



Welcome to the Tesco AGM 2016



John Allan
Chairman



Dave Lewis
Group Chief Executive

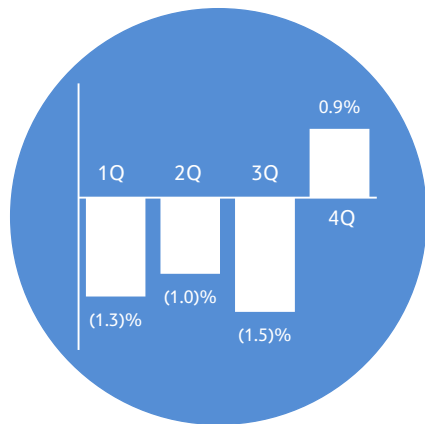
Agenda

- Significant progress
- Our three priorities
- Q1 update
- Looking ahead

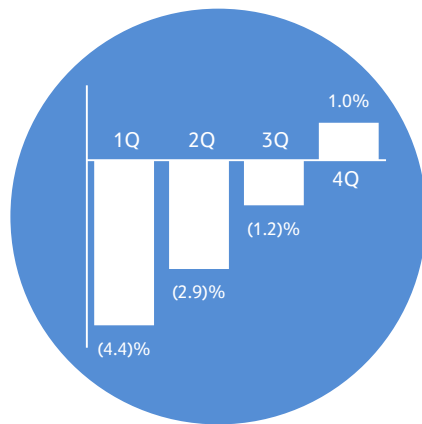


Broad-based improvement

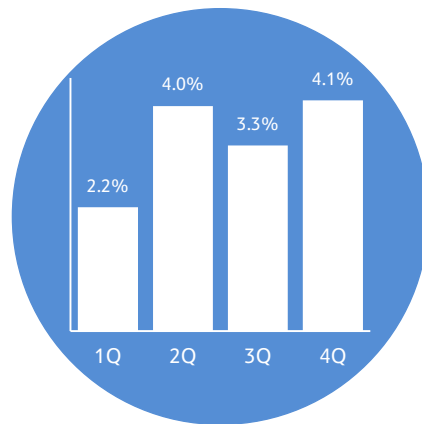
Improving like-for-like sales



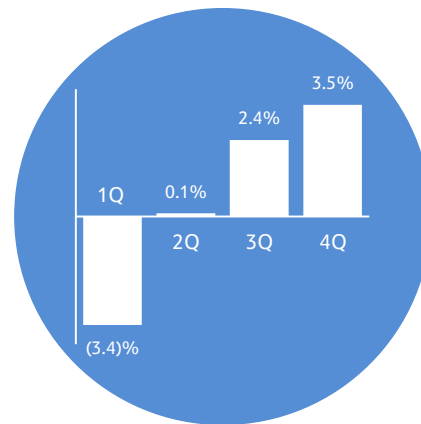
UK



ROI

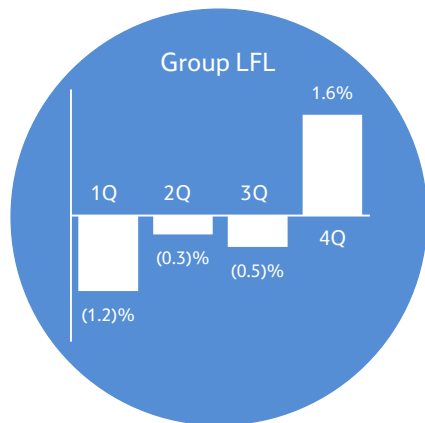


Europe

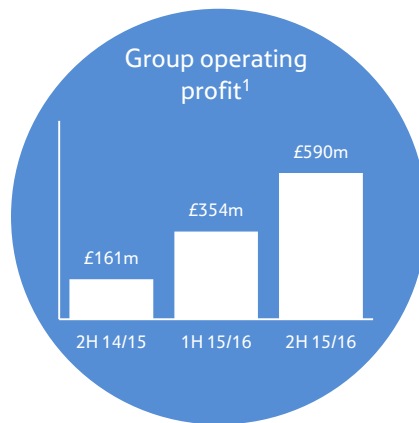


Asia

Broad-based improvement



Sales momentum



Improving profitability

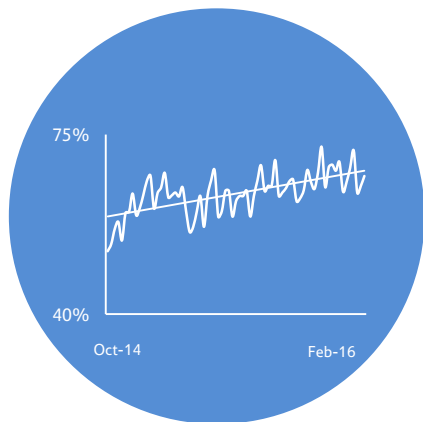


Retail operating cash generation

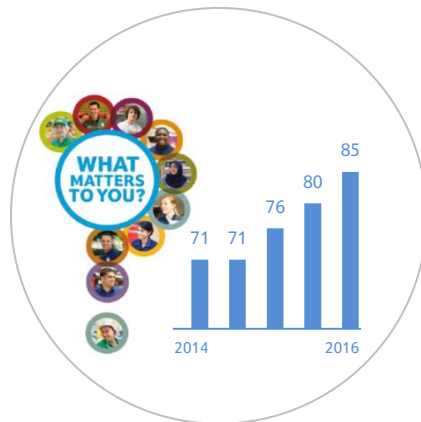
1. Group operating profit before exceptional items.



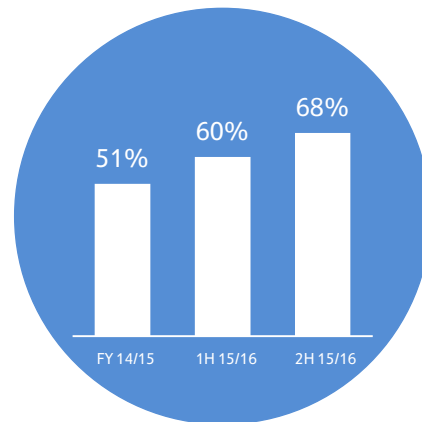
Broad-based improvement



Customer
satisfaction¹



Colleague
engagement²



Supplier
viewpoint³

1. Reflects % customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
2. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.
3. Reflects % of UK suppliers responding positively when asked "overall how satisfied are you with your experience of working with Tesco" as part of the Supplier Viewpoint survey.

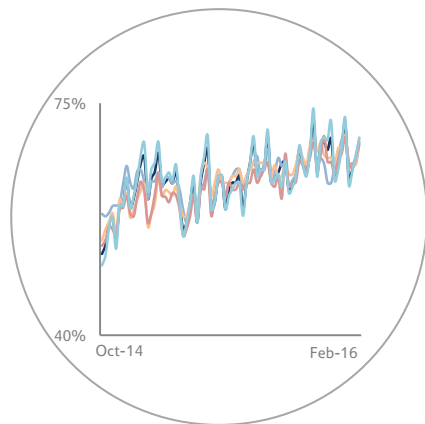


Three priorities

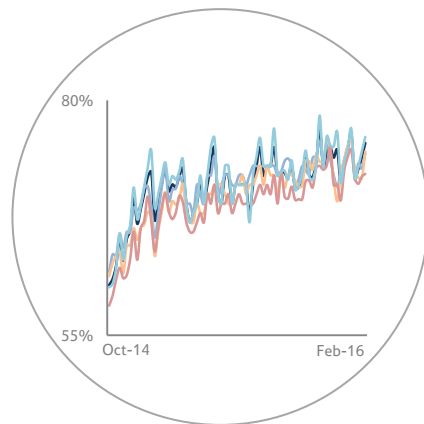
- 1 Regaining competitiveness in core UK business
- 2 Protecting and strengthening the balance sheet
- 3 Rebuilding trust and transparency



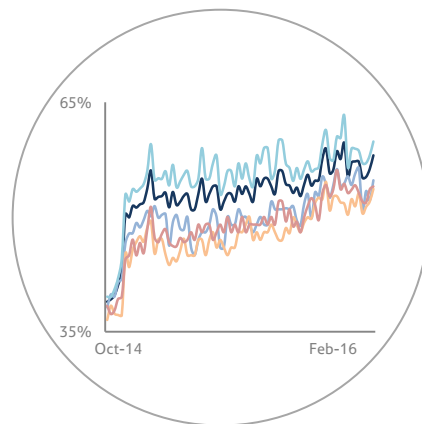
Improved customer offer



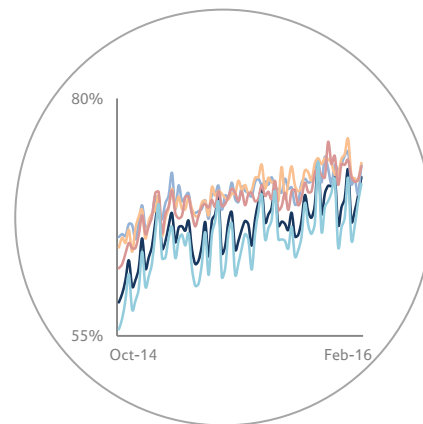
Service¹



Availability²



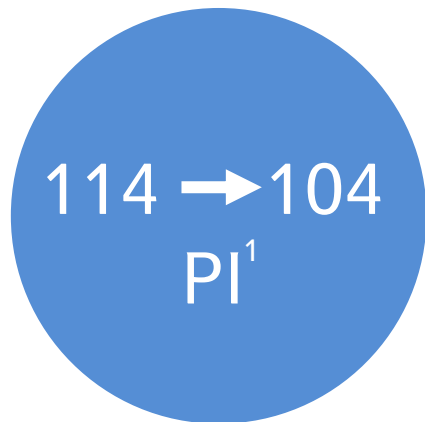
Price³



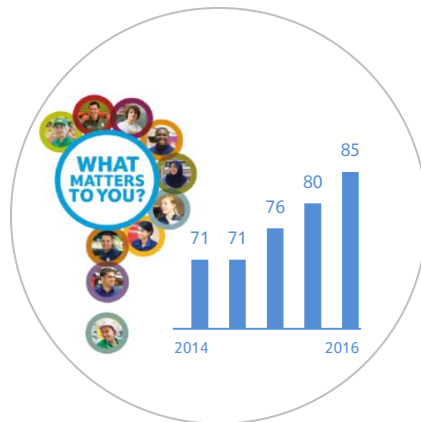
Range⁴

1. Reflects % of customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.
2. Reflects % of customers who were strongly satisfied with overall availability as part of the weekly Customer Viewpoint survey.
3. Reflects % of customers very satisfied with prices paid as part of the weekly Customer Viewpoint survey.
4. Reflects % of customers rating overall range of food as part of the weekly Customer Viewpoint survey.

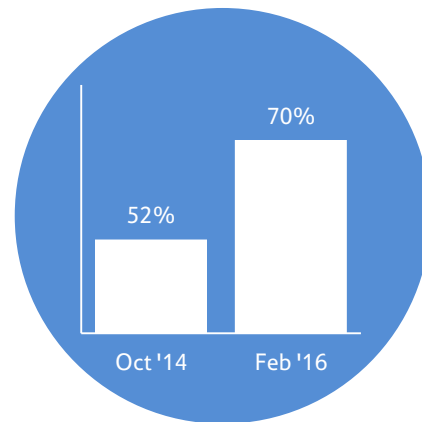
Better service



More hours



Colleague
engagement²



Customer
feedback³

1. Productivity Index.

2. Reflects % of colleagues recommending Tesco as a great place to work as part of What Matters To You Survey undertaken every January and August.

3. Reflects % customers rating overall service and colleague helpfulness as excellent as part of the weekly Customer Viewpoint survey.



Record availability

96%

Sales-based
availability



Clearer backrooms

82% → 94%

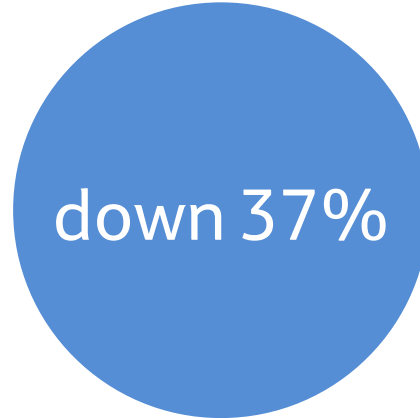
Optimum shelf
capacity



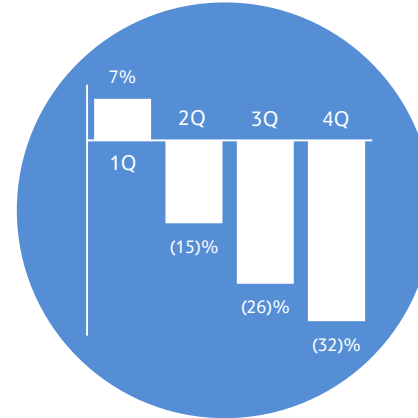
Lower, more stable prices



Price investment¹



Fewer coupons



Multibuy promotions²



1. Price data shows the price paid for a typical basket of products as at August 2014, August 2015 and February 2016.

2. Reflects the year-on-year movement in products on multibuy promotion.

Brand Guarantee



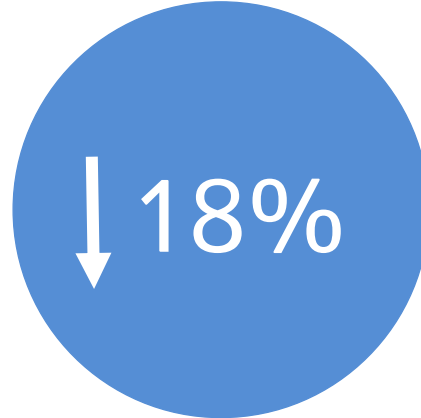
Money off your bill at the till

If your branded shop of 10 or more different products is cheaper at Asda, Morrisons or Sainsbury's, we'll give you the money back instantly

Right range for customers



All food categories
reviewed



Average range
reduction

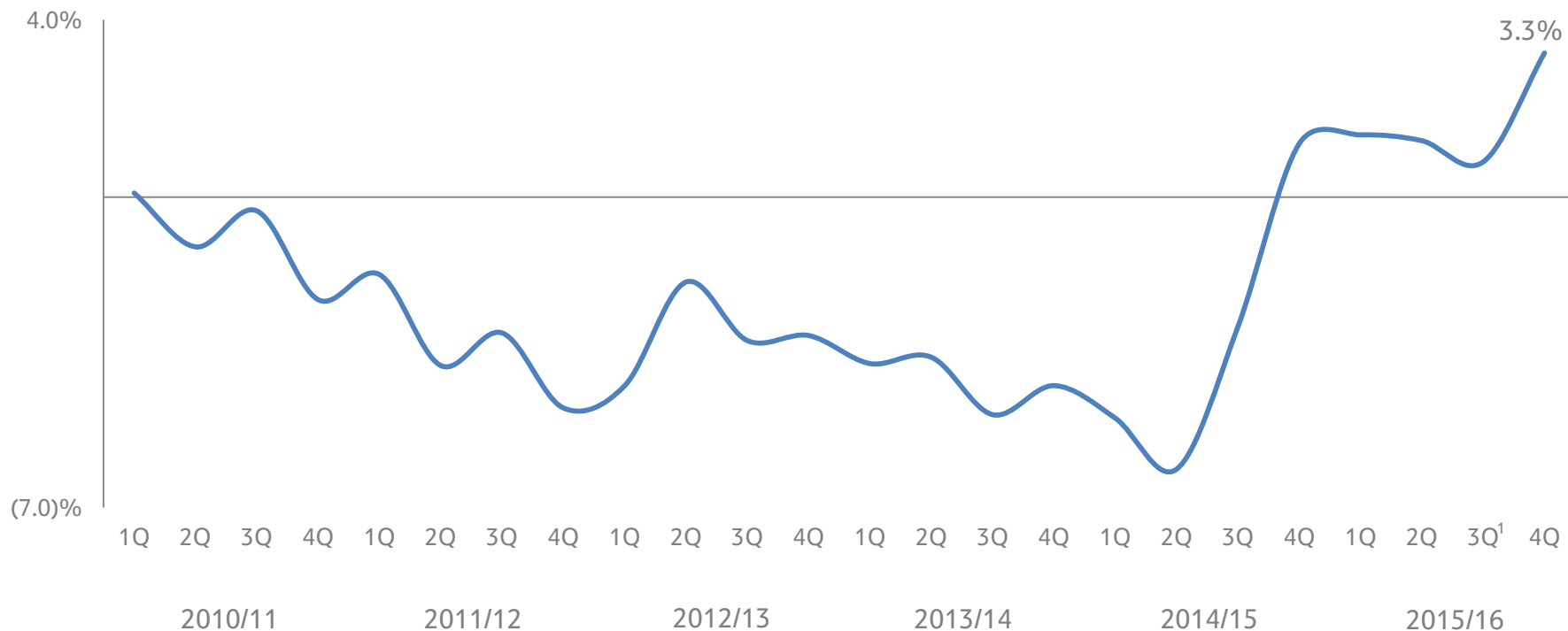


Innovation



UK volume-based recovery

UK like-for-like volume



1. 3Q 15/16 adjusted for the impact of non-repeated coupons in the prior year.

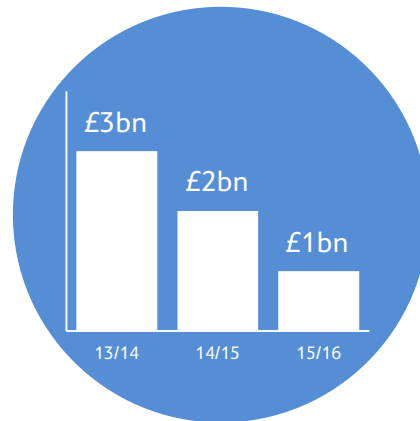
Protecting and strengthening the balance sheet



Pension transition
complete



Sale of Homeplus



Capital discipline



Protecting and strengthening the balance sheet

Acquired
freehold:
21 superstores

March 2015

Agreed sale
of 14 sites
for £250m

October 2015

Acquired
freehold:
36 superstores
13 Extras

February 2016



Rebuilding trust and transparency

5

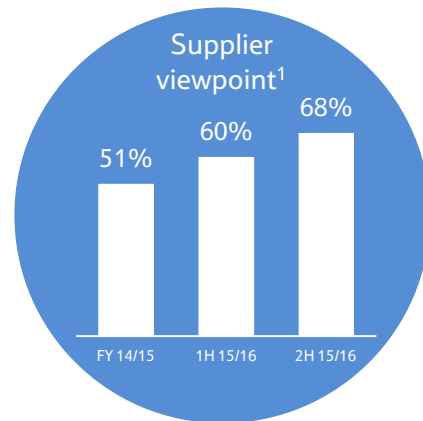
Accept GCA
findings

24 → 5

New commercial
approach

<£100k = 14 days

Payment terms
and on-time
payment



Encouraging
progress

1. Reflects % of UK suppliers responding positively when asked “overall how satisfied are you with your experience of working with Tesco” in Supplier Viewpoint survey

Rebuilding trust and transparency



Charity
partnership



Community Food
Connection

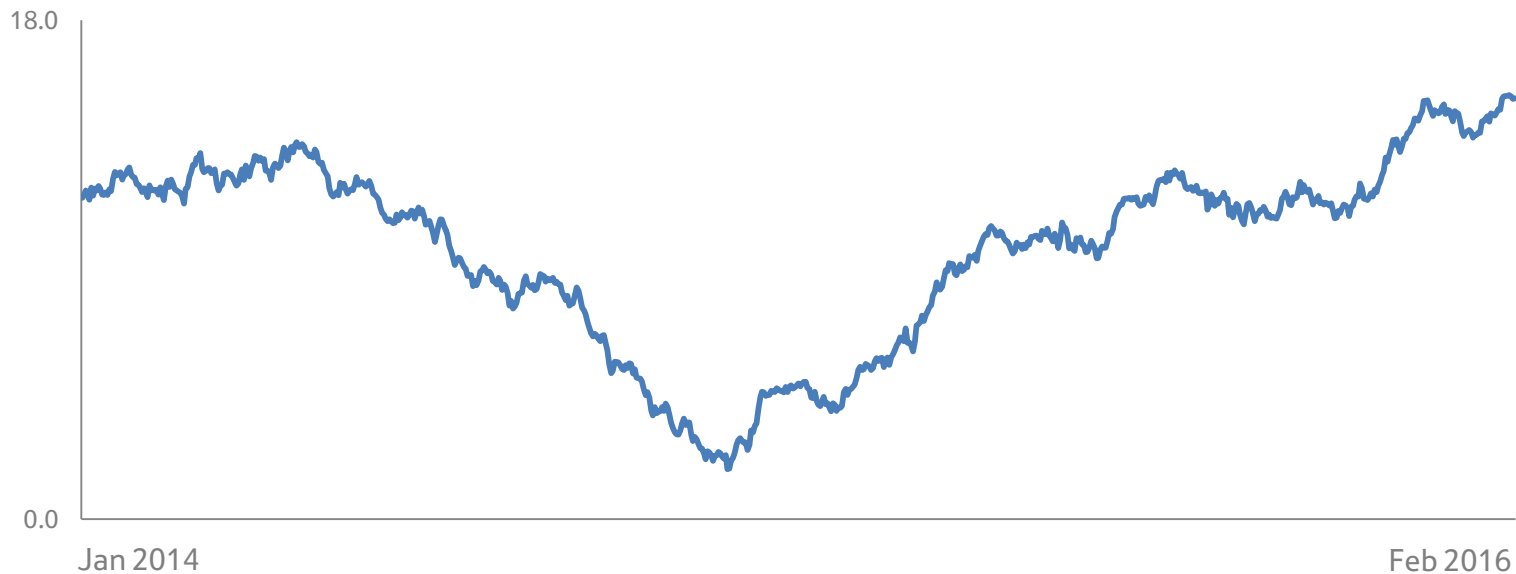


Local community
grant scheme



Rebuilding trust and transparency

BrandIndex Index Score – an overall measure of brand health



Three priorities

- 1 Regaining competitiveness in core UK business
 - ✓ UK transactions up 2.8% in 4Q
- 2 Protecting and strengthening the balance sheet
 - ✓ Total indebtedness £6.2bn lower
- 3 Rebuilding trust and transparency
 - ✓ Customer, colleague, supplier measures all improved



Q1: Positive like-for-like sales growth maintained

+ 0.3%

UK & ROI

+ 2.8%

Europe

+ 3.3%

Asia



Q1: Continued volume growth

+ 2.2%

UK

+ 5%

Fresh meat and produce
outperformance

+2.7%

International



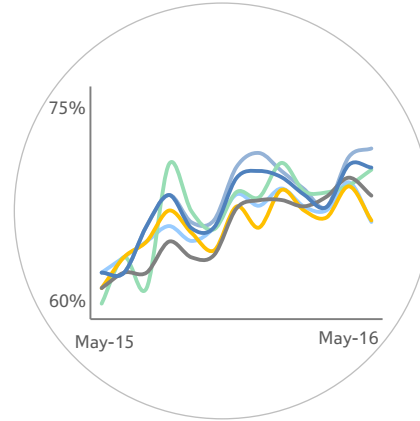
Underpinned by improving customer offer

- 6%

Lower prices



Simpler model



Better service



Greater focus on our core business



“Britain’s Favourite Supermarket”



What's next?

- The customer remains our number one priority
- Remove reasons to shop elsewhere
- Do more of what makes Tesco unique
- Continue to simplify our service model
- Rebuild longer-term profitability....sustainably
- Challenging, deflationary and uncertain market

Removing reasons to shop elsewhere

Value
Equation

=

TESCO
Brand
Guarantee

+

Unique
Tesco
offering

“Little Helps” for customers





Serving Britain's shoppers
a little better every day