



Health and Safety



No scheduled fire alarm tests at any of our venues today



Who's here?

• **Investors:** - representing over 40% of our share capital

- UK, Europe, Asia, USA, Canada

Analysts: - old friends and new!

Supplier partners: - more than 500 years' worth of collaboration

- c.£6bn combined business



Why we're here

Six strategic drivers

- 1. A differentiated brand
- 2. Reduce operating costs by a further £1.5bn
- 3. Generate £9bn cash from operations
- 4. Maximise the mix to achieve a 3.5 4.0% Group margin
- 5. Maximise value from property
- 6. Innovation



Meet the team



... and many more besides



Agenda

9.00 Welcome John Allan, Chairman A differentiated brand Reduce operating costs by a further £1.5bn **Generate £9bn cash from operations** Maximise value from property 12.30 Lunch Maximise the mix to achieve a 3.5 – 4.0% Group margin **Innovation Summary and Q&A** 16.00 Close



Housekeeping



Moving around campus



Refreshments



Here to help







A business that is changing

- Customer at the heart of all we do
- Creating value for key stakeholders
- Fundamental portfolio review
- New Purpose and restatement of core Values
- Strengthening the Board of Directors



The PLC Board



























Most recent appointments













Connecting the Board to the business



In-depth reviews of progress against six strategic drivers



Risk management



Focus on key programmes:

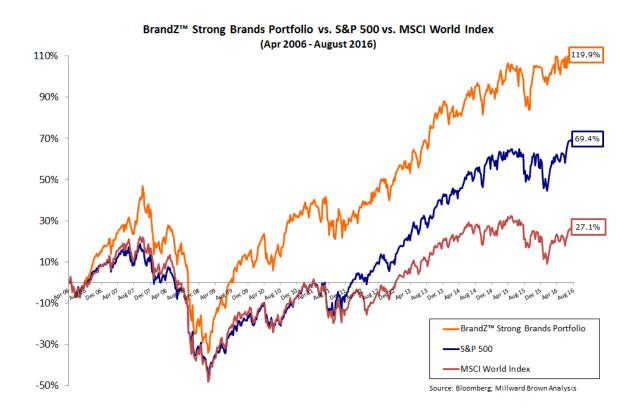
- Management development
- Corporate responsibility







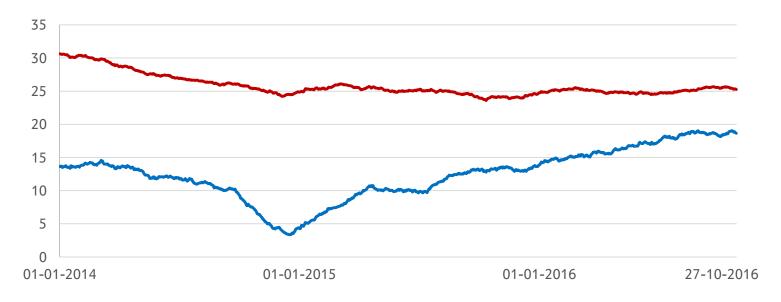
Strong brands create long term value





Rebuilding trust is the key first step

Tesco vs other UK major supermarkets average



Tesco — Other UK major supermarkets



A five 'P' model

- Purpose
- Proposition
- Product
- Price
- Place



Purpose



Proposition: Our value equation



Proposition: Uniqueness



















Proposition: One Tesco







Fewer apps

Account sign-in

Digital Design Language

PayQwiq

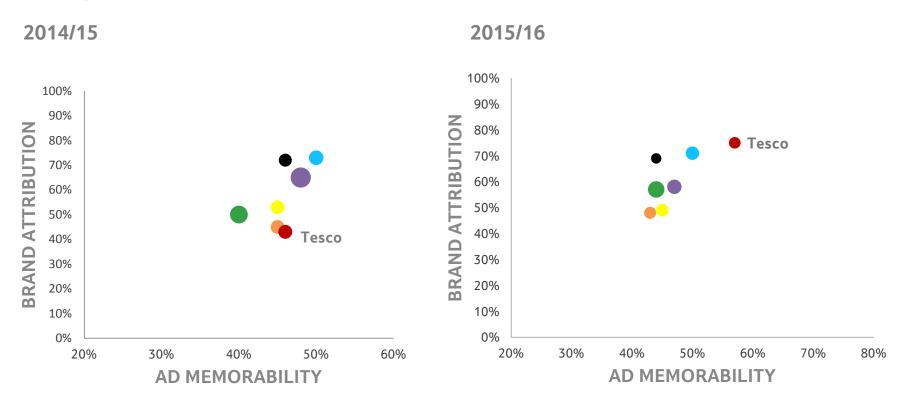


Proposition: Communications

	TESCO	JS	A	The lid! School Of Christmes	JL
Enjoyment	40	33	36	36	33
Branding	4.00	3.48	3.34	3.50	3.48
Active involvement	5.90	3.55	4.86	4.64	2.94
Key message A	59	58	53	28	52
Helpfulness	52	35	31	46	39
Likelihood to shop	32	21	21	34	25
Brand affinity	29	21	24	30	25



Proposition: Communications







Product: Architecture

Customer segmentation

	Market	Tesco		
AB	25.0%	26.0%	Tesco customers = 5.1m	Tesco customers = 5.1m vs.
C1	27.1%	27.8%		
C2	20.7%	20.1%		
D	14.6%	14.5%		
Е	12.6%	11.5%	Tesco customers = 2.3m	Tesco customers = 2.3m vs.



Product: Quality



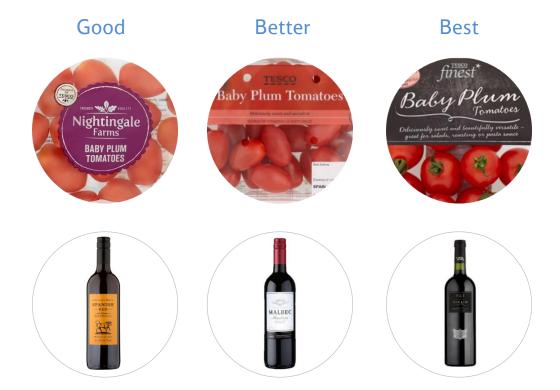


Product: Architecture

Range Architecture	Food Brands @ Tesco	Quality Benchmark	Price Benchmark	Overall Preference
"Best"	finest*	Market leader in quality by food category	No Limit	10 / 10
"Better"	Tesco	Sainsbury's	Asda	8 / 10
"Good"	Exclusively at Tesco	Aldi / Lidl	Aldi / Lidl	6 / 10



Product: Architecture





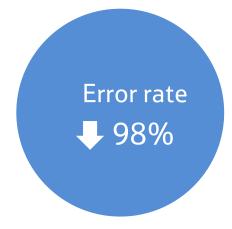
Price



Lower core prices¹



More stable pricing²



Pricing accuracy³



^{2.} Reflects the two year movement in the number of products on multibuy promotion.



^{3.} Reflects the two year reduction in pricing errors from March 2014 to March 2016.

Place: Colleagues as ambassadors





96%

Improved tools¹

Reward & benefits

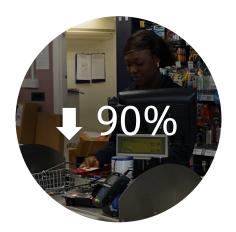
Motivated by Purpose²



^{1.} Reflects the number of weekly searches through the Inform app.

Reflects % of UK colleagues responding positively to question "I understand what our Tesco purpose is" as part of What Matters to You?
 Survey undertaken every January and August.

Place: Stores and working environment







Less bureaucracy 1

Clearer back rooms ²

Stores refreshed ³



^{1.} Reduction in number of in-store checks over any 4 week period, 2015-16.

^{2.} Reduction in food store stock holding over last two years.

^{3.} UK stores refreshed since September 2014.

Place: Community







Community projects¹

Meals to people in need²

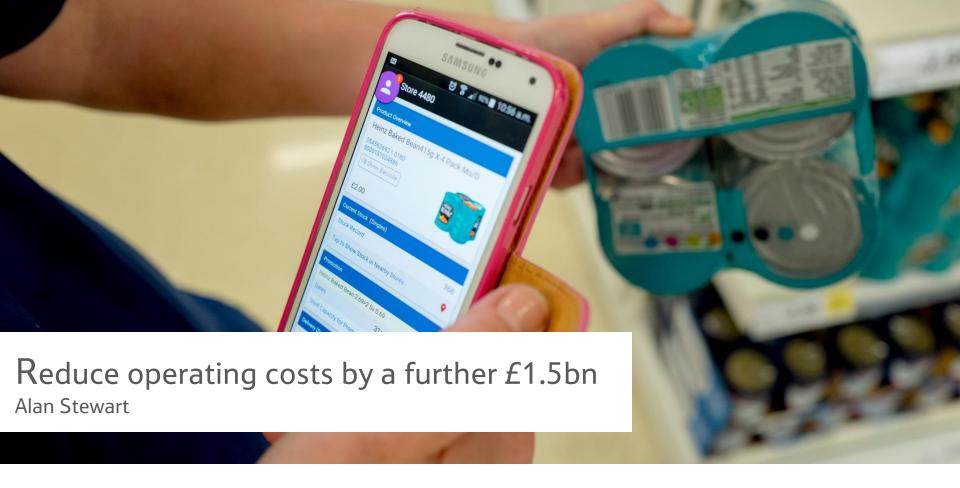
Charity partners³

- 1. Grants provided to local and environmental projects through UK government Bag Charge donations since October 2015.
- 2. Meals donated by Tesco, colleagues and customers to charity and community groups since 2012.
- 3. Funds raised by Tesco, colleagues and customers for National Charity Partnership with Diabetes UK & British Heart Foundation since Jan 2015.



Serving Britain's shoppers a little better everyday







A fresh perspective

- 'Buy-side private equity' approach
- Benchmarking global best-in-class operations
- Clear connection between cost base and strategy
- All opportunities translated back to firm P&L benefit



Progress over the last two years



Cost conscious culture



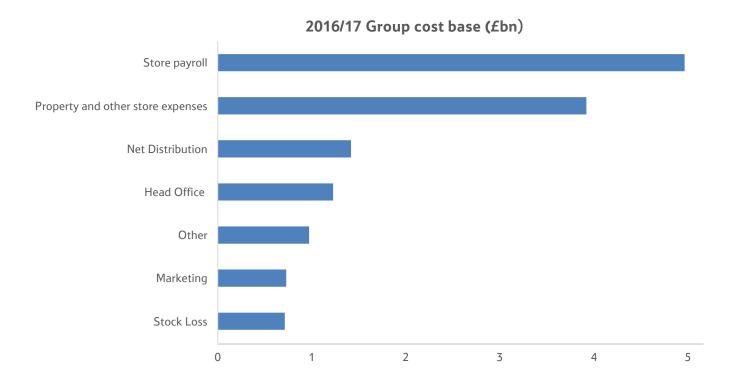
Leaner office structures



Annualised cost savings



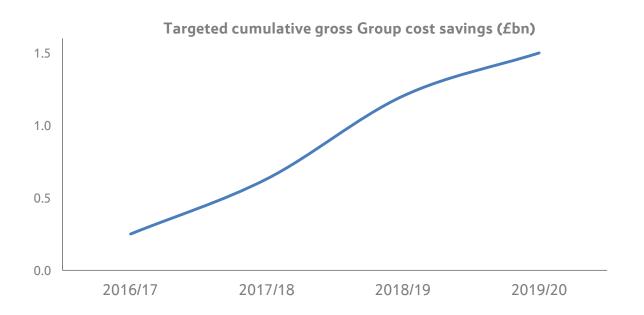
£14bn directly addressable Group cost base







Reducing operating costs by a further £1.5bn





The opportunities



Store operating model



Logistics and distribution



Goods not for resale



Breakout sessions



Store operating model



Logistics and distribution



Goods not for resale



Disclaimer

This document may contain forward-looking statements that may or may not prove accurate. 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", "anticipate", "well- placed", "believe", "estimate", "expect", "target", "consider" and similar expressions are generally intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from what is expressed or implied by the 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. Tesco does not undertake any obligation to update or revise any forward-looking statement to reflect any change in circumstances or in Tesco's expectations.

