

Tesco in the Czech Republic and the Slovak Republic

- how we run our business?

Our business

- Two separate countries
- Common approach to systems and process
- Separate and different approach to customers, people and trading
- Learning for other parts of the international business, e.g. China



Tesco in the Czech Republic

Key Facts Czech Republic

- **Area:** 78,866 sq km (30 450 sq mi)
- **Population:** 10.2 million
- **Capital City:** Prague
- Member of **the EU** from 2004
- **GDP:** US \$ 121.8bn
- **GDP per capita:** US \$ 11,929
- **Annual Growth:** 4.3%
- **Inflation:** 2.8%

Sources:
UN, 2005
IMF World Economic Outlook Database
World Bank





Tesco History

- 1996 – Acquisition of 6 Department Stores
- 1998 – First hypermarket opened
- 2000 – Tesco brand introduced
- 2004 – Step change in competitiveness through price
- 2004 – First 3K compact HM
- 2005 – First 1K format Tesco in Central Europe opened
- 2005 – First Petrol Filling Station opened
- 2006 – 27 Edeka stores acquisition, swap of 11 Carrefour hypermarkets
- Centralised Distribution Centre will open
- Now - Total net sales space 270 700 sq m



Today

- Rapidly growing business
- Multi-format approach
 - 25 Large hypermarkets
 - 5 Compact hypermarkets
 - 6 Department Stores
 - 28 Supermarkets
 - 5 Petrol Filling Stations





Local

- 1,5 million customers per week
- 9000 Czech employees
- 100% local store management
- Over 70% of the products sourced by local suppliers
- Range developed to reflect local tastes
- Local Trade Plans
- Store formats - developed to meet needs of local customers “built to suit the local community”
- Strong local Corporate Responsibility program
- Local recognition - awards for the best Retailer of the Year
- Respecting local traditions and habits



Capability

- Supply Chain and distribution
- IT systems
- Common store operating model
- International sourcing
- Leadership Development programme



Growth

- **Purchase of Edeka stores**
 - Acquired 27 supermarkets on April 1st, 2006
 - Located in North – West Bohemia
 - Successfully converted to Tesco fascia and range by May 3rd, 2006
 - Key learning for convenience format



Size 300-800 m sq

- **Asset swap with Carrefour**
 - We reached an agreement to swap assets with Carrefour in Autumn 2005.
 - We will gain 11 hypermarkets in Czech and 4 in Slovakia
 - EU gave clearance for Czech part of the business
 - We wait for approval of Slovak Antimonopoly Office
- Accelerate our market share
- Opportunities to leverage economy of scale



Tesco Brand

- **Principals:**
 - Value matches the cheapest on the market
 - Tesco standard which delivers brand quality at great value
- **Key facts:**
 - Introduced in 2000
 - Launch from Czech suppliers in 2002



- **Rapid growth from 2002**
 - Tesco Standard in 2005 - 2 035
 - Tesco Value in 2005 - 1 491
- **Consumer kitchen in Letňany** –
unique tool to listen our customers

People Capability

Treat people how we like to be treated

- Local approach
- Creating job opportunities
- Good working relationship with Labor Unions
- Listening to our employees.
- Career growth of our employees
- Training and development



• and 2006
Human Resources Project
of the Year Awards

Trading Environment

Competitors

- Makro – 12 stores
- Hypernova - 53 stores
- Kaufland – 68 stores
- Globus – 10 stores
- Interspar – 22 stores
- Lidl - 129 stores
- Penny Market - 158 stores
- Plus Discount - 121 stores

Focused on Growing Returns

- Multiformat development program
- Consolidation
- International sourcing
- Developing Supply Chain network
- Leveraging international processes & systems
- Sharing knowledge & know-how (Option program)

