Welcome.

Investors
• 64 individuals, 46 institutions, representing c.46% of our share capital
• Equity and fixed income

Analysts
• 20 sell-side analysts
• Rating agencies

Banking partners
• 12 of the 15 institutions that provide committed facilities to the Group

25 here in Welwyn in November 2016 – welcome back!
Health and safety.

Fire alarm test at c.10am this morning
Disclaimer.

This document may contain forward-looking statements that may or may not prove accurate. Forward-looking statements are statements that are not historical facts; they include statements about Tesco’s beliefs and expectations and the assumptions underlying them. 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.
“Untapped Value Opportunities” *.

Tesco Group Capital Markets Day
18 June 2019
Welwyn Garden City

*with thanks to Trevor Wild.
Objectives for today.

• Share insights in how we run the Group
• Share some of the untapped value opportunities for Tesco
• Review capital allocation model and investment thesis for Tesco
• A chance for you to meet the team and ask any questions
<table>
<thead>
<tr>
<th>Time</th>
<th>Session</th>
<th>Speaker(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9.00</td>
<td><strong>The Tesco Group</strong></td>
<td>Dave Lewis</td>
</tr>
<tr>
<td></td>
<td>Organisation</td>
<td></td>
</tr>
<tr>
<td></td>
<td>The Service Model</td>
<td></td>
</tr>
<tr>
<td>9.30 – 12.00</td>
<td><strong>Three Pillars – Creating Value</strong></td>
<td>Andrew Yaxley</td>
</tr>
<tr>
<td></td>
<td>Product</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Channels</td>
<td>Tony Hoggett</td>
</tr>
<tr>
<td></td>
<td>Customer</td>
<td>Alessandra Bellini</td>
</tr>
<tr>
<td></td>
<td><strong>Coffee Break at 10.15</strong></td>
<td></td>
</tr>
<tr>
<td>12.00</td>
<td>Lunch</td>
<td></td>
</tr>
<tr>
<td>13.00</td>
<td><strong>Maximising the mix within region</strong></td>
<td>Jason Tarry &amp; Charles Wilson</td>
</tr>
<tr>
<td></td>
<td>UK &amp; ROI / Booker</td>
<td>Matt Simister</td>
</tr>
<tr>
<td></td>
<td>Central Europe</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Asia</td>
<td>Alison Horner</td>
</tr>
<tr>
<td>14.30</td>
<td><strong>Coffee Break</strong></td>
<td></td>
</tr>
<tr>
<td>15.00</td>
<td><strong>Group capabilities</strong></td>
<td>Alan Stewart</td>
</tr>
<tr>
<td></td>
<td>Conclusions and Q&amp;A</td>
<td></td>
</tr>
<tr>
<td>16.00</td>
<td>Close</td>
<td></td>
</tr>
</tbody>
</table>
Three key takeaways.

Customer
• We have significant optionality for sustainable competitive growth

Cost
• We have the further cost reduction and mix opportunities that allow us to offset inflation, improve our customer offer and/or increase margin

Cash
• We have the systems and processes which enable us to enhance cash growth ahead of profit

Applied technology
Our view of the world.

Customer satisfaction

Cash profit

EPS expansion

Free cash flow generation

N.B.

Sales ex. Fuel

Quantum sales, not LFL

Contract volume, not aggregate volume

Quantum cash profit, not percentage
Three key stakeholders.

- **Customers**
  - BrandIndex Score (Feb 2014 – Feb 2019)
  - I would recommend Tesco as a Great Place to Work (Aug 2014 – Jan 2019)

- **Colleagues**
  - Supplier Viewpoint Survey (FY 2014/15 – FY 2018/19)

- **Suppliers**
  - BrandIndex Score (Feb 2014 – Feb 2019)
  - I would recommend Tesco as a Great Place to Work (Aug 2014 – Jan 2019)

*Note: The charts show trends and scores over the specified periods.*
The service model.

Ten end-to-end processes form an integrated service model:

1.0 Develop Integrated Strategies and Business Plans
2.0 Develop Propositions and Communications for Customers
3.0 Buy and Manage Products for Customers
4.0 Fulfil Products to Customers
5.0 Serve Products to Customers
6.0 Deliver Financial Accounting, Reporting and Control
7.0 Manage Colleague Experience
8.0 Buy and Manage Goods and Services not for Resale
9.0 Manage Property Lifecycle
10.0 Develop and Manage Technology Products
The service model – an example.

Property Level 1,2&3 – Manage Property Lifecycle

L1 Process Objective
Maximising value and minimising cost of the Tesco estate, whilst meeting customer needs.

L2 - 9.1 Develop Property Plan

9.1 Planning
- Define Land and Property Requirements
- Analyse Customer Preferences
- Develop a High Level Indicative Strategic Plan

9.2 Acquire, Optimise or Dispose of Property

9.2.1 Acquire Property
9.2.2 Optimize Property
9.2.3 Dispose Property

9.3 Design & Develop Space

9.3.1 Produce Plan
- Develop Conceptual Design
- Plan Internal and External Layout

9.4 Maintain Estate

9.4.1 Operate, Maintain and Deliver the Estate

9.5 Manage Estate

9.5.1 Manage the Leasehold and Development of the Estate
- Manage the Costs of the Estate
- Perform Energy Conservation

9.6.1 Manage and Update Property Data

9.6.2 New or Extended Operational Timetables

9.6.3 Generate Income from the Estate

9.6.4 Adjust and Update Financial Strategies
The service model – an example.

### Property and Tesco Business Services

We have an agreed Group wide transition plan for Tesco Business Services for the next 3 years we are 1 year into our plan.

**Current State**

<table>
<thead>
<tr>
<th>UK</th>
<th>CE</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Formats and Blueprints</td>
<td>4. Formats and Blueprints</td>
<td>4. Formats and Blueprints</td>
</tr>
</tbody>
</table>

**End State 3 Years**

<table>
<thead>
<tr>
<th>UK</th>
<th>CE</th>
<th>Asia</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Formats and Blueprints</td>
<td>4. Formats and Blueprints</td>
<td>4. Formats and Blueprints</td>
</tr>
</tbody>
</table>

**Legend**

- No or very small activity performed by TSB
- Some activity performed by TSB
- Significant activity performed by TSB
Three pillars.

PRODUCT
- Design/Sourcing
- Procurement
- Distribution & Logistics
- Own Label & Category Management

CHANNEL
- SHOPPER INSIGHT
  - LARGE STORES
  - SMALL STORES
  - ONLINE
  - WHOLESALE

CUSTOMER
- COLLEAGUE AND CUSTOMER FEEDBACK
Product.

Partner insights and propositions

Tesco insight and dunnhumby analysis

Customer insights

Product development
Buy
Category management
Channel specific category plans

Large stores
Small stores
Online
Wholesale
Creating value: Three pillars.

Three groups
• Check your badge
• Keep to time
• Follow your leader

<table>
<thead>
<tr>
<th>Group</th>
<th>9.30 -10.15</th>
<th>10:15-10:30</th>
<th>10:30-11:15</th>
<th>11:15 – 12:00</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group 1</td>
<td>Product (Test kitchens)</td>
<td>Break</td>
<td>Channels (Express store)</td>
<td>Customer (Auditorium)</td>
</tr>
<tr>
<td>Group 2</td>
<td>Channels (Express store)</td>
<td>Break</td>
<td>Customer (Auditorium)</td>
<td>Product (Test kitchens)</td>
</tr>
<tr>
<td>Group 3</td>
<td>Customer (Auditorium)</td>
<td>Break</td>
<td>Channels (Express store)</td>
<td></td>
</tr>
</tbody>
</table>
Creating value: Product.

Andrew Yaxley
Product: Creating value.

Customer

Cost

Cash
**Product:** Customer - Own Brand capability.

<table>
<thead>
<tr>
<th>TESCO</th>
<th>First 12 months Sales (£m)</th>
<th>Partners</th>
<th>First 12 months Sales (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Farm Brands</td>
<td>547</td>
<td>Fosters</td>
<td>45</td>
</tr>
<tr>
<td>Exclusively at Tesco</td>
<td>380</td>
<td>McVities</td>
<td>38</td>
</tr>
<tr>
<td>Fox &amp; Ivy</td>
<td>46</td>
<td>Coca Cola</td>
<td>36</td>
</tr>
<tr>
<td>Carousel</td>
<td>24</td>
<td>Tropicana</td>
<td>36</td>
</tr>
<tr>
<td>Go Cook</td>
<td>20</td>
<td>Persil</td>
<td>36</td>
</tr>
</tbody>
</table>

Total Tesco Own Brand sales of £17.7bn, including F&F £1.2bn

1. A new launch is defined as a product with a new TPNB, therefore reformulation and repackaging is not included. Exclusively at Tesco contains 9 brands, Farm Brands contains 8 separate brands.
**Product:** Customer – Differentiation.

Supplier partners

£26m brand
9m units
Product: Customer – when we get it right, we win.

11k mentions on Twitter, Instagram and Facebook in first week

14 national news articles

Bloggers broadened our reach to 4.7m people
**Product:** Customer - Brand extension.

- New product development and range expansion
- New plant-based brand launching soon
- Opportunity: Plant-based category leadership with over 300 lines
Product: Customer - F&F

A differentiated brand with global appeal

<table>
<thead>
<tr>
<th>Sales</th>
<th>£1.7bn</th>
</tr>
</thead>
<tbody>
<tr>
<td>VolumeShare</td>
<td>8%</td>
</tr>
<tr>
<td>&gt;10% Operating margin</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Large store space</th>
</tr>
</thead>
<tbody>
<tr>
<td>Small stores penetration</td>
</tr>
<tr>
<td>Online</td>
</tr>
</tbody>
</table>

| £16.56 spend per customer |
| ASP +5.1% |
| Win share |

Strong core Channel opportunity Growth
Product: Customer – General Merchandise.

Focusing on consolidating continuity vs new, with an opportunity to take UK brand development and rollout across the group.

Driving a 30% total range reduction, resulting in +£3/sq. ft. operating profit.

Consolidation efforts lead to Fox & Ivy +12.5% pts vs average commercial gross margin, and Go Cook +18.8% pts.

Focus on improved operating model and brand differentiation.
Product: Customer - Exclusively at Tesco.

Reducing switching of value conscious customers

<table>
<thead>
<tr>
<th></th>
<th>Q1 2018</th>
<th>Q1 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>SKUs</td>
<td>96</td>
<td>409</td>
</tr>
<tr>
<td>Baskets</td>
<td>18.4%</td>
<td>25.5%</td>
</tr>
<tr>
<td>Distribution</td>
<td>64,464</td>
<td>244,520</td>
</tr>
</tbody>
</table>

1. Exclusively at Tesco includes our Farm Brand lines. Basket penetration is % of total baskets containing that set of product lines within the time period. Distribution points refers to number of lines multiplied by number of large stores in which they are ranged.
**Product:** Customer – Exclusively at Tesco.

<table>
<thead>
<tr>
<th>Competitor A</th>
<th>Competitor L</th>
</tr>
</thead>
<tbody>
<tr>
<td>£32.40</td>
<td>£33.18</td>
</tr>
<tr>
<td>+ 2.41%</td>
<td>+ 4.57%</td>
</tr>
</tbody>
</table>

1. Prices based on a basket of 28 products, w/c 10 June 2019. Basket compared to equivalent lines at lowest cost competitors.
Exclusively at TESCO

Introducing our best value brands
**Product: Customer – Jack’s.**

- Different mission, targeted range
- 8 out of 10 food products grown, reared or made in Britain
- 2,900 lines – 2,600 Food & 300 GM
- All sourced from existing Tesco suppliers, and to Tesco standards
- Price benchmarked against Aldi & Lidl
- Simpler merchandising and range / price architecture
Product: Cost – Project Reset.

- Creating Strategic partnerships
- Develop expertise & innovation
- Deliver savings
**Product:** Cost – Project Reset.

Own Brand Food COGs

- **Reviewed:** £2.7bn
- **Opportunity:** £8.2bn

Reviewed: >5% saving¹

1. Saving is based on future contract savings already agreed.
**Product:** Cost – Project Reset.

Achieved through consolidation with our partners

**Average volume (units) per supplier**

- **Produce:** +22%
- **Prepared:** +49%
- **Grocery:** +35%
- **Average:** +35%

**Number of suppliers reduced**

- Produce: 7
- Prepared: 13
- Grocery: 20

Note: only includes in-scope areas of each of these categories.
**Product:** Cost – Project Reset: Potatoes.

Value chain: Cost structure

- Unlocking primary efficiencies
- Crop utilisation
- 9% COGs saving
**Product:** Cost – Sourcing reset: Ready meals.

Supply chain analysis

- £30m factory investments
- Accessing best innovation and technical expertise
- 5% COGs savings
Product: Cost – TESCO Carrefour Alliance.

- 23
- c.£12bn
- c.£3bn

Global agreements

Own Brand in scope

Goods and services not for resale
Product: Cost – TESCO Alliance.

- **Product 1:** Baby diapers
- **Product 2:** Kitchen foil
- **Product 3:** Kitchen foil
- **Product 4:** Food packaging

TESCO and Carrefour logos are also visible on the page.
Product: Cost – Supply chain.

- Sustainable farming groups
- Direct sourcing model
- Investing in technology

- £7.5m p.a. savings
- £15m p.a. waste saving in Fresh
### Product: Cash - Payment days.

<table>
<thead>
<tr>
<th>Company</th>
<th>Average time to pay (days)¹</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tesco</td>
<td>40</td>
</tr>
<tr>
<td>Aldi</td>
<td>42</td>
</tr>
<tr>
<td>Asda</td>
<td>44</td>
</tr>
<tr>
<td>Morrisons</td>
<td>48</td>
</tr>
<tr>
<td>Lidl</td>
<td>49</td>
</tr>
<tr>
<td>Sainsbury’s</td>
<td>51</td>
</tr>
<tr>
<td>Unilever</td>
<td>62</td>
</tr>
<tr>
<td>Diageo</td>
<td>76</td>
</tr>
<tr>
<td>Kellogg Company</td>
<td>91</td>
</tr>
</tbody>
</table>

Effective September 2019 – best in marketplace

+2 days extension

£85m working capital opportunity

14 day terms for 752 small suppliers (vs. 380)


-Bulk merchandising
-Range optimisation
-Space utilisation
-Next Gen forecasting

25% stock reduction in the last 5 years

Simpler store initiatives

International working capital cycle

<table>
<thead>
<tr>
<th>Supplier</th>
<th>Stock days</th>
<th>Payment days</th>
<th>Net days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supplier A</td>
<td>53</td>
<td>(26)</td>
<td>(27)</td>
</tr>
<tr>
<td>Supplier B</td>
<td>42</td>
<td>(20)</td>
<td>(22)</td>
</tr>
<tr>
<td>Supplier C</td>
<td>52</td>
<td>(32)</td>
<td>(20)</td>
</tr>
</tbody>
</table>

*Brexit & Booker included
Product: Cash – Trading platform.

myProduct Suite
Bespoke, Cloud based, Transparent with embedded Data Science

Cost Control process
Deals £25m faster income recognition
Promotions 1% = £3m

International rollout starts in H2 19/20
Creating value: Channels.

Tony Hoggett
Channels: Cost to serve model.

A unique, new Group capability

- Web-based dynamic tool
- Combining store, product and customer information
- By SKU, by store department, by customer segment: 440 billion data points
- Real-time prioritisation and decision support analysis e.g.
  - Operating model simplification
  - Range optimisation
  - Space utilisation
Video demonstration of cost to serve.
SD All- Group View
(Total Sales Ex Vat: M, Total Space: 40.87M)
Store X: +20%

Store Y: (2)%

Store:
One size does not fit all
c.£340m opportunity

Category A:
Space, Range, Stockloss, Payroll
c.£200m opportunity

SKU:
Distribution productivity
c.£120m opportunity

Channels: Cost to serve model.
Channels: Group overview.

<table>
<thead>
<tr>
<th></th>
<th>Large stores</th>
<th>Small stores</th>
<th>Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>UK</td>
<td>797</td>
<td>2,635</td>
<td>338</td>
</tr>
<tr>
<td>ROI</td>
<td>102</td>
<td>50</td>
<td>31</td>
</tr>
<tr>
<td>Central Europe</td>
<td>391</td>
<td>504</td>
<td>41</td>
</tr>
<tr>
<td>Asia</td>
<td>455</td>
<td>1,583</td>
<td>16</td>
</tr>
<tr>
<td>Total</td>
<td>1,745</td>
<td>4,772</td>
<td>426</td>
</tr>
</tbody>
</table>
Repurposing space
4m sq. ft. Global repurpose done and another 4m sq. ft. to go
UK: 322,000 sq. ft. → £30m increased annual revenue generation

Improved operating model
c.£300m+ opportunity

Tailored proposition
Counters: £64m saving
£168m cost base

Channels: Customer proposition: Large stores.
Channels: Customer proposition: Small stores.

Express
- 200bps CGM improvement
- 20% operating cost reduction
- 25% capital reduction
- More new stores; more refreshes

One Stop
- 30 new stores
- 75 franchise
- 10% cost reduction
- 80bps CGM improvement

Note: Express figures shown are from a 20-store trial; One Stop figures relate to targeted improvements; finest* figures relate to an illustrative concept model.

*finest opportunity?
- 35% CGM
- 28% operating cost
- 7% operating profit
Channels: Customer proposition: Online.

Today

- Fulfillment Centre
  - Store picking
  - Customer Fulfilment Centres

Tomorrow

- Store picking
  - Customer Fulfilment Centres
  - Back of store picking
  - Urban Fulfilment Centres

Pick & Pack

- Manual picking
  - Automated picking (CFCs)

- Velocity-based picking
  - Manual picking
  - Automated picking (UFC and CFCs)

Delivery Model

- Van
  - Click & Collect

- Van / Click & Collect
  - Car / Bike / Robot
  - Unattended delivery / lockers
  - Crowd delivery
  - Gig economy

First Urban Fulfilment Centre opening within 12 months

+35% Capacity

+20% Productivity

+15% Productivity
Urban fulfilment centre video.
**Channels:** Customer proposition: Jack’s.

**Sales**
- 9 stores so far
- £24m sales to date

**Customer**
- 64% prompted awareness
- 55% NPS
- 88% low prices
- 80% quality & price

**Model**
- 17 learnings
- Fresh 5; Bake Off;
- Data Embedded
- Barcodes
Channels: Customer proposition: Jack’s: Rawtenstall.

An interesting model
Total operating cost: (10)%
CGM: c.15%
EBIT: c.5%

40,000 sq.ft.
Jack’s + brands + GM
EDLP + extra savings on bulk purchases
Enhanced simplicity

Low cost model
**Channels: Cost: Global Service Model.**

£14bn
Total base operating cost

>£2bn cost savings to date
Including pre-2016 savings + £1,352m since October 2016

5 COOs
Work together to develop future cost reduction opportunities
**Channels:** Cost: Global Service Model.

- **Bakery**
  - £135m: Global cost

- **Checkout**
  - £1.7bn: Global cost
  - c.£360m opportunity

- **Goods and services not for resale**
  - c.£500m opportunity
Channels: Cash: Moving transactions to digital.

£401m
Cash in circulation

49%
Transactions paid by cash

£68m
Cash handling opportunity

Reduce circulation
Reduce cost of handling

Cash management transformation
Leveraging existing and new Group-wide solutions

Moving transactions to digital
In line with customer demand
### Channels: Cash: Accelerating cashless across checkouts.

<table>
<thead>
<tr>
<th>Channels</th>
<th>Today</th>
<th>2 years</th>
<th>5 years</th>
<th>x years</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SAYS / Mobile</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>73%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Self Service</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>All</td>
<td>51%</td>
<td>80%</td>
<td>100%</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Main Bank</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Large</td>
<td>49%</td>
<td>65%</td>
<td>80%</td>
<td>100%</td>
</tr>
<tr>
<td>Small</td>
<td>35%</td>
<td>55%</td>
<td>75%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Channels: Utilising technology to improve how we serve customers, to lower the cost base and to improve cash.
Starship video.
Channels: Heart Express – technology in action.
Creating value: Customer
Alessandra Bellini
Creating value: Customer.

Customer
Segmentation, Own Brands and Loyalty

Cost
Communication & Media effectiveness Digitisation

Cash
Combining Loyalty and Payment
**Customer**: We are a broad church.

<table>
<thead>
<tr>
<th></th>
<th>Market</th>
<th>Tesco</th>
</tr>
</thead>
<tbody>
<tr>
<td>AB</td>
<td>25.1%</td>
<td>25.4%</td>
</tr>
<tr>
<td>C1</td>
<td>28.9%</td>
<td>29.3%</td>
</tr>
<tr>
<td>C2</td>
<td>19.1%</td>
<td>19.0%</td>
</tr>
<tr>
<td>D</td>
<td>14.9%</td>
<td>14.8%</td>
</tr>
<tr>
<td>E</td>
<td>12.1%</td>
<td>11.4%</td>
</tr>
</tbody>
</table>

Source: Data from Kantar Worldpanel 52 weeks ending 19th May 2019.

**6.0m customers**

**5.9m customers**

**2.7m customers**

**2.4m customers**
Customer: Segmentations.

Who
- Tesco Families
- Food Personas
- Food Needs Framework

What
- Value Metrics

How
- Shopping Missions
- Loyalty

Framework
**Customer: Segmentation – Tesco families.**

<table>
<thead>
<tr>
<th>Name</th>
<th>Pre-family</th>
<th>Lower affluence family</th>
<th>Higher affluence family</th>
<th>Lower affluence post-family</th>
<th>Higher affluence post-family</th>
</tr>
</thead>
<tbody>
<tr>
<td>Roshni</td>
<td>Pre-family</td>
<td>Spontaneous, social, unstructured</td>
<td>Busy, stretched, stressed</td>
<td>Comfortable, social, local</td>
<td>Comfortable, active, enjoyable</td>
</tr>
<tr>
<td>The Wicks</td>
<td>Lower affluence family</td>
<td>£34k avg. household income</td>
<td>£26k avg. household income</td>
<td>£75k avg. household income</td>
<td>£15k avg. household income</td>
</tr>
<tr>
<td>The Mayers</td>
<td>Higher affluence family</td>
<td>Busy, stretched, stressed</td>
<td>Busy, challenging, tiring</td>
<td>Comfortable, social, local</td>
<td>Comfortable, active, enjoyable</td>
</tr>
<tr>
<td>Carol</td>
<td>Lower affluence post-family</td>
<td>£21 avg. basket size, low freq.</td>
<td>£13 avg. basket size, low freq.</td>
<td>£13 avg. basket size, low freq.</td>
<td>£14 avg. basket size, low freq.</td>
</tr>
<tr>
<td>Dawn</td>
<td>Higher affluence post-family</td>
<td>£19 avg. basket size, low freq.</td>
<td>£19 avg. basket size, low freq.</td>
<td>£19 avg. basket size, low freq.</td>
<td>£19 avg. basket size, low freq.</td>
</tr>
</tbody>
</table>

- 4.1% have Tesco Mobile
- 6.8% have at least one Tesco Bank product
- 7.4% have Tesco Mobile
- 9.9% have at least one Tesco Bank product
- 6.8% have at least one Tesco Bank product
- 7.4% have Tesco Mobile
- 9.9% have at least one Tesco Bank product

Source: Data from Kantar Worldpanel 52 weeks ending 19th May 2019.
**Customer: Own Brand architecture, differentiated propositions.**

<table>
<thead>
<tr>
<th>Tier</th>
<th>Brand</th>
<th>Quality Benchmark</th>
<th>Price Benchmark</th>
<th>Preference</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Best”</td>
<td></td>
<td>Market leader in quality by food category</td>
<td>No Limit</td>
<td>10 / 10</td>
</tr>
<tr>
<td>“Better”</td>
<td></td>
<td>Sainsbury’s</td>
<td>Asda</td>
<td>8 / 10</td>
</tr>
<tr>
<td>“Good”</td>
<td></td>
<td>Aldi</td>
<td>Aldi</td>
<td>6 / 10</td>
</tr>
</tbody>
</table>
Customer: Quality and Branding advancing together.

2015

Blind: 6.10 5.90
Branded: 6.05 6.22

2018

Blind: 6.51 6.46
Branded: 6.34 6.27

Tesco  Competitor
Customer: Differentiation through exclusive brands.
Customer: Loyalty through Clubcard.

23 years of customer data driving business decisions

60% of the UK population actively use a Clubcard

19m Clubcard households

48% of members say they shop at Tesco because of Clubcard

8+ Number of extra items loyal Clubcard customers put in their weekly basket

Source: dunnhumby.
Customer: Tesco touches more household spend than anyone.
Customer: Loyalty – most valuable customers.

+1% of customers in each group to engage with one extra benefit

~£320m revenue opportunity per year
Customer: Loyalty proposition already competitive.

<table>
<thead>
<tr>
<th></th>
<th>TESCO Clubcard</th>
<th>‘Prime’</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appealing</td>
<td>64%</td>
<td>42%</td>
<td>+22</td>
</tr>
<tr>
<td>Relevance</td>
<td>64%</td>
<td>43%</td>
<td>+21</td>
</tr>
<tr>
<td>Uniqueness</td>
<td>32%</td>
<td>46%</td>
<td>-14</td>
</tr>
<tr>
<td>Great fit with Tesco</td>
<td>73%</td>
<td>51%</td>
<td>+22</td>
</tr>
<tr>
<td>Easy to understand</td>
<td>82%</td>
<td>69%</td>
<td>+13</td>
</tr>
<tr>
<td>Would be convenient for me</td>
<td>67%</td>
<td>47%</td>
<td>+20</td>
</tr>
</tbody>
</table>

Base: BASIS research. All respondents rating each concept [n=varies, min=659]
Customer: Loyalty – Colleague Clubcard Plus.

- 74k colleagues joined
- Spend £8.68 a week more on groceries, driving £8.5m incremental spend
- Average number of additional Tesco services amongst subscribers 2.02 vs. 1.5 average
**Customer:** Promotional spend is indiscriminate.

<table>
<thead>
<tr>
<th>Tesco UK grocery sales</th>
<th>Average market promotional participation</th>
<th>Implied ‘Give Away @ 20%’</th>
</tr>
</thead>
<tbody>
<tr>
<td>c.£32bn</td>
<td>35% ~ £11bn</td>
<td>c.£2bn</td>
</tr>
</tbody>
</table>
To celebrate 106 years of great value at Tesco, we’re giving you Clubcard Prices this month. It’s our way of saying thanks for being a Clubcard customer. Get ready by downloading the app.

Selected Stores. Subject to availability. Offer valid from 07/05 to 26/05. To qualify you must present your Clubcard/app at the time of purchase.
Customer: Loyalty – Clubcard Pricing.

Penetration: +16.5%
Customer appeal: 84%
Sales uplift: +45%
Customer: Loyalty – enhancing the offer.

Collect

Tesco

£100 spend in Tesco = 100 points
Fuel Pumps, Tesco Bank, Tesco Mobile

Spend

Receive vouchers cash value

Convert to Avios or Virgin Miles

Spend at Tesco 1% at face value

Spend at partners 3x the points

Spend with Avios or Virgin Miles
**Customer: Loyalty – enhancing the offer.**

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<th>Tesco</th>
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<td>Fuel Pumps, Tesco Bank, Tesco Mobile</td>
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</table>

**+ Save money**

**Member pricing**

<table>
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<tr>
<th>Spend</th>
<th>Receive vouchers cash value</th>
<th>Convert to Avios or Virgin Miles</th>
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</thead>
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<td>Spend at Tesco 1% at face value</td>
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<td>Spend with Avios or Virgin Miles</td>
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**Spend**

**Receive vouchers cash value**

**Convert to Avios or Virgin Miles**

**Spend at partners 3x the points**

**Spend with Avios or Virgin Miles**
Customer: Loyalty – enhancing the offer.

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<th>Collect</th>
<th>Tesco</th>
<th>+ Save money</th>
<th>Member pricing</th>
<th>Clubcard Plus</th>
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<tr>
<td></td>
<td>£100 spend in Tesco = 100 points Fuel Pumps, Tesco Bank, Tesco Mobile</td>
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<td></td>
</tr>
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</table>
Customer: Cost: Media effectiveness.
Customer: Cost: +70% Share of Voice with 15% less spend.

Marketing spend (£m)

- 10% SOV
- 17% SOV
- 17% SOV

16/17
17/18
18/19

Media
Non-media

Source: Nielsen AdDynamix
Media expenditure includes ATL media (TV, VOD, online video, radio, publishing, OOH and paid social) and performance marketing (PPC and digital display).
Customer: Cost: focus on efficiency through media cost savings.

UK

23% price improvement

£35m savings so far

International

£26m three year opportunity

Source: Ebiquity.
Total expenditure includes ATL media (TV, VOD, online video, radio, publishing, OOH and paid social) and performance marketing (PPC and digital display).
Customer: Cost: Improving return on advertising investment.

£2.60 return on investment

Quality perception from 21.6% to 25.3%

Value perception from 16.6% to 18.3%

Source: MediaCom Business Science, YouGov.
Customer: Cost: Christmas campaign effectiveness.

Most emotionally engaging Supermarket ad
Customer: Cash: Frictionless shopping – payment strategy.

- Grow sales through simple, integrated payment journeys
- Embed Clubcard within Tesco’s own payment
- Reduce cost of payments through PSD2 to enable direct from account payments

Reduce the c.£100m cost of interchange and fees in payments today
Lunch.
Disclaimer.

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