

TESCO | *Every little helps*

Tesco in Asia November 2008



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Malaysia – An emerging success story



Agenda

- Welcome
- The market
 - Overview
 - Retail market and competitors
 - Tesco performance
- A growing and modernising operation
- Future growth
- Today's bus trip

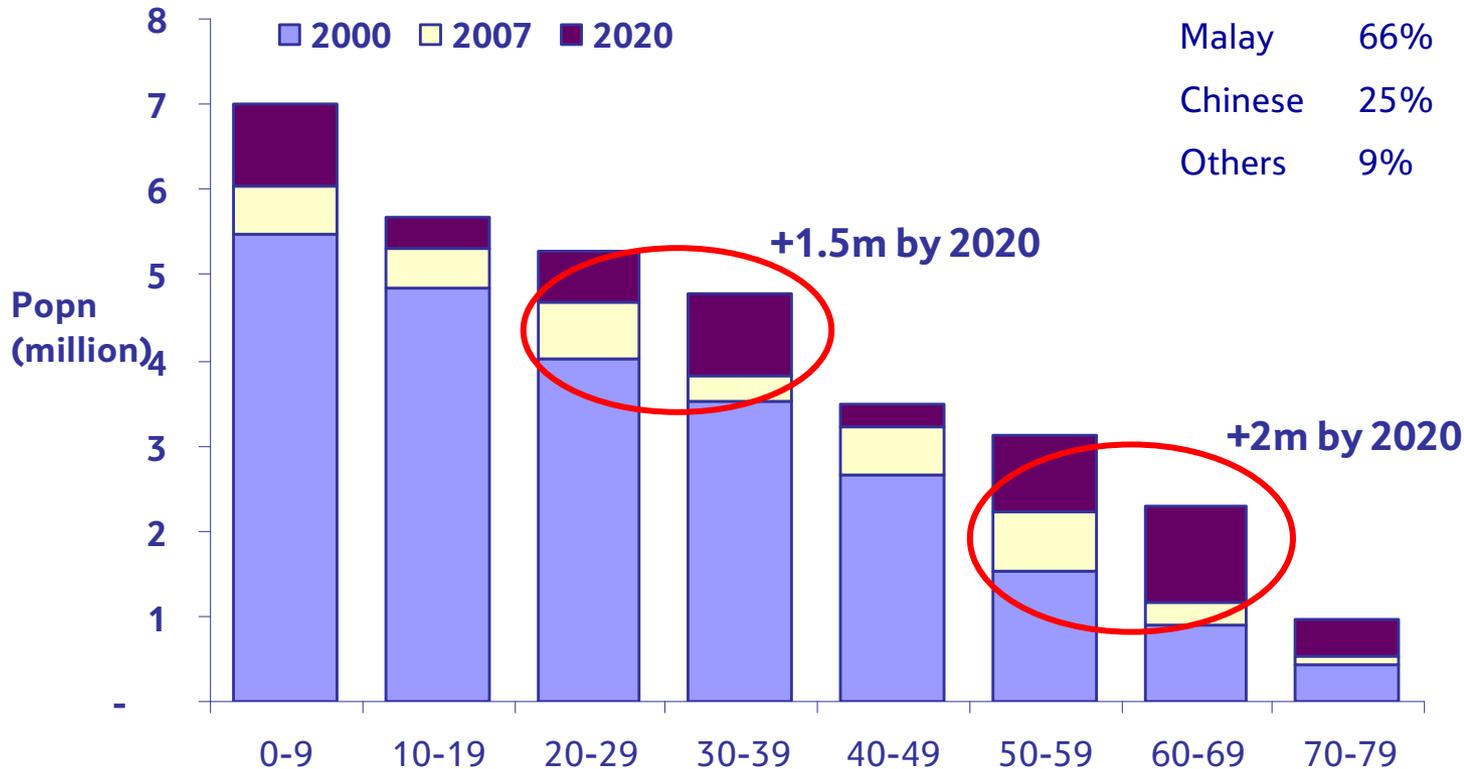
Chris

David

The Market

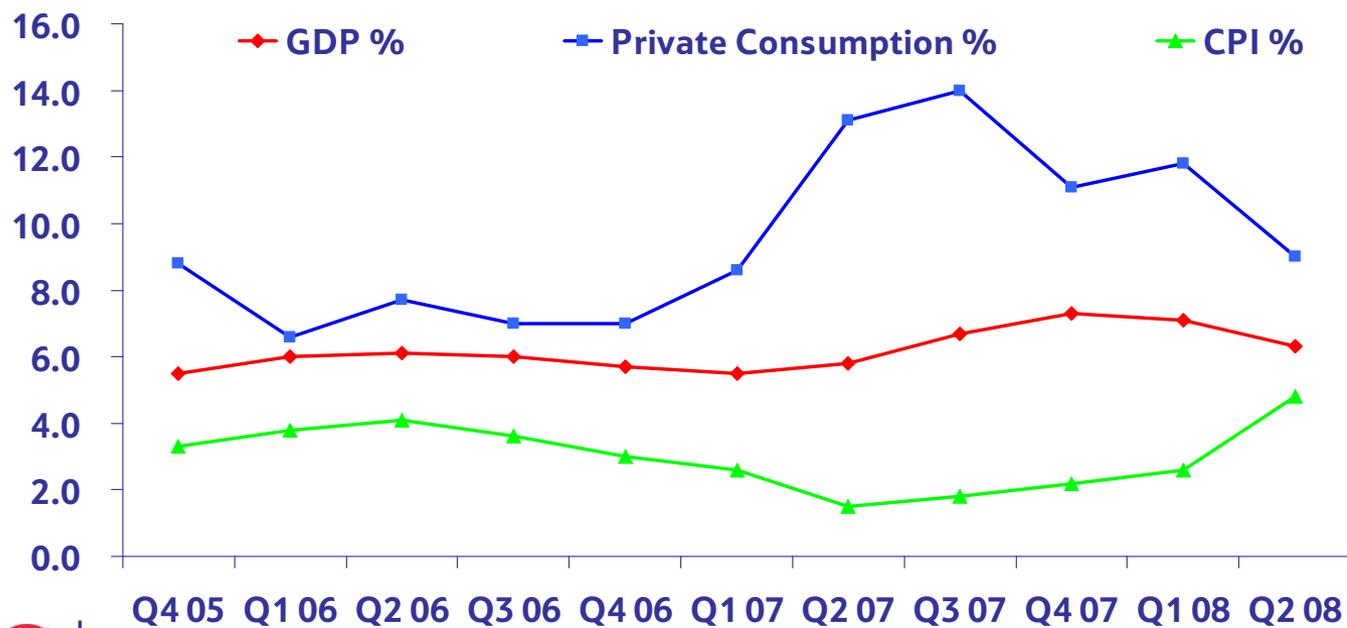
Malaysia – a young country

- Almost one third of population under 15 years and 67% in urban areas
- High population growth (1.8% p.a.) – 33m on peninsular by 2020
- Despite rapid economic growth still a large wealth gap



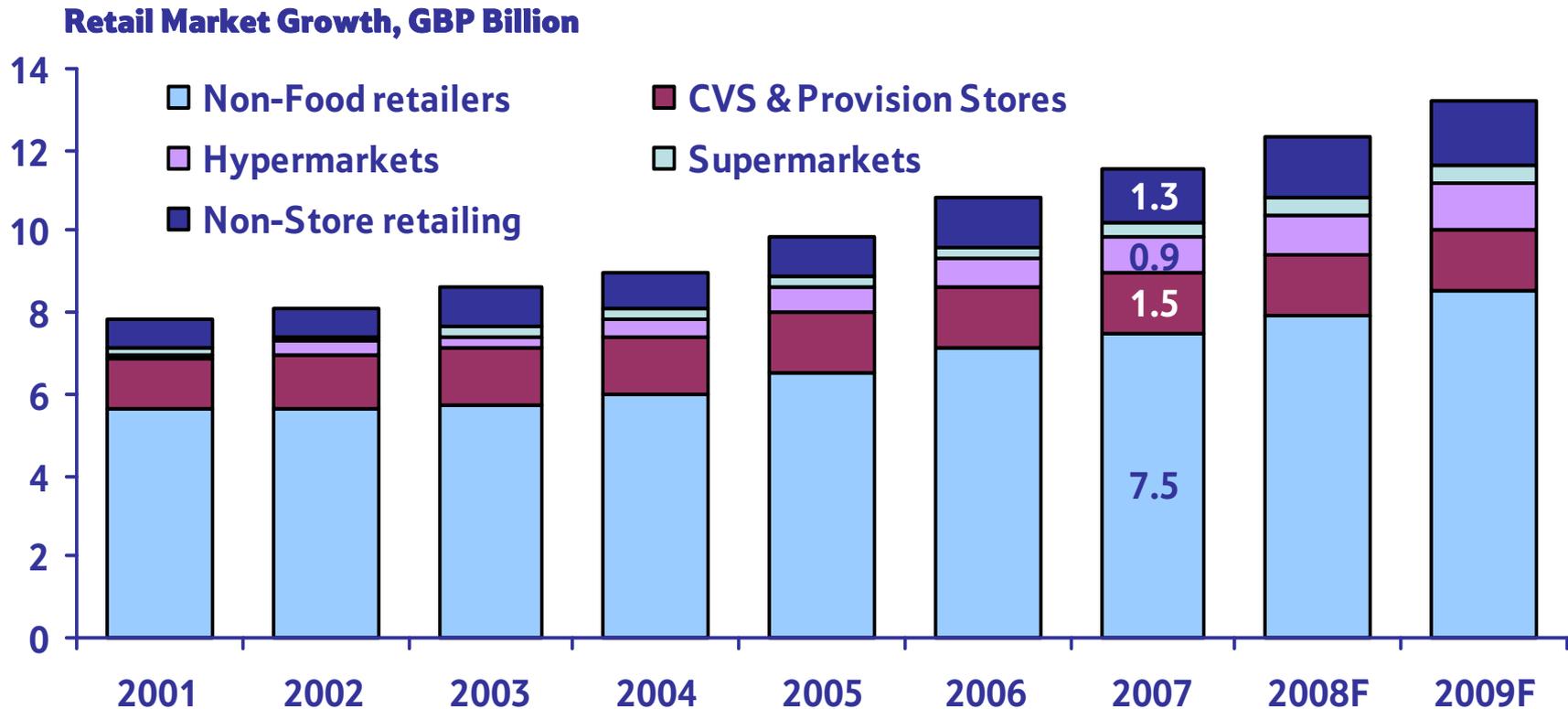
Global economic slowdown

- Starting to drag on growth – biggest issue for consumers in high fuel and food prices
- Economy has started to soften but sustained Q2 GDP of 6.3%, 2009 forecast 4.6%
- CPI increased dramatically due to fuel price hike in June (41%) and high food prices (rice, flour, oil) – CPI July 8.5%, 2009 forecast 3.5%



Hypers – just 10% of £12.4bn retail market

- Retail market grew by 8.2% in 2007 – hypers +17.3%, Tesco +53%
- Significant opportunity to capture spend from non-food retailers (£7.9bn sales) particularly clothing and electrical specialists



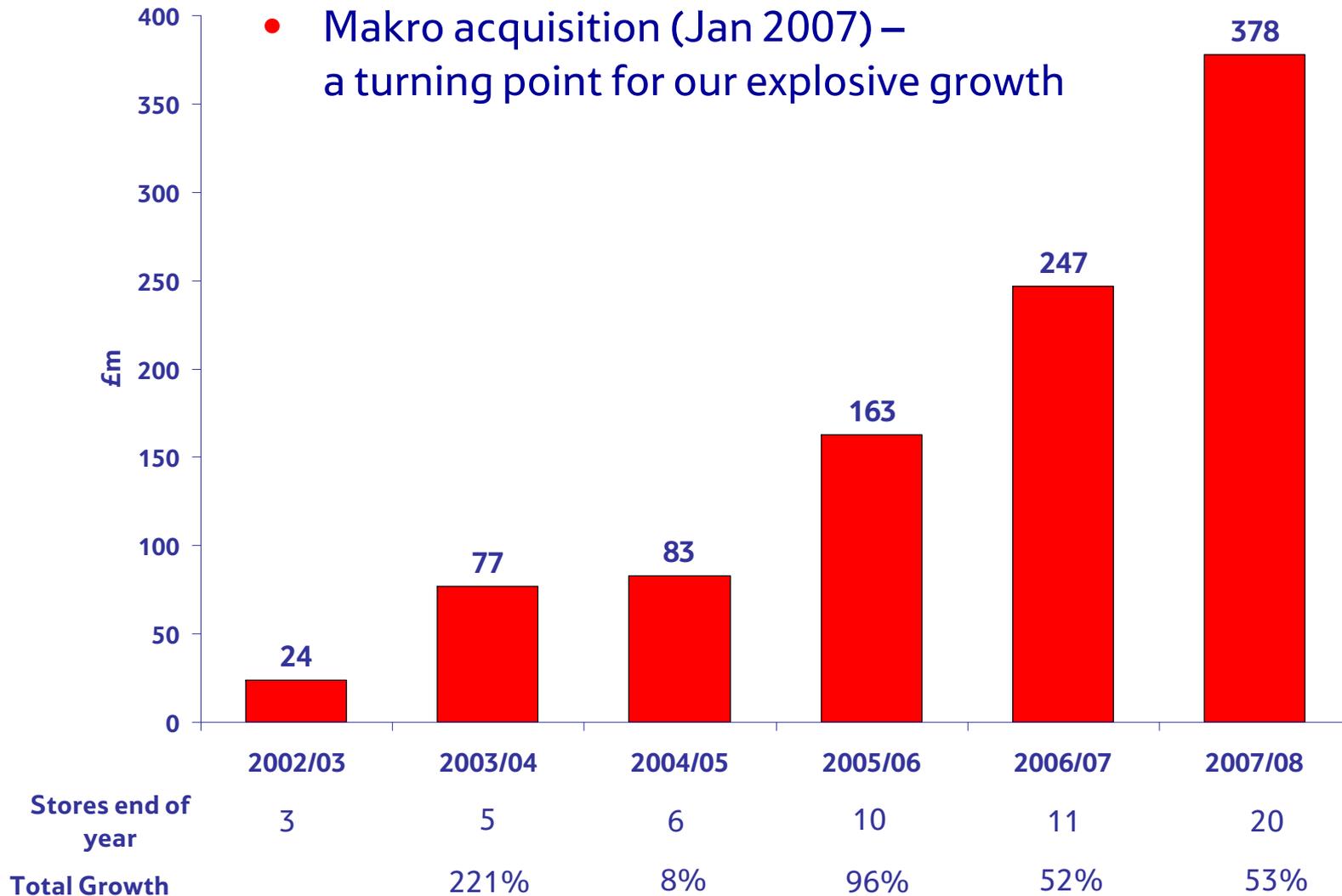
Four key competitors

| | | | |
|--|---|---|---|
|  |  | <p>Market share : 3.0% Total growth : 16.1% Stores : 40 (2 hypers)</p> | <ul style="list-style-type: none"> • Wide range discounter, with single focus on low income Malays • Potential future threat but lacks capital • Weak for service, store environment, and limited appeal to Chinese |
|  |  | <p>Market share : 3.0% Total growth : 22.4% Stores : 26</p> | <ul style="list-style-type: none"> • Focus on fresh & grocery • Cheap build & often in off pitch industrial sites • Store format expanding to 5K • Weak in service, queues, store standards & ease to shop/park car |
|  |  | <p>Market share : 8.5% Total growth : -3.0% Stores : 70 (30 hypers)</p> | <ul style="list-style-type: none"> • Wide network & multi format (Supers, Drug stores, Hypers) • Brand tired and stores lacked investment • Compromised sites and supermarkets being squeezed |
|  |  | <p>Market share : 5.0% Total growth : 10.4% Stores : 20 (15 hypers)</p> | <ul style="list-style-type: none"> • Appeals more to Chinese and Upmarket customers • Reduced Fresh space and grown non food • New stores are all leasehold • Quickest to copy Tesco |

Tesco Malaysia Strategy

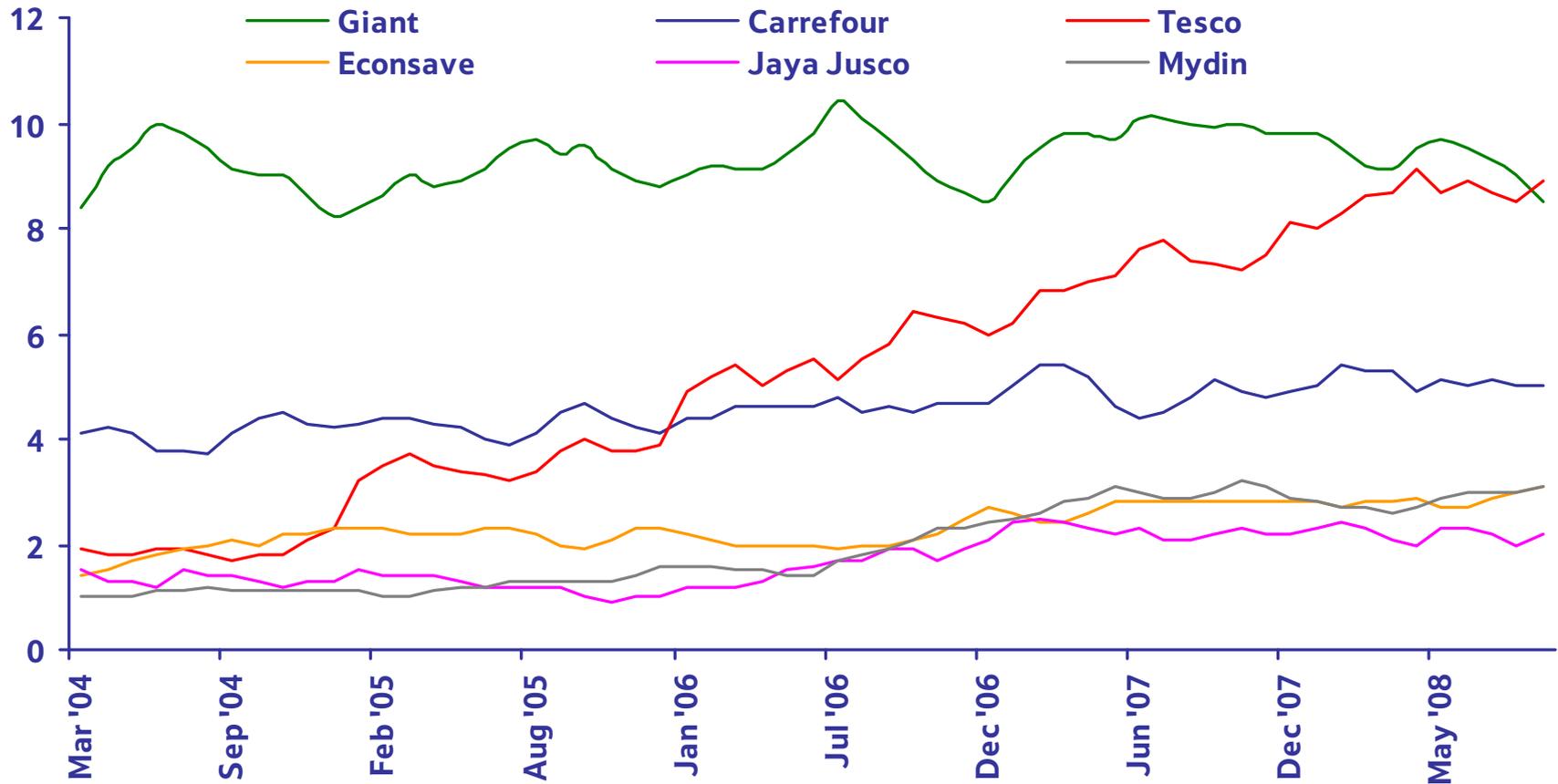
- Multi-format, broad range discounter that appeals to all ethnic and affluence groups
- Everyday unbeatable prices
- Strengthen non-food
- Extra format as appealing to business customers as end customers
- Tesco Operating Model provides the platform
- Grow local talent to lead the business

Sales growth



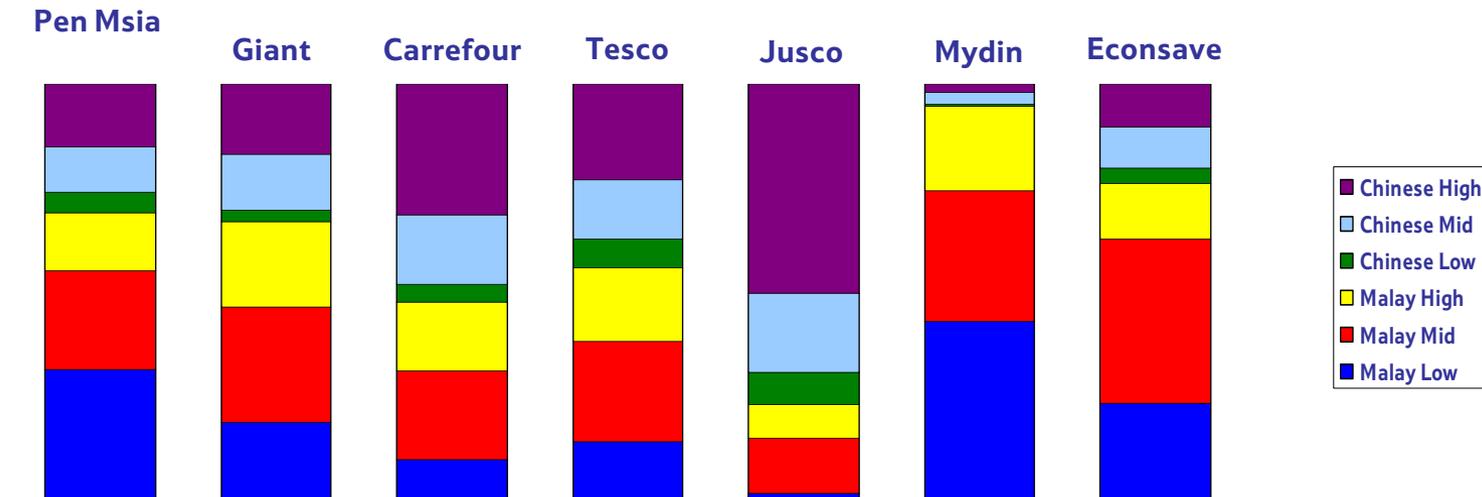
Market leadership

- Our strong development programme combined with market leading sales densities has taken us to No. 1



Our customers

- Strongest growth from low and mid income households across all races
- Strong ethnic and affluence segments in Malaysia requires most inclusive offer
- Big opportunity to grow loyalty and increase appeal
 - upmarket customers vs Jusco and Carrefour
 - Price sensitive customers vs Mydin and Econsave



Strong hypermarket format

- Broad appeal and lead in key areas of the shopping trip
- Detailed understanding of our customers and their needs
- Strong focus on price and promotions
- Strong fresh offer – especially produce and seafood
- Leading the market for innovation – own-label, Clubcard, 5K
- Developed bigger malls
- Strengthening and simplifying operations
- Investing in our people
- Leading the way with Community
- Success with small business customers in Extra

A Growing and Increasingly Sophisticated Operation

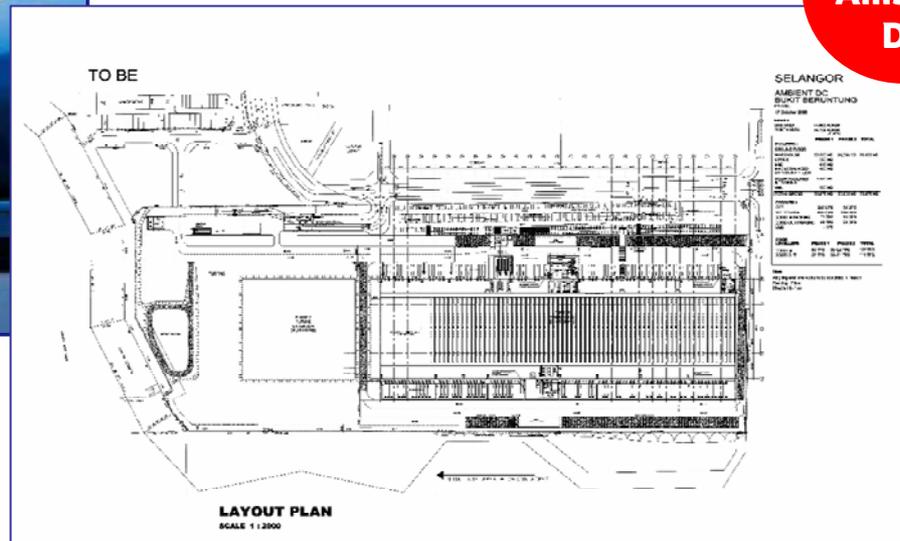
A profitable DC operation

- Expanding to meet our growing needs
 - Fresh DC Simpang Pulai opened July 2007 – only one of its kind in the country
 - New ambient DC opens Q3 09/10
- Network in place to support growth of business to 2014

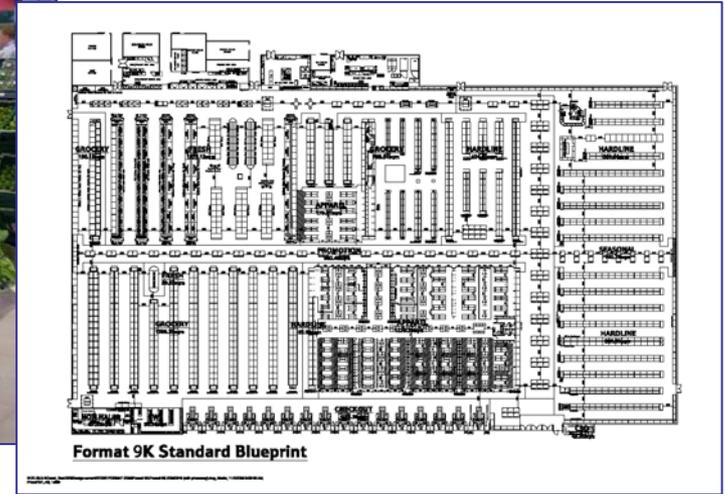


Fresh DC

New Ambient DC



A clear blueprint for our stores



- Signed-off blueprints for each store size and mall
 - Including smaller formats
- Governance in place to control changes
- Agreed roadmap to rollout across estate

Tesco Extra

For small businesses, families & you



Current **TESCO** offer of:

- Low prices
- Broad range
- Great customer service
- Product quality
- Strong mall offer

With *extra*

+

- Range of bulk products
- Loyalty card for small businesses
- Dedicated Biz team in store
- Specially designed checkouts

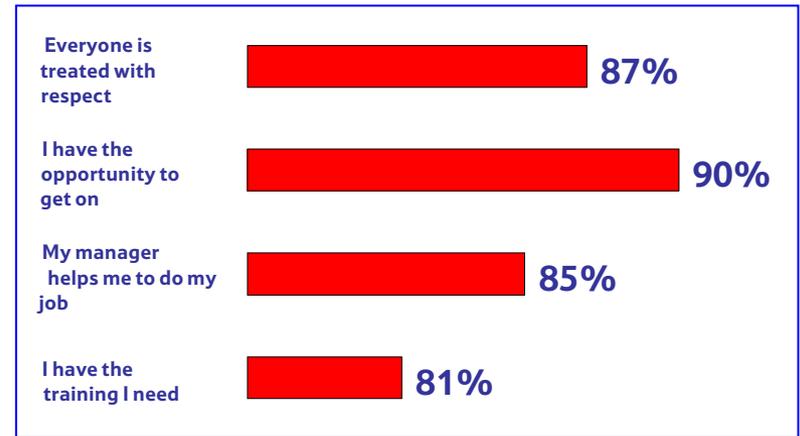
Capability and process

- Capability

- 10,000 people who value Tesco as an employer
- 1,100 on Options Programme
- 40 Graduates signed-off
- SGM / Management Development
- Academy planned

- Process conformance

- The Tesco way
- The Steering Wheel – concurrent focus on all measures



The Tesco Operating Model

What it is

- A better, simpler, cheaper future
- Standard suite of operating systems and processes
- Supported by 'organisation design blueprints'
- Developed and implemented by Group experts but with country accountability
- Enables significant productivity in people and capital

Where We Are

- Implementation of processes started
- Development of system deployment capability beginning
- Leverage resource between Thailand and Malaysia
- System delivery starts next year with Space, Range & Display

Community – strong and growing role

- Caring for the environment
 - Green Clubcard points
 - Energy saving initiatives:
 - 10% electricity, -7% carbon
 - Recycling centres
- Being a good neighbour
 - Charity of the year
 - Stores outreach programmes
 - Community centre
- Being local
 - Supporting SMEs
 - Malaysian Export Programme
- Healthier living
 - Walk for life – 4,600 people for KL walk
 - Pioneering GDA in Malaysia
 - Lighter options launch



Future Growth

Future growth

- Strong pipeline of new stores
- Transformed relationship with stakeholders
 - Community Plan
 - Growth in jobs
 - Contribution to the economy and consumers lives
- Store approvals for 09/10 – ahead of plan for future
- Significant opportunity for compact hypers
 - following success of Kampar
- Further organic growth available when time is right

Taking the brand further

| Strengths | Opportunities |
|---|---|
| <ul style="list-style-type: none">• Broad appeal to all races and income groups• Fastest growing retailer• Trading well in less affluent outstation markets• Lead for innovation• Strategic store locations (highest sales per sq m)• Famous for fresh | <ul style="list-style-type: none">• Discounters• Upmarket customers• Clothing and electrical• Building on strengths in fresh• Develop compact hypers• New organic growth streams |

Bus Trip

Bus trip

- 09.00am Investors and Malaysia team to assemble at Level P3 ,
Le Meridien
- 9.15am Depart Le Meridien
- 10.00am Arrive at Carrefour Ampang
- 10.30am Depart for Tesco Ampang
- 10.50am Arrive and tour Tesco Ampang
- 11.30am Depart for Econsave Alam Damai and Balakong
(the 2 buses will split to go to one Econsave store each)
Arrive and tour Econsave store
Depart for Tesco Extra Cheras
- 12.30pm Arrive and tour Tesco Extra Cheras

Bus trip

- 1.15pm Lunch at Etnik Nasi Kandar, Tesco Extra Cheras
- 2.00pm Depart for Giant Kinrara
- 2.45pm Arrive and tour Giant Kinrara
- 3.15pm Depart for Tesco Setia Alam
- 3.55pm Arrive and tour Tesco Setia Alam
- 4.30pm Depart for Le Meridien hotel
- 5.00pm Arrive at Le Meridien hotel
- 6.00pm Investors who are checking out to do so by 6pm
Cocktails and dinner at Level 7even, KL Hilton

Thank you!

