


DAVID REID

Central Europe

TESCO



Why do the trip now?

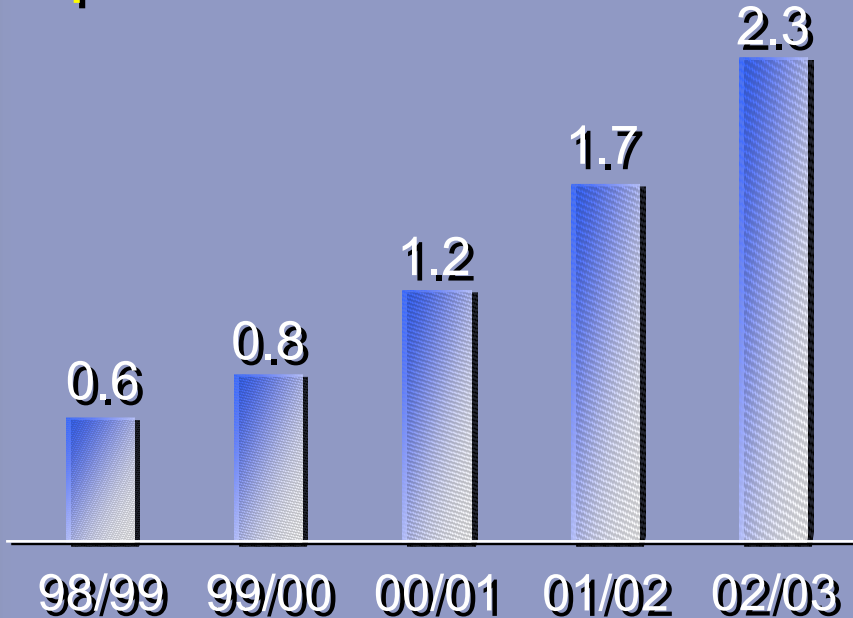
- 4 years since our last trip to Europe
 - International conference in 1999
 - HIT acquisition
 - Pace of our international development
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Agenda

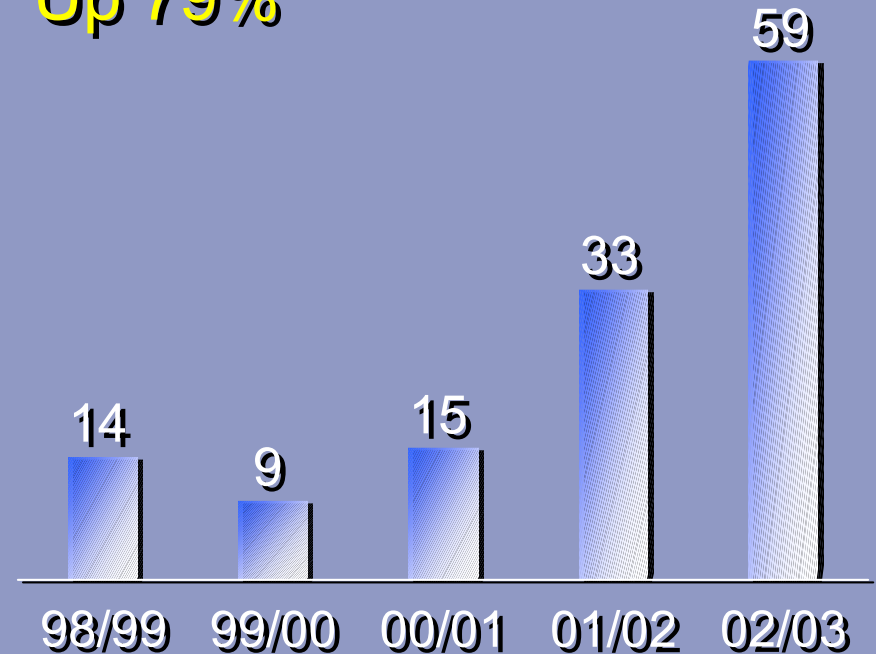
- Wednesday
 - Presentation
 - Fly to Krakow, dinner
- Thursday
 - Store visits in Krakow
 - Fly to Budapest
 - Presentation and dinner in Hungary
- Friday
 - Store visits in Budapest
 - Fly to Stansted

Half year International results

International Sales (£bn)
Up 32%

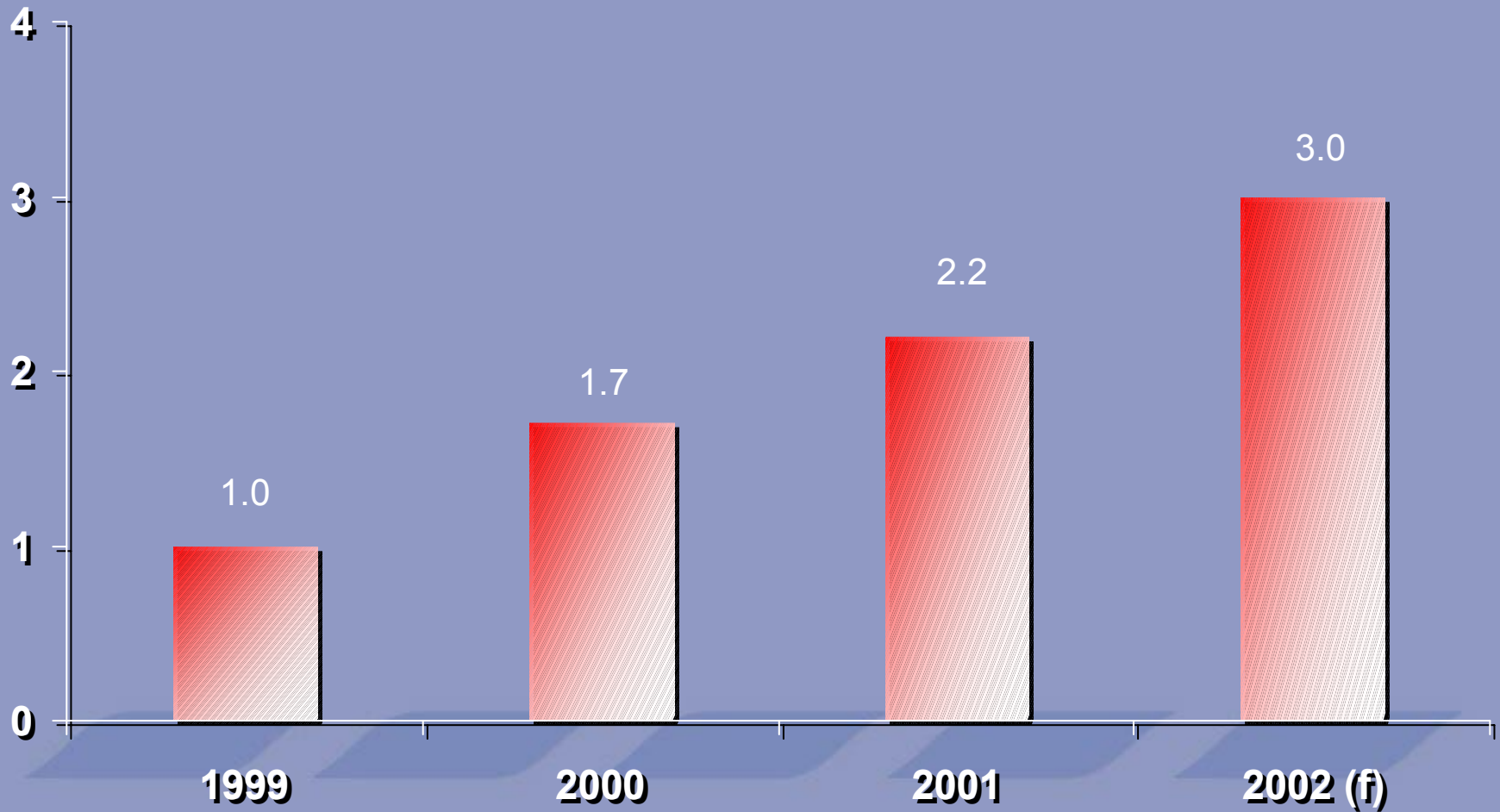


International Profit (£m)
Up 79%



* all figures include Republic of Ireland

Cumulative investment



* all figures exclude Malaysia

What we said in 1999

	1999	2002
No. of Hypers	38	130
Sq ft (m)	4.3	14.2
Sales (£bn)	1.0	4.7 - 5.3
Profit (£m)	(10) - (14)	140 - 160
EBITDA (£m)	8 - 12	240 - 260
CROI	0.9% - 1.5%	9% - 10%


Global scene '99 - '02

- A different world
- Economic growth
- Deflation
- Corporate profitability
- Stronger than most

Tesco progress

- Quality assets
- Quality networks
- Market leadership
- Returns achieved on early stores
- We are on track

Asia - Thailand

- 41 hypermarkets
 - Good sales
 - Format development
 - Impacts
 - Cash neutral
- 

Thailand - Lotus store model

- Year 4 -

	<u>Sept 99</u>	<u>Latest Proj.</u>
	<u>%</u>	<u>%</u>
Gross margin	15	16
Payroll	(3)	(3)
Retail expenses	(6)	(7)
Mall income	2	3
Store Contribution	8	9

Asia - Korea


- Exciting
 - 20 hypermarkets
 - 6 -10 stores per annum
 - Achieved targets
- 

Korean - store model


- Year 4 -

	<u>Sept 99</u>	<u>Latest Proj.</u>
	<u>%</u>	<u>%</u>
Gross margin	16	16.4
Payroll	(4)	(3.5)
Expenses	(5)	(5)
Income	0.5	1.2
Contribution	7.5	9.1

Asia - Taiwan

- Lack of scale
 - Tough economic position
 - Highest turnover store
 - Start up losses higher
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Asian - Malaysia

- Early days
 - 2 stores open
 - 2 more confirmed next year
 - 15/20 hypermarkets planned
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Central Europe

- 2002 Hypermarkets -


	<u>99 Target</u>	<u>Latest Proj.</u>
Hungary	25	26
Czech Republic	10	11
Slovak Republic	8	12
Poland	26	21
	<hr/> 69 <hr/>	<hr/> 70 <hr/>

Typical store - Central Europe

- Year 4 -

	<u>Target</u>	<u>Actual</u>
Gross margin	16%	18%
Payroll	(5%)	(5%)
Store expenses	(4.5%)	(4%)
Store contribution	6% - 7%	9%

Developing markets - progress

- Sales - lower
 - Profits - on track
 - Investment - on track
 - Returns - on track
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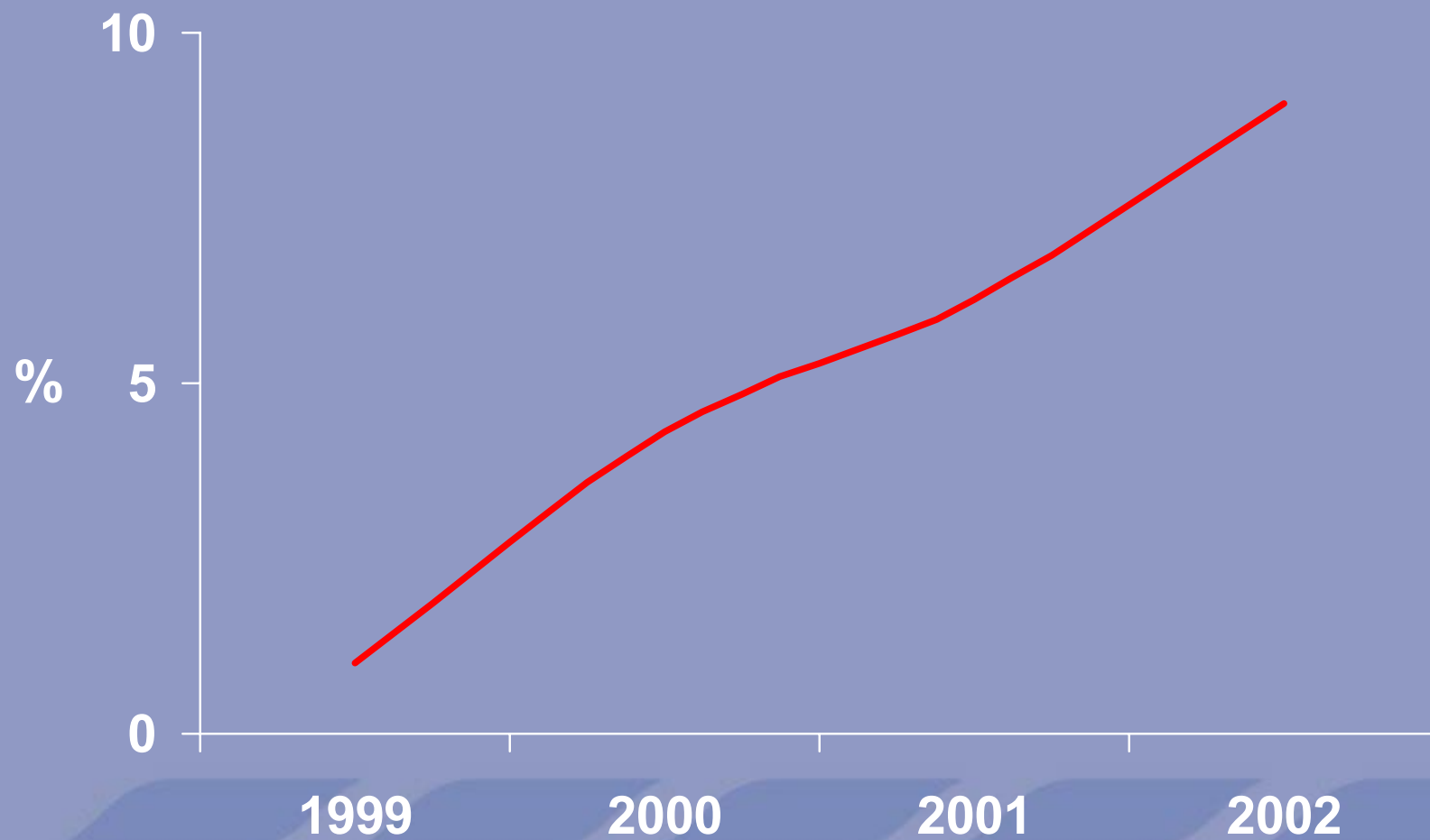
Sales performance

- Original projections
- Slower economic growth
- Lower inflation/deflation
- Relative performance is strong
- Opening timing

Returns - on lower sales

- Buying better
- Operational efficiencies (Step Change)
- Supply chain
- Malt income
- Build for less


CROI - on track




Status

- Difficult bit is done
- Local customer model working
- Business model works
- Strong local management
- Proven hypermarket operator
- Outperforming competitors

Why HIT

- Scale
 - Good sites
 - Market leading position
 - Synergies
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Looking forward

- Continued roll out of hypermarkets
 - In country consolidation i.e. HIT
 - New format evolution
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More to come - long term

- Buying better - regional & global
- Global systems
- Financial services
- Cash neutrality
- EU membership

Conclusion

- On track to achieve targets
- Proven capability
- Competitive stores
- Business model works
- Returns coming through

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