



Poland

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Poland – a large market with good investment opportunities

- One of the largest states in central Europe
- 312,685 sq km area
- Bordering seven countries
- Divided into 16 administrative units with the country capital in Warsaw, central Poland
- 38 million people
- Working age population on the rise



A recovering economy with strong growth in retail sales

GDP growth vs growth in country retail Sales



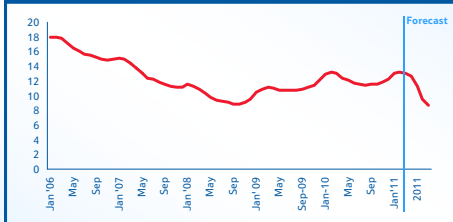
Country retail sales grow ahead of GDP

- **GDP Q1 2011: +4.4%** growth. In the first quarter of 2011 the main contributor to GDP growth was domestic demand
- **Country retail sales in April 2011: +13.6%** growth (at constant prices and due to Easter timing)
- **Retail market expansion** driven by: **rising disposable incomes**, consumers seeking choice and low prices offered by foreign and domestic chains, and increased car ownership. EU membership since 2004 and increasing amounts of foreign direct investment (FDI) have allowed retailers to make significant inroads into the market, contributing to **forecast average annual retail sales growth of 6.3%**

Inflation and unemployment

- **Government inflation measure increased to 4.5% y-o-y in April**
 - slightly exceeding market expectations
 - highest increase in the year to April was in transport (inc. fuel), +7.6% y-o-y
 - food and non-alcoholic drinks +7.2% y-o-y
- **Unemployment started to drop**, by 0.5% in April to 12.6%
 - forecasts are that by 2013 unemployment will drop to 8.7%

Change in unemployment

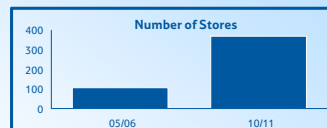


Source: Official Statistical Office

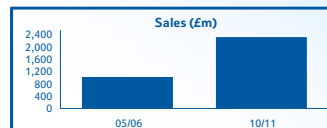
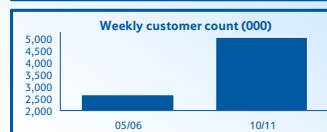


Progress since 2006

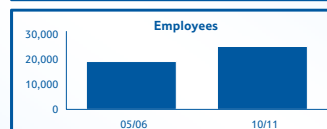
- Progress since 2006 in figures:
 - 17.5% CAGR in sales
 - Store numbers up by 266
 - Customer numbers grown from 2.6m to 5.1m per week
 - LFL consistent even through economic downturn
 - 3% 07/08, 2% 08/09, 2% 09/10, 3% 10/11



- 2002: HIT acquisition - number of stores doubled
- 2004: First Compact Hypermarket
- 2006: Leader Price acquisition - 5 times more small stores
- 2007: F&F Launch - Today: Top 10 fashion brand in Poland
- 2008: Clubcard launch - 2 million active members after 18 months
- 2009: Extra Hypermarket - Double-digit sales increase
- 2011: Dotcom to launch later in 2011



- CSR highlights since 2006:
 - Community integral to Steering Wheel since 2006
 - Winner of the National Environmental Contest
 - Two foster family homes opened within Tesco charity



Since 2006, Tesco has grown share to become second in the market, behind Biedronka discounter chain

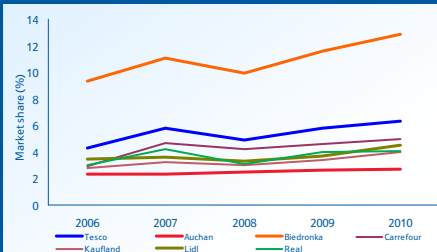
SWOT analysis of main competitors

	No of Stores *	Sales Area '000 sq m	Market Share 2010**	Strength	Weakness
	1,621	936,174	12.9%	<ul style="list-style-type: none"> Low prices Private label products Polish products Nice in-store atmosphere Helpful staff 	<ul style="list-style-type: none"> Small amount of branded products The feeling of tightness Cash only payments
	374	768,450	6.3%	<ul style="list-style-type: none"> Promotions POS F&F, Cherokee brands Prices Seasonal offer Loyalty programme (prizes) 	<ul style="list-style-type: none"> Lack of service Queues Metal baskets with promo products
	320	642,695	5.0%	<ul style="list-style-type: none"> Trolleys with place for shopping cart Sweets on weight Theme promotion weeks 	<ul style="list-style-type: none"> Availability, mess Shelves – display poor range TV ads
	404	474,810	4.5%	<ul style="list-style-type: none"> Private label products Good quality of frozen food Payback loyalty programme Real Quality brand Arrangement, full shelves 	<ul style="list-style-type: none"> Small amount of branded products The feeling of tightness Cash only payments
	54	457,650	4.1%	<ul style="list-style-type: none"> Attractive Produce offer If you wait in a queue we pay you money Free of charge plastic bags 	<ul style="list-style-type: none"> TIP – private label Range Low quality of textiles
	142	390,898	4.0%	<ul style="list-style-type: none"> Range High quality of food offer Self-service checkouts Vacuum packaging of cheese and smoked meat Big discounts – 50% 	<ul style="list-style-type: none"> Store layout, Unattractive promotional leaflet
	26	295,814	2.7%		<ul style="list-style-type: none"> Queues Poor quality of private label products Trolleys with coins

* Number of stores as at end of 2010; ** (GFK, MAT, Till Roll Food); *** GFK Market shares January-December 2010; **** AC Nielsen TBR reports



2nd position in a fragmented market



- Despite consolidation in recent years, Poland market remains highly fragmented
- All shares remain relatively low
- Customers utilise a variety of formats:
 - Hypermarkets, supermarkets, discounters and small shops each take c.20% of the market***
 - Customers seek convenience
 - They expect to find everything in one place
- Our multi-format strategy gives us the opportunity to capture share in each of these markets - e.g. our market share in hypermarkets is 26.5% and in supermarket channel is 23.4%****

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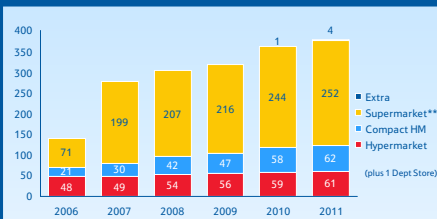
Our multi-format strategy gives us a competitive advantage, providing many avenues for future growth

Hypermarkets

- Most of the customers visit HM once a week for big shopping
- Customers spend per visit approx 57 PLN*
- 56 hypermarkets
- More customers describe shopping in HMs as 'pleasure' (66.7% in 2010 vs 59.0% in 2007)
- Implementation of facilities such as self-service checkouts, free of coin trolleys, no additional checkouts at Produce department, refits of stores



Number of stores by format



Extras – launched 2010

- 5 stores now
- 10 stores end of 2011/12
- 26% LFL sales
- Strong customer feedback on Non-food range & Fresh quality
- Tesco Services introduction: Photo, Electro, Optic, Phones
- Higher perception of Extra stores vs. competitors



Supermarkets

- 252 stores since 2005
- Customers spend per visit approx 25 PLN*
- Customers most appreciate range of bakery and produce
- Convenience trend: Customers more often choose small format stores as they are close to their homes and can make shopping faster



* Based on dunnhumby KPI reports Feb- April 2011; **Supermarkets include Ex-Leader Price stores after take-over



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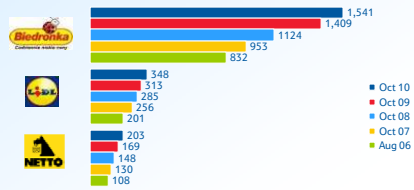
Small format stores broaden our appeal and bring the Tesco offer to more customers

Tesco small format performance

- Strong like-for-like growth
- Traditional counters offer customers sliced hard cheese and deli meat from local suppliers
- In store bake-off ensures we serve customers fresh and hot products
- Small trolleys make shopping more comfortable
- Good customer reaction to ex-Leader Price conversions e.g. new internal signage, store shelves and checkouts



Competing against aggressive growth of discounter chains



Looking ahead

Double the number of small format stores

- We will double the number of small format stores from 2009/10 to 2014/15

Intense refit programme

- Constantly improving 1k stores – replace refrigerators, introduce multi-decks on dairy and frozen to increase visibility



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We are leading with innovation – bringing Extra to Poland

HM Czestochowa	HM Lodz Baluty	HM Poznan Serbska	HM Gliwice																								
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- We have converted four hypermarkets to the Extra format
- The average LFL across the first three converted stores is almost 30%
- Average weekly customer count up over 25% and average weekly customer spend up c.5% since conversions
- Forecast LFL to the end of financial year for HM Gliwice Extra is c.20%

Note: Metrics are based for period since conversion date to the end of P3 2011/12



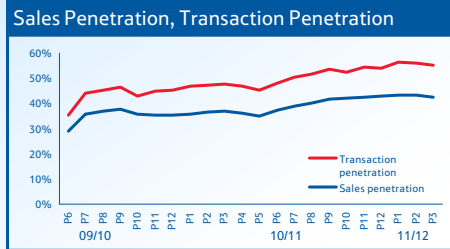
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Clubcard unique reward scheme – over 2 million active members

- Launched August 2009 across all stores
- Strong performance and growth:
 - Over two million active members; 35% YoY increase
 - Over 50% transaction penetration; 8% YoY growth
- Customers have received over £10m of vouchers and c.£35m* of coupons
- dunnhumby using Clubcard data to support all area of the business



* Based on NBP (Polish National Bank) average annual exchange rate



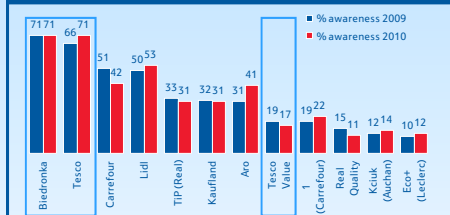
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The Tesco Brand: value for money & a wide product range

The Tesco Brand

- Tesco brand name in Poland is associated with:
 - Value for money:
 - Better price image than all other hypermarket and supermarket retailers, and similar to discounters
 - Tesco Value is customers' first association with Tesco products
 - Wide product range – e.g. 50 own brands:
 - Awareness of Tesco's private label is joint highest in the market
- Strong brand awareness e.g. 67% of customers are aware of F&F – up from 47% in 2009

Own Brand Awareness



F&F clothing



Tesco Electricals

- Technika launched 2008, followed by big promotional campaign in 2010
- Significantly lower prices than leading brands
- Investment in providing staff with the knowledge and training to offer advice to customers, building customer confidence in trying a new brand



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Expanding the brand: retailing services

2011/12: launch of dotcom

Market opportunity:

- Growing internet penetration – 16% 2005, 40% 2009; 63,4% in 2010, 73% in Warsaw
 - Growing propensity to shop online : 20% Poles carried out at least one shopping trip online in 2005, now well over 50%
 - Some evidence of online grocery shopping, but no strong competition

Tesco launch:

- Q4 2011/12, pilot in 3 stores in Warsaw
- Initially a basic shopping trip offering, building to UK levels of functionality
- Range: all food, including household and health & beauty
- Offering: match in-store price and promotions
- 2-3% of sales online within 5 years

2010/12: expansion of financial services

- Currently a small banking and insurance offering – products include sales finance, personal loans, credit cards, utility bill payment at checkouts and life and motor insurance (pilot)
- ~1% Tesco card penetration in total sales , up to 25% of Electrical sales covered by sales finance
- 2011/12, we plan to
 - Re-launch financial services and develop further towards ‘retail banking proposition’ – including extended range of loans, savings
 - Roll-out the pilot of insurance proposition and develop other products



TESCO

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The local offering

Local ranges

- Since 2010, regional products developed in categories including bakery, confectionery, patisserie, dairy, meat, beer, flour and pasta
- We cooperate with 465 suppliers - 9 700 regional lines.
- Regional products: 1.5% of lines, 2.1% of sales participation of Tesco total, and 5.3% of Fresh Food sales

Case study: deli

- Regional deli 30% of the deli range
- Thursday to Saturday, organised deli bazaars of regional suppliers (special display in Action Alley)
- YoY growth on regional products: 29% vs 1.9 % total deli



Selection of the local range

- For each newly opened store, local range selected based on:
 - Review of the local market
 - Recommendation of store staff
 - Information from customers (CQTs)
- Gliwice Extra is the first store to feature the re-launched Food Corner:
 - Range refresh, with heightened focus on Polish cuisine
 - Enhanced interior decoration

TESCO

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Delivering an improved customer offer and increased efficiency with help from the Group

Global Sourcing

- All softline products and half of fresh food already sourced centrally – improved quality and pricing
- 2011/12, plans to strongly increase share of hardlines bought centrally – currently 10%
- Expected 6% growth (from 29% to 35%) of Own Brand participation in total sales of Tesco Poland
- Improvement of service level, well known international brands, economy of scale used to negotiate better
- All goods not for resale sourced centrally



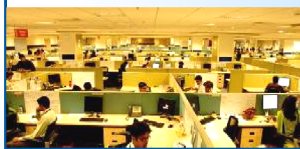
Centralised Distribution

- New depot in southern Poland opened 2010 to serve Southern and Central Poland
- Built to suit, with dedicated ambient and frozen areas
- Further improvements in availability and quality
- Capital minimised through leasehold model and co-financing from public funds
- Innovative technologies reduce manpower needs – new Oracle Warehouse Management System and new Transport Management System



Head Office

- Many non-customer facing business processes to be migrated to Hindustan Service Centre in Bangalore
- Cost savings driven by:
 - wage differential
 - productivity improvement – 1 to 0.7 ratio 6 months after migration
- Further productivity gains expected from HSC focus and capability, and one way of working across Central Europe



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Community and People



Strong local team, strong people development

- Local team in charge – Polish CEO, only 2 expatriates among 28 directors
- 90% of managers come from internal recruitment
- 2010/11 – 2,130 staff on development programmes
- Women: 70% of staff and 65% of management

Key community projects 2011/12

- Tesco for Schools – environmental competition for students
- Charity support – Tesco for Kids helps underprivileged children
- Supporting local suppliers – Regional Supplier Academy runs workshops and seminars
- 'Greening' our customers – educational and environmental campaigns

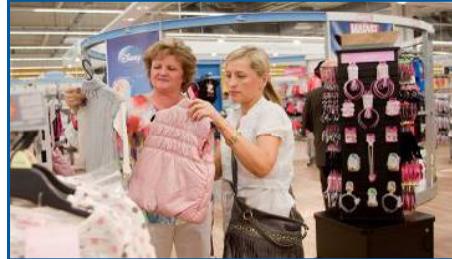


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Looking ahead...

Strong growth

- Strong space growth, with a high focus on smaller formats esp. 1k and continue with new Extra openings
- LFL growth, supported by refitting hypers to Extra and providing grocery home shopping
- Improved bakery, bazaars and investment in local counters in 1K stores
- Maintained focus on Clubcard to provide insight to improve the offer and shopping trip



New Composite distribution centre



Drivers of Returns

- Maturing assets
- Improving sales densities
- Increased weighting of low capital intensity smaller formats and online
- Overall reduction in build cost per square foot
- Benefits of Group commercial, borderless distribution and HSC migration



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In summary

- Robust financial performance even through the economic downturn; solid economy now provides the backdrop for further growth
- Multi-format strategy is a strategic advantage in a highly competitive market
- Strong brand and customer loyalty, supported by Clubcard and a strong local product offering
- 2011/12 will see key steps in retailing services, expanding the Tesco brand
- Group skill and scale provides platform to improve the customer offering whilst achieving cost efficiencies, driving higher returns



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