Welcome to your AGM
John Allan
Chairman
Serving Britain’s shoppers a little better every day.

16 June 2017
Dave Lewis, Group Chief Executive
Agenda.

• A year of strong performance
• Our six strategic drivers
• 1Q update
• Unlocking new growth
A year of strong performance.

Positive sales growth

Strong profit growth

Strong cash generation
A year of strong performance – UK.

Volume-based recovery: +1.6%
Transaction growth: +1.7%
Increasing footfall: +140,000
A year of strong performance – Better service.

Speed of service

Record helpfulness

Colleagues closer to customers
A year of strong performance – Record availability.

Sales-based availability

Clearer backrooms

Available at all times
A year of strong performance – Price.

Lower prices

Fewer promotions

Depth of promotions
A year of strong performance – Right range.

- **Further range reduction**: 7%
- **Further increase in own label space**: +3%
- **One touch replenishment**: +7% cases
A year of strong performance – A great place to work.

Engaged colleagues

A simpler job

A great place to shop

70%  81%  83%

FY 14/15  FY 15/16  FY 16/17

+7 NPS

FY 15/16  FY 16/17

65%
A year of strong performance – Supplier partners.

Simple, transparent & easy to deal with
Communicates well & available when needed
Treats me fairly

FY 14/15 FY 15/16 FY 16/17

+27% 36% 49% 63%

+30% 44% 67% 74%

+19% 55% 66% 74%
A year of consolidation – International.

Volume growth

Asia
+4.0%

Europe
+0.5%

Sales growth

Portfolio simplification
Our 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
Our six strategic drivers – Progress.

1. A differentiated brand
   • YouGov most improved brand

2. Reduce operating costs by £1.5bn
   • £226m of cost savings

3. Generate £9bn cash from operations
   • £2.3bn retail cash generation

4. Max the mix to achieve a 3.5%-4.0% Group margin
   • Group operating margin 1.8% to 2.3%
   • Released £0.5bn value

5. Maximise value from property
   • 2,422 new products
   • PayQwiq
   • Free From Retailer of the Year

6. Innovation

1Q update.
Like-for-like performance.

Group: +1.0%
UK & ROI: +2.2%
International: (3.0)%
Strong fresh food growth.

Like-for-like sales growth in food: 2.7%

UK fresh food volumes: +1.6%

ROI fresh food volumes: +5.3%
Food Love Stories.

HELEN’S
‘HOMECOMING’ LAMB

FRESH, QUALITY INGREDIENTS
IN STORE AND ONLINE
Helping customers – Value.

‘Our Catalonian climate grows the sweetest, juiciest cherries’ says Maria, fruit farmer.
‘Sweet price, too’ says Tesco.

£4 per kg

Weekly Little Helps

£3

‘The best banger’ said the Grocer magazine.
‘For the best buck’ added Tesco.

Weekly Little Helps

£2

Half price

£49p

For pack on selected topic

£89p

For pack on selected topic

£1.19 chicken fillets

£1.59 chicken fillets
Helping customers – Health.

Charity Round Up
Awareness – Free health checks
Move – 6.6 million miles
Little Swaps
Helpful Little Swaps.

Helpful Little Swaps Basket

Dolmio Bolognese Sauce Low Fat 320g | 75p
Tesco Goodness Cereal Bars Banana 6 x 21g | 89p
Walkers Baked Ready Salted Crisps 6 x 25g | 90p
Nestlé Oat Cheerios Low Sugar 325g | £1
Heinz No Added Sugar Beans 3 x 200g | 84p
Barilla Wholewheat: spaghett 500g | 50p
HP Reduced Salt and Sugar Brown Sauce 450g | £1.38
Tesco No Added Sugar Swiss Style Muesli 1kg | £1.99
Rosedene Farms Small Targy Apples | 49p
Tesco Turkey Breast Stir Fry 450g | £3
Coca Cola Diet Coke 1.25L Bottle | 90p
Tesco Low Fat Greek Style Yoghurt 500g | £1

Total £13.51
Difference £2.86
% Difference 17%

65% lower in saturated fat
38% lower in sugar
27% less salt

17% cheaper
saving £2.86†

Helpful Little Swaps Basket

Regular Basket

Dolmio Original Bolognese Sauce 320g | £1
Banana Bliss Fruit Bars 4 Pack 104g | £1.29
Walkers Ready Salted Crisps 6 x 25g | £1.50
Nestlé Cheerios Cereal 375g | £1.24
Heinz Beans 3 x 200g | £1
Barilla Spaghetti 500g | 75p
HP Top Down Brown Sauce 450g | £1.50
Tesco Swiss Style Muesli 1kg | £1.99
Tesco Milk Chocolate Bar 100g | 60p
Tesco Beef Stir Fry Strips 392g | £3.50
Coca Cola Regular 1.25L Bottle | £1
Tesco Greek Style Yoghurt 500g | £1

Total £16.37**
Consistent tangible progress.

Customer satisfaction

Colleague engagement

Supplier partners

For shareholders
Britain’s favourite supermarket – third year running.
Unlocking new growth.

Creating the UK’s leading food business
The UK’s leading food business.

Improved choice / range
Enhanced volume for efficiency
e.g. full crop utilisation

Incremental to standalone 3.5% – 4.0% margin ambition
The UK’s leading food business.

Growth: At least £25m

Synergies: At least £175m

Multiple: 9x EV/EBIT inc. synergies
Summary.

- Full Year Results ahead of our expectations
  - 30% increase in Group operating profit before exceptional items
  - 60% increase in UK & ROI operating profit before exceptional items
- Strong momentum in 1Q
- Continuing to deliver on our six strategic drivers
- Creating long-term value for all our stakeholders
- Well-placed in a challenging market environment
- Proposed merger with Booker unlocks new growth and creates new volume
Thank you.
Voting