



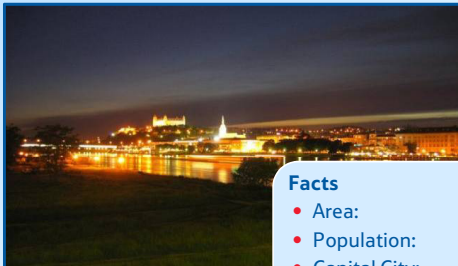
## Slovakia

John Christie – CEO Slovakia

June 2011



### Welcome to Slovakia



#### Facts

- Area: 49,000 sq km
- Population: 5.4 million
- Capital City: Bratislava
- GDP 2010: 65.9 billion Euro
- Inflation 2010: 1%
- Member of the EU from 2004
- Euro currency adopted in Jan 2009

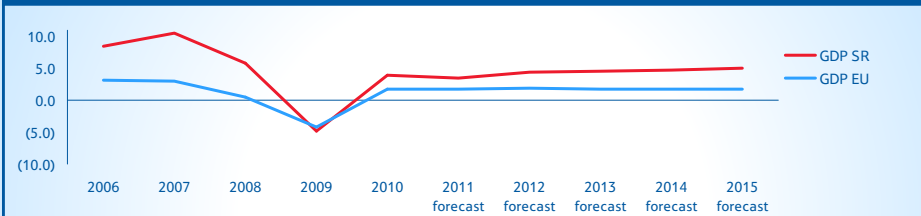


Sources: UN, IMF World Economic Outlook Database, World Bank, Slovak Statistic Office



## The economy has recovered with further growth to come

### GDP Growth Development in Slovakia and EU



### GDP

- 2010 Annual GDP growth : 4%
- 2010 GDP per capita : 73% of EU average
- SR forecast 2011 : 3.4%
- EU forecast 2011 : 1.6%

### Inflation

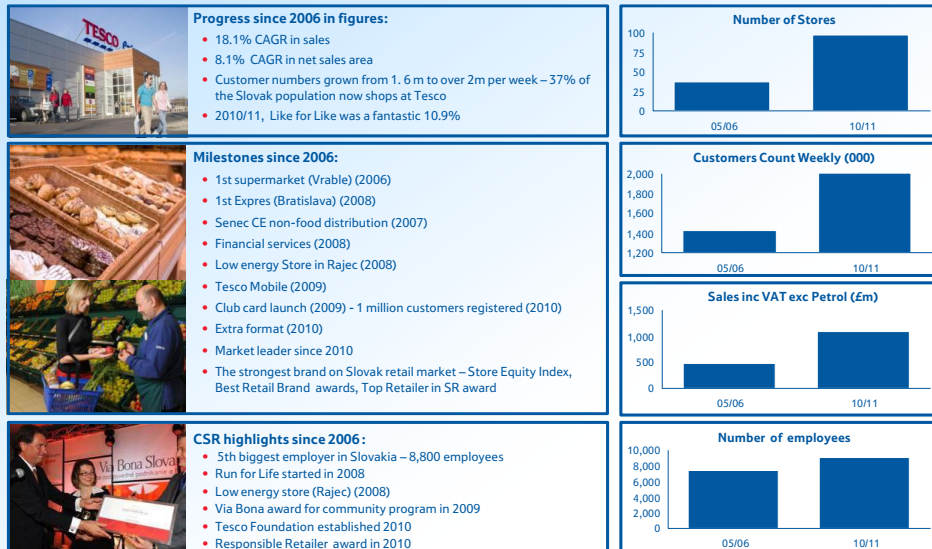
- Consumer Price Index has increased from 1% in 2010 to 3.3% in Q1 2011
- Government reported food inflation shows faster growth
- Tesco is using the scale of the group to buy better to protect customers from inflation

Source : Ministry of Finance of SR, European Commission Autumn forecast 2010



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## Strong, successful business, with impressive growth since your visit in 2006



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## We have secured a leading position in a competitive market

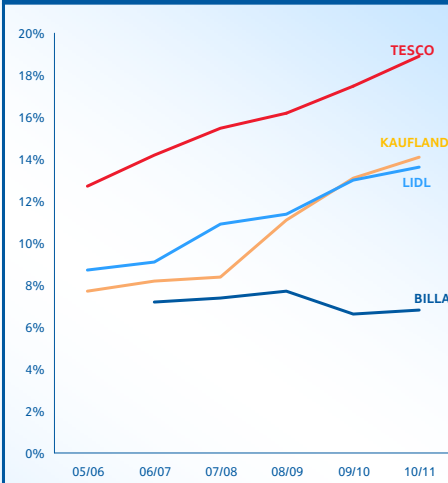
### Major players in the Slovak retail market

	No of Stores	Sales Area 000 sq m	Market Share April 2011 <sup>1</sup>	Strength	Weakness
<b>TESCO</b>	97	314	18.9%	<ul style="list-style-type: none"> <li>Low prices</li> <li>Promotions</li> <li>Range</li> <li>Nonfood</li> <li>Store environment</li> <li>Clubcard</li> </ul>	<ul style="list-style-type: none"> <li>Produce</li> <li>Staff presence</li> </ul>
<b>Kaufland</b>	42	128	14.1%	<ul style="list-style-type: none"> <li>Low prices</li> <li>Promotions</li> <li>Produce</li> </ul>	<ul style="list-style-type: none"> <li>Store environment</li> <li>Services</li> <li>Nonfood range</li> </ul>
<b>BILLA</b>	115	144	13.6%	<ul style="list-style-type: none"> <li>Prices</li> <li>Produce prices</li> </ul>	<ul style="list-style-type: none"> <li>Shopping environment</li> <li>Limited range</li> <li>Quality of food and nonfood, unknown</li> </ul>
<b>BILLA</b>	110	89	6.8%	<ul style="list-style-type: none"> <li>Fresh categories</li> </ul>	<ul style="list-style-type: none"> <li>Price</li> <li>Limited range</li> </ul>
<b>hypernova</b>	22	72	2.2%	<ul style="list-style-type: none"> <li>Staff</li> </ul>	<ul style="list-style-type: none"> <li>Prices</li> <li>Nonfood range</li> <li>No strong profile</li> </ul>
<b>Carrefour</b>	4	36	1.3%	<ul style="list-style-type: none"> <li>Range</li> <li>Nonfood range</li> <li>Fresh food quality and availability</li> </ul>	<ul style="list-style-type: none"> <li>Prices</li> <li>Limited country coverage</li> </ul>
<b>COOP</b>	2,305	n/a	n/a	<ul style="list-style-type: none"> <li>Number of stores</li> <li>Fresh categories</li> </ul>	<ul style="list-style-type: none"> <li>Price</li> <li>Nonfood range</li> </ul>

<sup>1</sup> GfK, Feb 2011; <sup>2</sup> (GfK, Feb-April 2011, Till Roll Food)



### Slovakia Food Market Shares – 2006 to date



Source: GfK TillRoll Food, total year MAT Dec, 2011 to date : Feb-April 2011

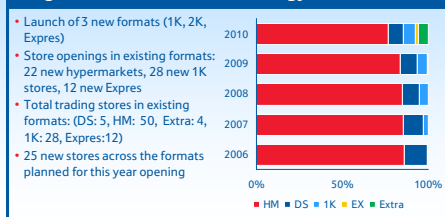
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## Multi-format offer underpins success – 99 stores across 5 formats

### Number of Stores



### Progress in multi-format strategy since 2006



### New formats since 2006

#### Expres

- 1st Express store: Bratislava Komarnicka, Nov 2008 – now 12 stores trading
- 1st Express store outside of Bratislava will be opened by the end of this financial year (in Banska Bystrica)
- 59 opportunities identified in major cities
- Big opportunities in small towns, 40% population live in towns of less than 4,000 people

#### 1K

- 1st store was opened in April 2006 in Vrable – now 28 stores trading
- 6 new 1K stores are planned for this year
- Extended range in response to customer demand (from 4,000 to more than 5,000 SKUs)
- 37 locations identified in towns across Slovakia

### Further opportunities for large stores

#### Hypermarkets

- 22 new Hypermarkets has been opened since 2006
- Opportunity for medium town or large city infill
- 5 new Hypermarkets planned for this year
- Identified 27 opportunities across Slovakia

#### Extra

- 1st refit in Petržalka in 2010
- Trading well : c.25% LFL in year 1
- 2 refits completed in 2010
- 3 refits are planned in 2011
- 1st Extra build on brown field in Zvolen



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## Expres format has strong growth potential in meeting increasing need for convenience



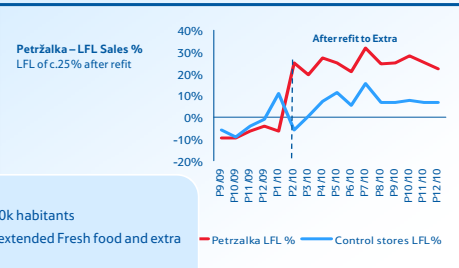
### Expres:

- Over 30,000 ft<sup>2</sup> of trading space across the Expres portfolio (10 leasehold stores, 2 freehold stores)
- c.3,000 items in range
- Convenient store for daily shopping – offering customers full range of their daily needs
- Currently located in large towns, in busy locations with high customer flow, or within residential areas
- 59 towns with potential sites for the format
- Main competitors: Lidl, Billa, Coop, Bala, corner shops



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## Tesco Extra is meeting demand for new way of shopping



### Extra:

- Situated in towns from 50-500k habitants
- 56k items in range, including extended Fresh food and extra clothing range
  - New layout and range of Hardline and Softline
  - New way of shopping through various innovations
  - Offering customers new range of services (pharmacy, optician, photoshop, cafeteria)
- Creating destination worlds – baby, pet, confectionery

### Customer feedback

#### Positive customer response :

- Every 2nd customer surveyed in Petrzalka now visits the store more often; 99% would recommend the store to friends and relatives
- Customers' overall evaluation of the Extra format is highly positive - they most appreciate wider range across the departments, higher quality, nicer shopping environment
- Customer like the new Softline department, counters, recognise improvement in Produce quality and freshness.
- They welcome the self-service checkouts, new extra services and see staff as friendly and helpful



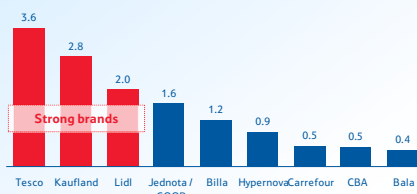
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## Our brand is one of the strongest in Europe

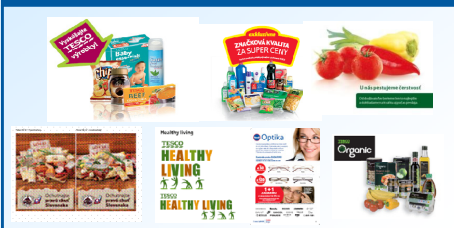
### Customer appeal

- Tesco is by far the strongest brand in Slovak retail market, and one of the strongest in Europe
- Customers associate Tesco with positive attributes as are for instance Reliability, Innovative, Successful.
- We have introduced many private labels and product lines to meet customer needs: Value, Standard, Finest, Healthy Living, Lighter Choices, Organic, Prava Chut (Real taste)

### Store Equity Index 2010



### Just some of Tesco's Brands in Slovakia



Source: Nielsen Shopper trends October 2010



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### 2011 European Top 10 Strongest Brands

ICA	Sweden: 4.7	ALDI	Finland: 3.3
MIGROS	Switzerland: 4.3	ALBERT HEIJN	Netherlands: 3.3
MERCADONA	Spain: 4.1	COLRUYT	Belgium: 3.3
TESCO	Slovakia: 3.6	TESCO	Ireland: 3.2
coop	Portugal: 3.5	ALBERT HEIJN	Bulgaria: 3.1
coop	Switzerland: 3.5	TESCO	Hungary: 3.0

## Clubcard already driving improved loyalty – another reason to shop at Tesco

- National Clubcard launched September 2009
- By March 2011, 1,050,000 accounts – 20% of country population
- Clubcard sales participation above 70% in 2011/12
- One Premium Customer is worth ten uncommitted customers' average weekly spend

### Clubcard



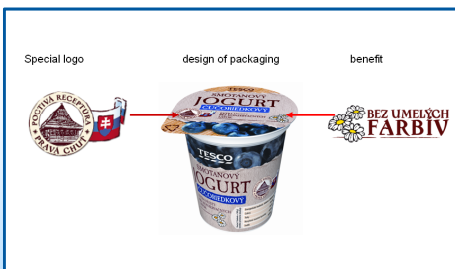
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## Keeping the offer local

### Tailored ranges

- In a typical Hypermarket we offer thousands of products made in Slovakia
- We support products made in Slovakia by POS in-store and in our leaflets to simplify customers choice
- In last three years we've launched initiatives such as Tesco local brand "real taste" and local products labelled with country flag
- In "real taste" range we have 38 lines, generating 80% YoY sales uplift



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## As part of the Tesco Group, we can offer a much stronger, broader offer to Slovakian consumers

### Progress to date

- F&F brand growing: Tesco now No. 1 Clothing retailer in Slovakia
- Much improved hardlines offer using the skill of central buying
- Launched optician, pharmacies and photoshops in to Extra
- CE Range work to create destination categories i.e. Pet World, Baby World
- We have launched initial Financial Services i.e. credit card, loans



### Plans for 2011/12

- Moving of administrations work to HSC frees up opportunities to improve the shopping trip
- More CE Category work on H&B, Frozen
- Global Food Sourcing team bringing more strength and depth to our own Tesco brand Food offer
- Refitting all hypermarkets to bring consistent and improved hardlines offer and full clothing offer
- Extra refits continuing to improve overall shopping trip

### Retailing Services

- Built on UK model
- Uses the strength of Tesco brand and Customer base
- Launched new tariff to drive new business
- Plans to launch post-pay this year
- In next two years plan to launch
  - Tesco Direct
  - Grocery home shopping



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## People and Community



### People

- Strength of local mgmt teams (72% WL4 local managers), training schemes, apprenticeships (13% employees are on development programme for promotion to higher position)
- Viewpoint (staff survey) results are the best in Europe
- Business now managed locally rather than combined with Czech Republic

### Building a strong community partnership at local level:

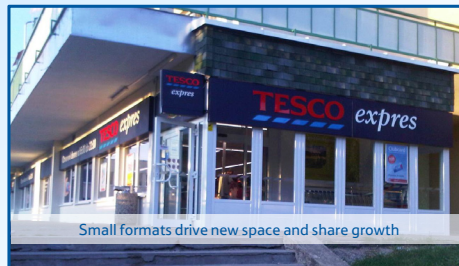
- Cooperation with many local charities on Christmas collections in our stores
- Run for Life gets more popular every year (40% growth in participation in 2011, 50% in 2010)
- Via Bona award for our community programme in 2009
- In last 5 years we decreased significantly our CO2 emissions
- We work on strong educational programmes for kids and academy for local suppliers
- We offer employees opportunity to spend a shift working for a local charity



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## Looking ahead...

- Driving double-digit sales growth through continued expansion of multi-format portfolio and refit programme
- Investment in the shopping trip – immediate focus on driving quality, availability and improved price position on Fresh food
- Building on the successful Clubcard launch
- Growing strength of brand – moving into new services and online retailing



Small formats drive new space and share growth



Extra refits driving increased sales

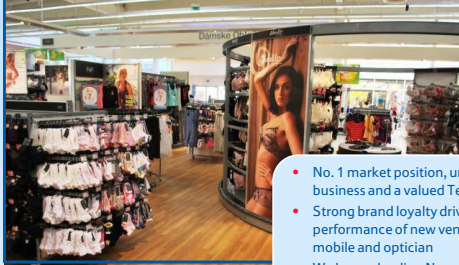
### Local Drivers of Returns

- More small stores in opening programme, reducing capital requirements for new growth
- Further hypermarket conversions to Extras, driving sales and making the most of our existing assets
- New services becoming a bigger part of business through Tesco mobile and internet
- Working together as one region, continually improving the shopping trip for customers as well as improving returns

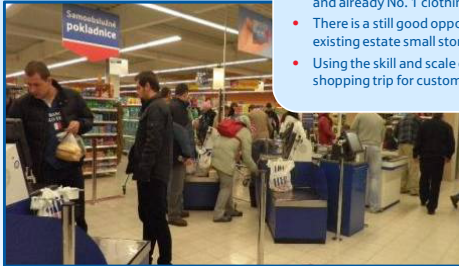


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## In summary



- No. 1 market position, underpinned by strong multiformat business and a valued Tesco brand
- Strong brand loyalty driving growing market share and performance of new ventures such as Clubcard, Tesco mobile and optician
- We have a leading Non-food offer in our hypermarkets and already No. 1 clothing retailer in Slovakia
- There is a still good opportunity for growth both from existing estate small stores and the Internet
- Using the skill and scale of the group will improve the shopping trip for customers and improve returns



**TESCO**