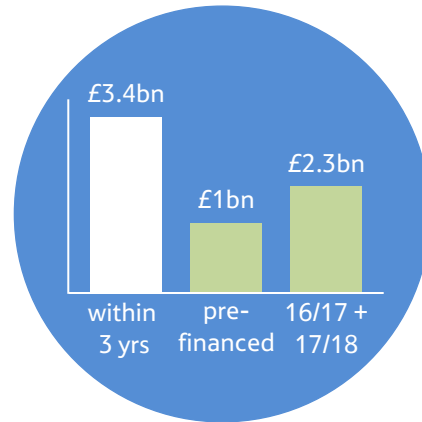
Allocation



Reshaping the portfolio – some facts



Strong funding
and liquidity



Good maturity
profile



Continue to review
full-value options



Reshaping the portfolio



TalkTalk

c.£0.5bn revenue
c.£100m profit
Insight into 770m
customers
Over 20 retail
partners

dunnhumby



Long-term
strategic benefit



Dividend

No final
dividend

2014/15

Protecting and
strengthening
balance sheet

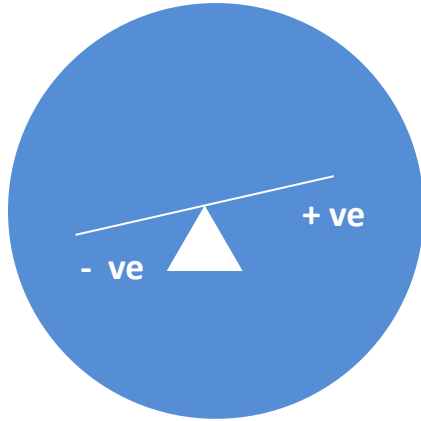
Discipline

Investment in
proposition

Priority



3 Trust and transparency



Brand



Ways of working



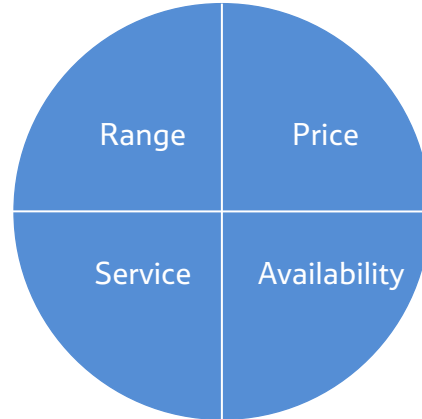
Investment case



Brand



Pricing you can trust



New category approach



Innovations



Brand



Farm to Fork
500,000 children



Food collections
21.5 million meals



Diabetes UK
£18 million



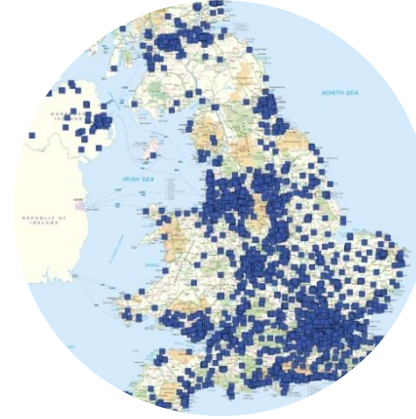
Accounting and the investment case



Commercial
income



Modern stock
take



Property
review



The way ahead

- Multi-year programme
- Difficult changes, impacting all stakeholders
- High level of volatility
- Doing the right thing for customers and the business
- Actions to strengthen the balance sheet will continue
- First call on margin improvement will be further investment in customer offer
- Sustainable recovery driven by volume combined with rigorous financial discipline and a particular focus on cash



Summary

- Investment in core service, availability and selectively price
- Key customer measures improving
- Period to Christmas trading an encouraging first step in LFL
- Significant cost reduction programme
- First step to progress balance sheet: disposals and pensions
- New initiatives to improve customer proposition and brand
- Putting the customer first
- Reshaping relationship with suppliers
- Treating our colleagues and communities fairly and with dignity



Priorities

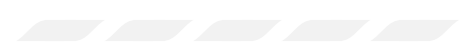
- 1 Regain competitiveness in UK
- 2 Protect and strengthen the balance sheet
- 3 Rebuild trust and transparency



PUTTING OUR CUSTOMER FIRST



Q & A



Disclaimer

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