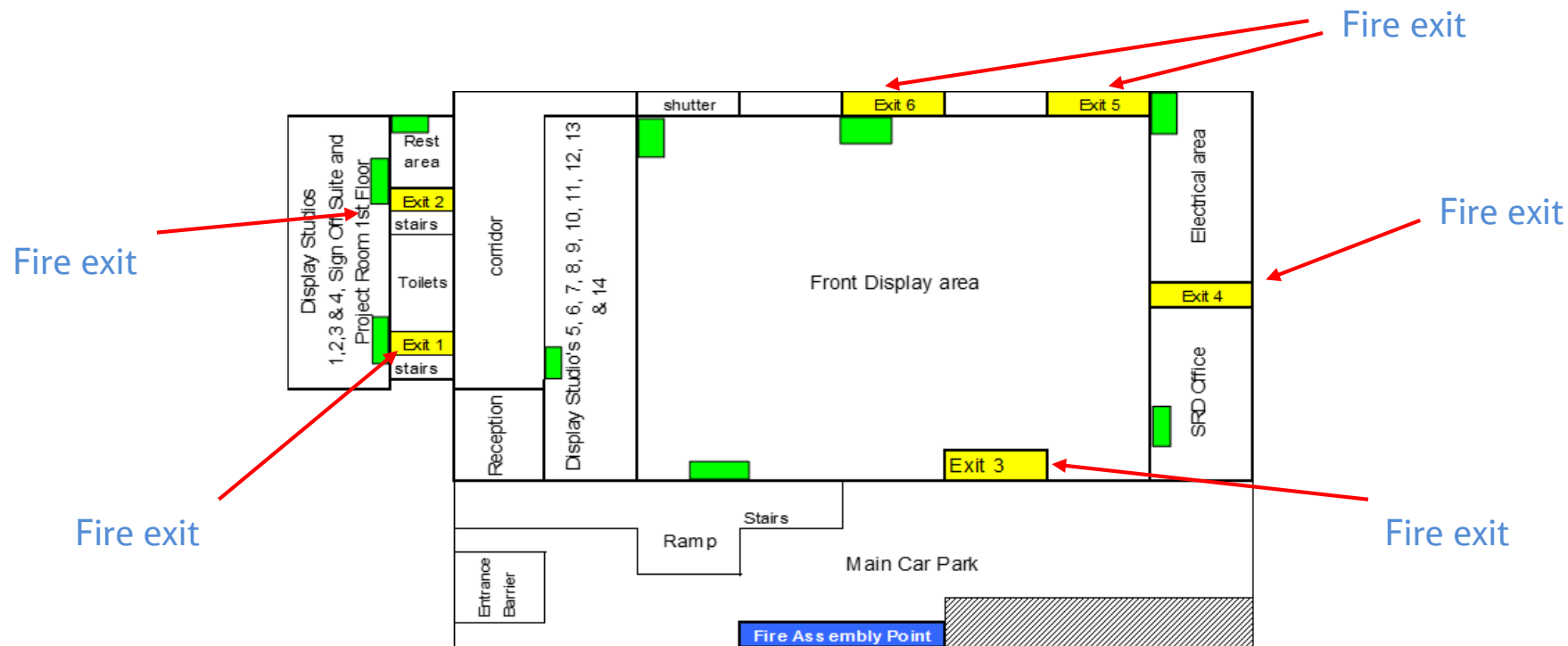




Tesco Investor and Analyst Seminar

Health and Safety





Maximising the mix to achieve a 3.5% – 4.0% Group margin

Trevor Masters, Matt Davies, Duncan Hoy, Adrian Letts,
Kari Daniels

Four levers

Geography

Portfolio

Channel

Product

Geography



UK & ROI



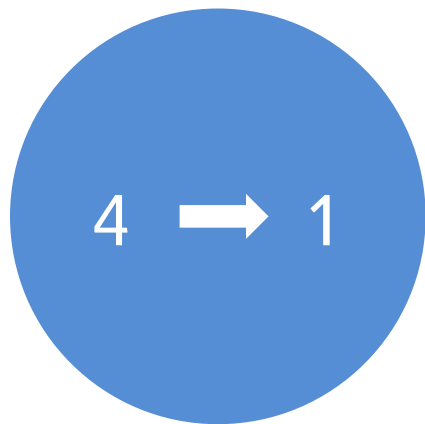
Asia



Europe



Business portfolio



One Europe



Turkey disposal



Malaysia restructure



Group simplification

International: Channel + Product



International: Repurposing of space

Surat Thani example, Tesco Lotus

↓ 20%

Retail selling area

↑ 28%

Sales density

↑ 17%

Profit contribution



International: Mall strategy



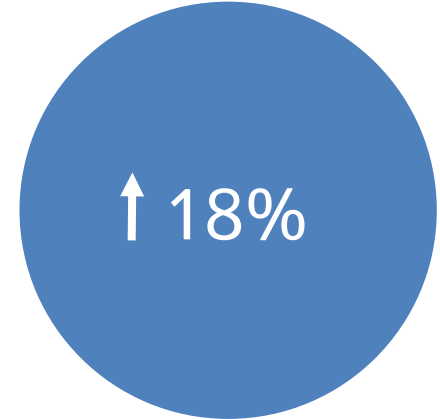
Family



Offer

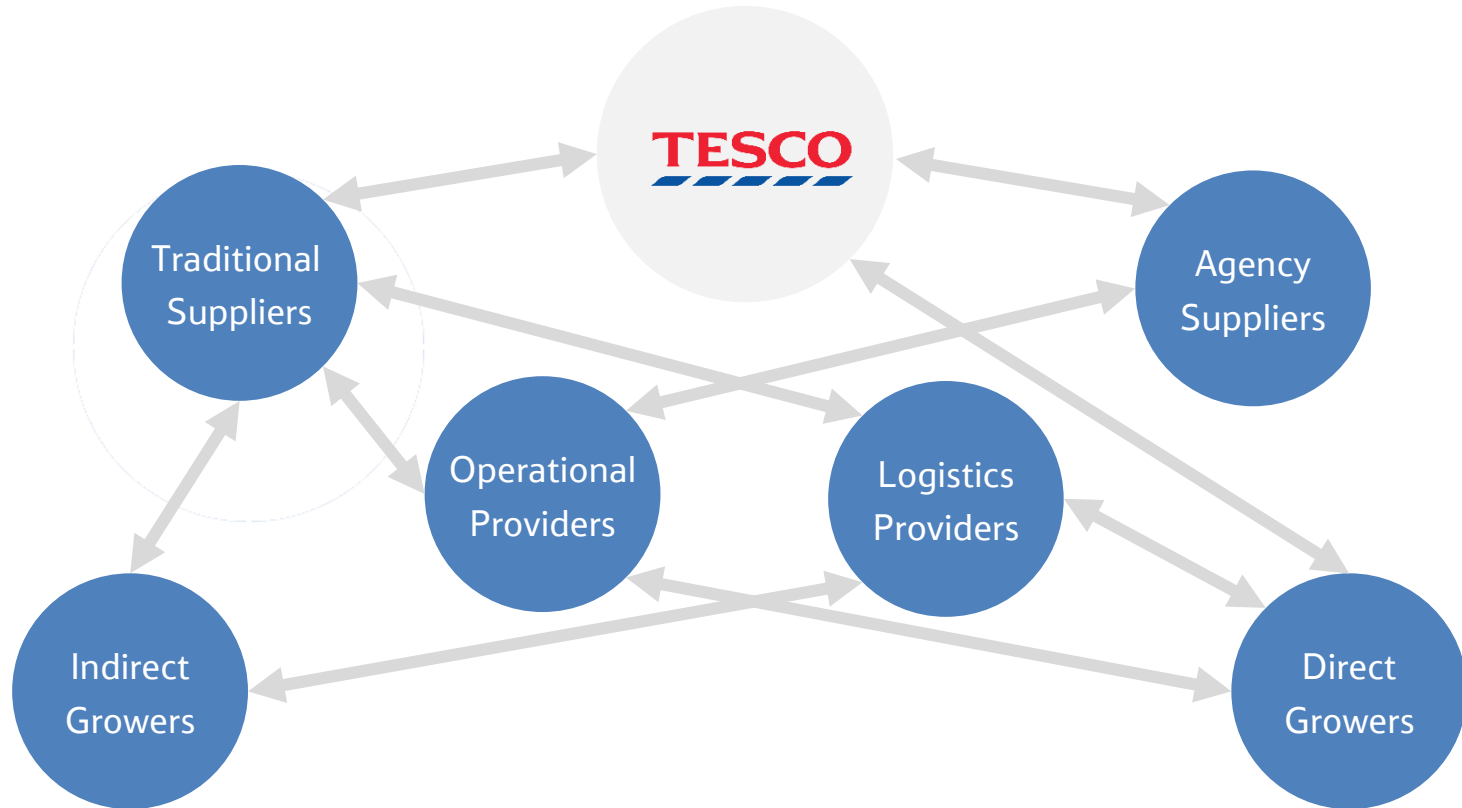


Brands



Income

International: Fruit sourcing – as was

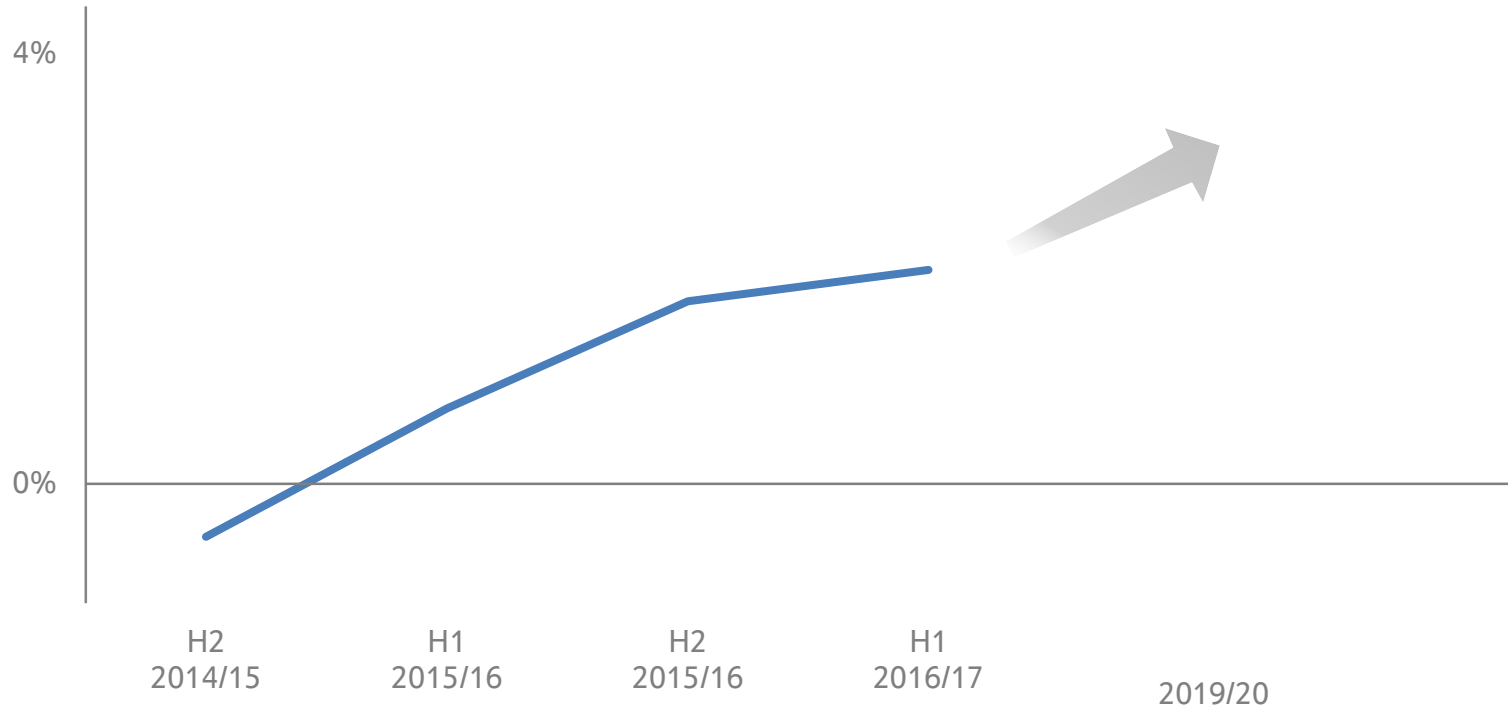


International: Fruit sourcing – as is



Maximising the mix in the UK & ROI

UK & ROI operating margin



Maximising the mix across our businesses



What we sell



Where we sell



How we sell



Maximise the mix to achieve a 3.5% - 4.0% Group margin



Large stores: Improving profitability



Night to day
replenishment



Scan as
you shop¹



F&F RFID²



Stores back
to profit

1. Reflects year on year growth
2. Reflects improvement to efficiency of our replenishment routines

Large stores: More efficient use of space



Retail
partnerships



50
stores

Refit programme



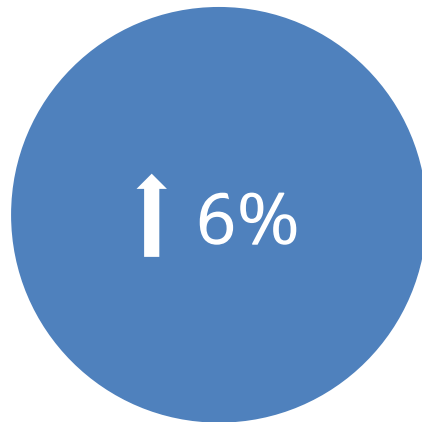
One touch
replenishment



Small stores: Relevance and profitability



In-store range¹



Own brand²



Channel-specific promotions



Right range³

1. Reflects the year-on-year change in Express range.
2. Reflects the change in grocery own brand as a percentage of the overall range.
3. Reflects the increase in category margin since the Craft beer launch.

Online: Improving customer economics



Acquisition cost¹



Increased loyalty²



Increased basket size³

1. Reflects change in total spend per customer in 1H 16/17.
2. Reflects Delivery Saver spend increased over a 2 year period.
3. Reflects year-on-year increase to 1H 16/17.



Online: Reducing servicing costs



Pick rate¹



Fulfilment cost²



Delivery income³



1. Reflects YTD improvement to 1H 16/17.
2. Reflects year-on-year improvement.
3. Reflects average yearly increase in Delivery income per order to November 16/17.

Product: GM operating model



Small appliances
space



SDA
market share¹



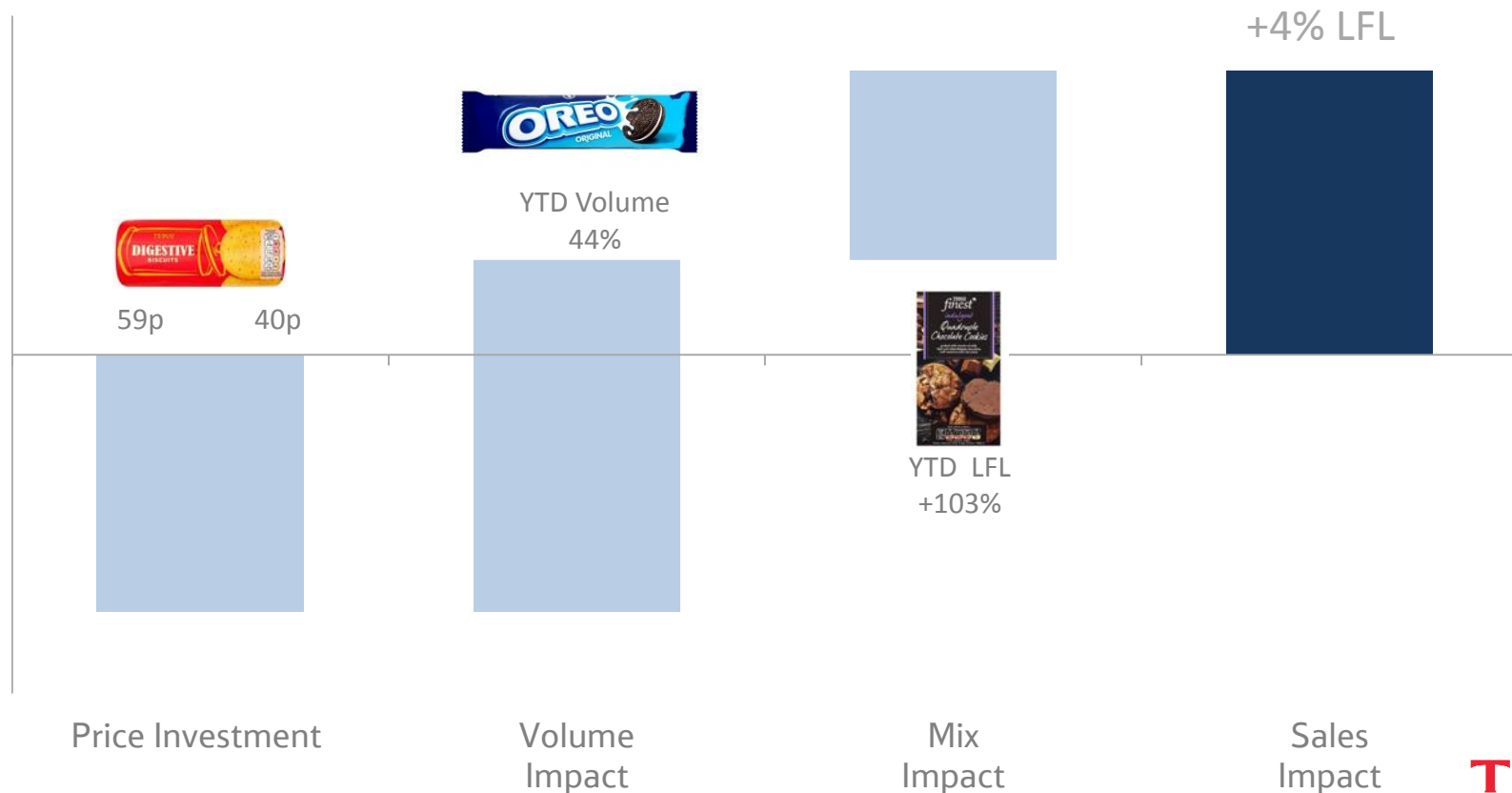
Overall electrical
market share¹



Product margin –
electricals²

1. GFK research.
2. Reflects year on year increase.

Product: Maximising the mix in packaged foods





Free fruit.

Please take a piece of fruit for your kids to enjoy whilst you're in store.

Only one piece per child, ask your grown up if it's OK.

Help Yourself



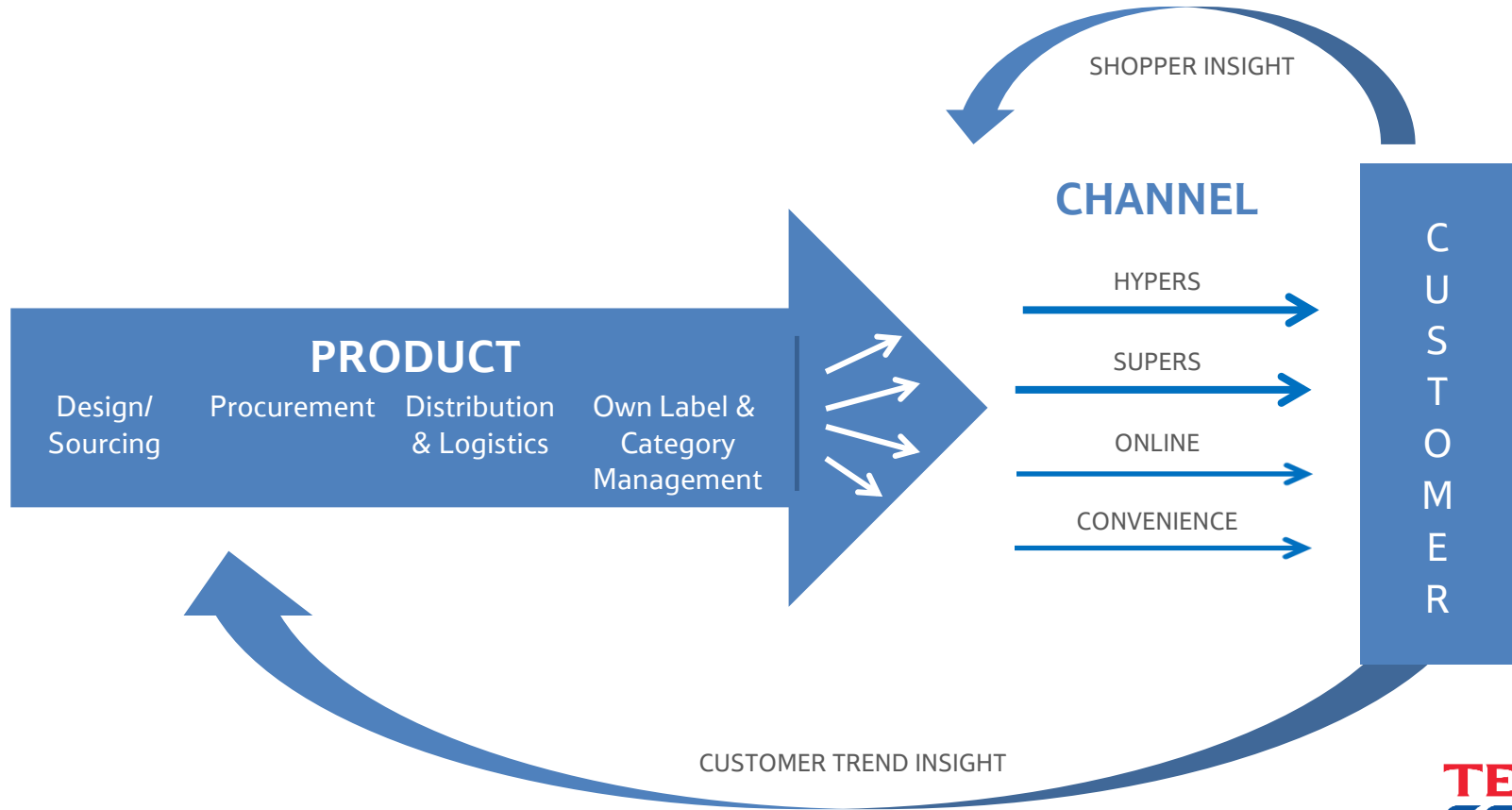
Innovation

Dave Lewis

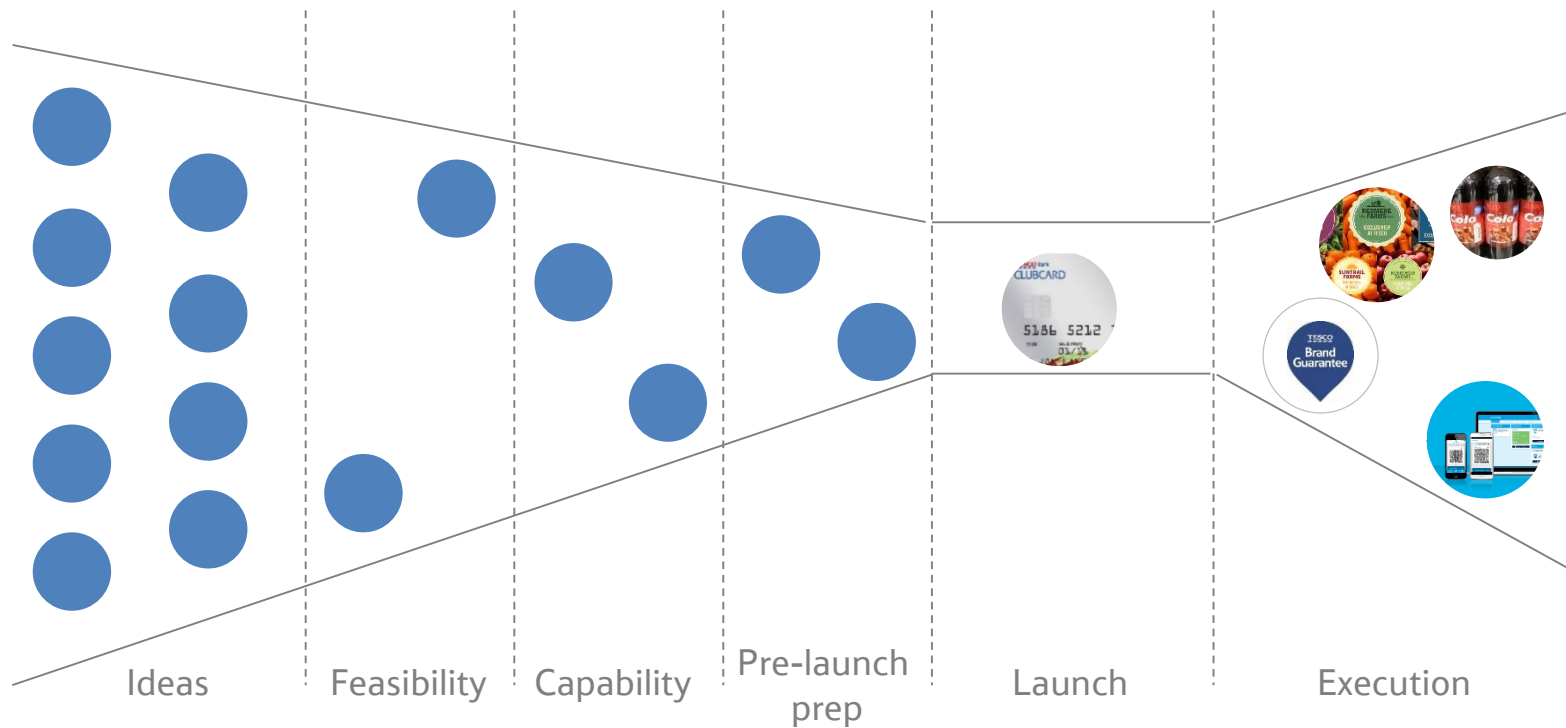


TESCO

Three differentiating capabilities



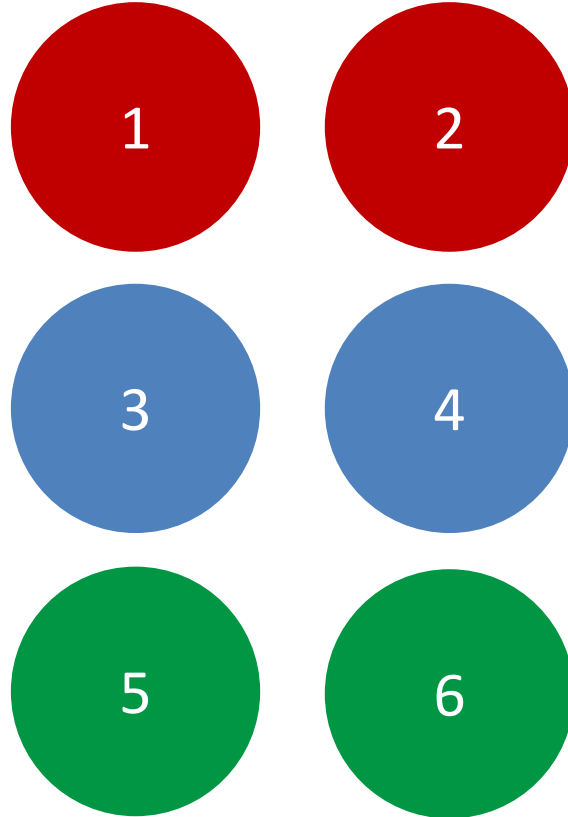
Innovation funnel



For illustration only!

Pit stop tour

- 6 groups – check your badge
- 6 stops
- Keep to time
- Follow your leader!





Tesco Investor and Analyst Seminar

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



Any other questions?

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.