

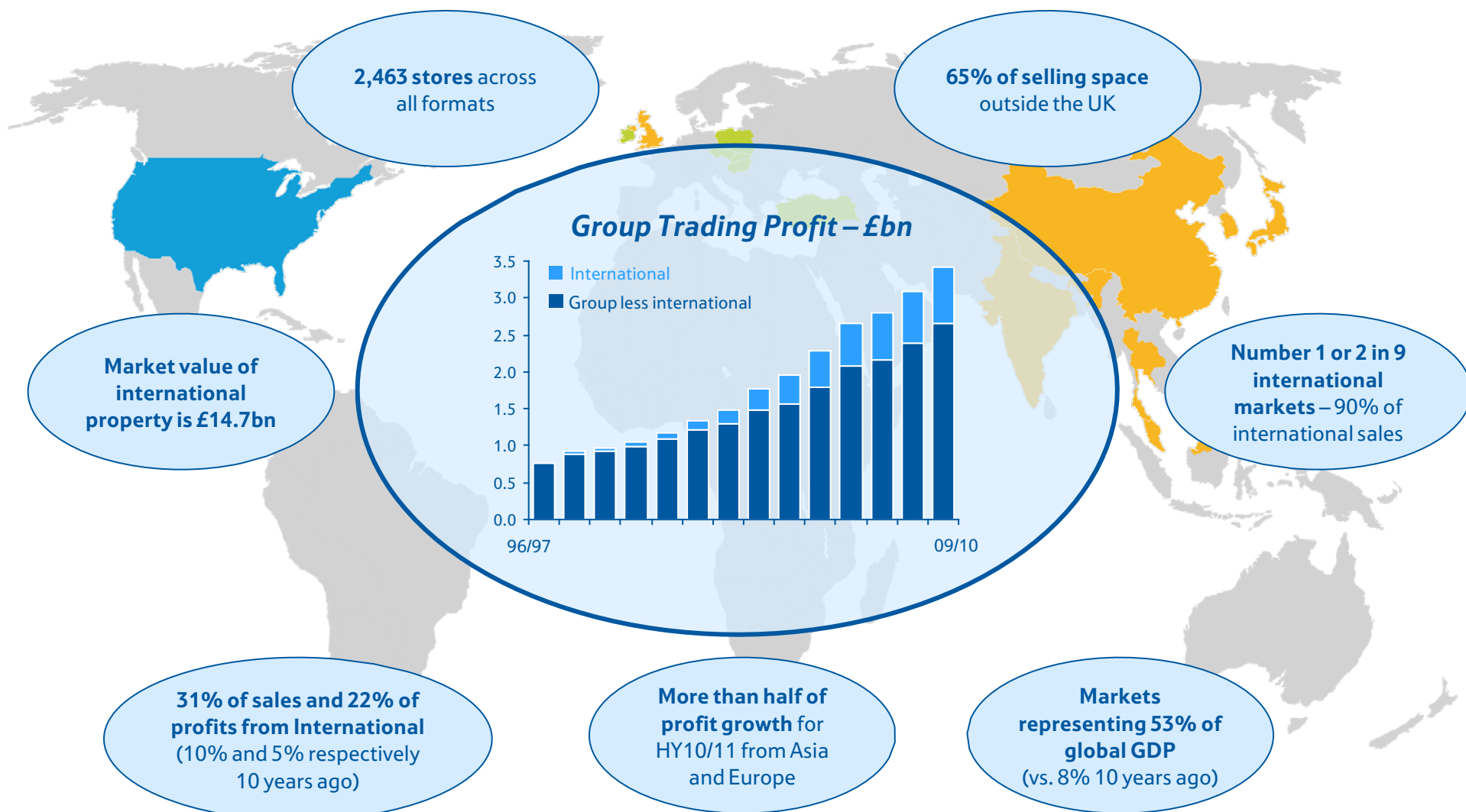


International – an increasingly important engine for growth

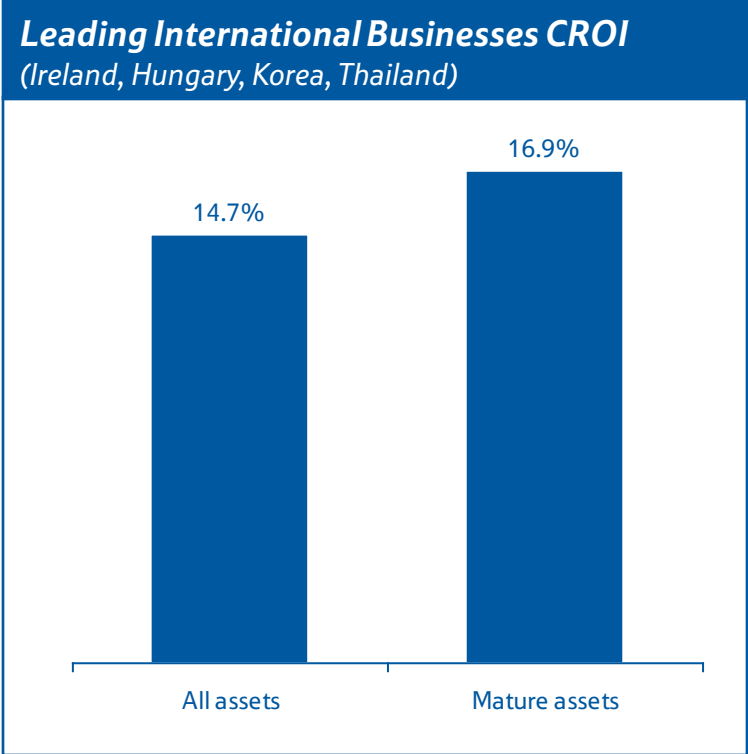
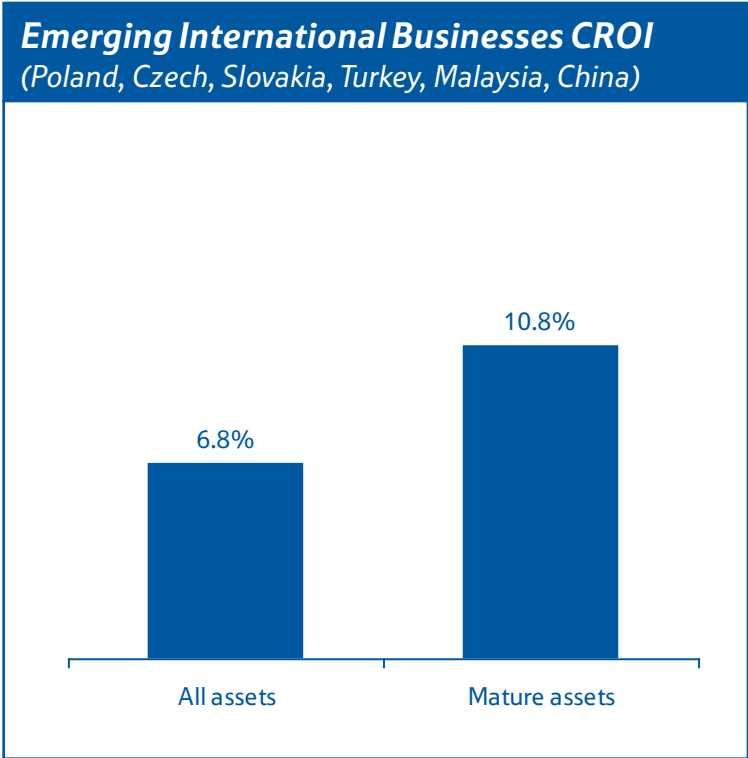
Philip Clarke - Asia, Europe & IT Director

Tesco in Asia 2010, 21st–23rd November

International: an increasingly important engine for growth



Our emerging businesses perform well; our leading businesses even stronger

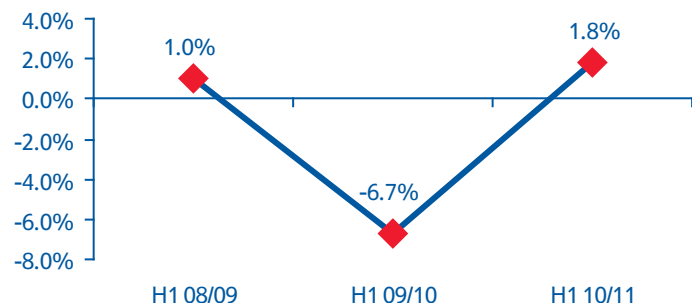


Return on capital from our international business will improve as individual assets mature and as the scale and sophistication of each country grows

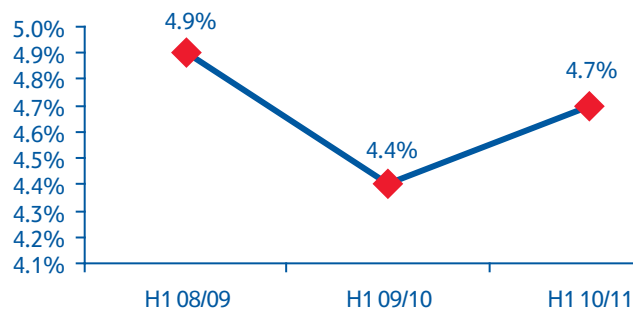
Note: Mature assets defined as stores older than four years, 2009/10 financial year

Outlook for improving returns

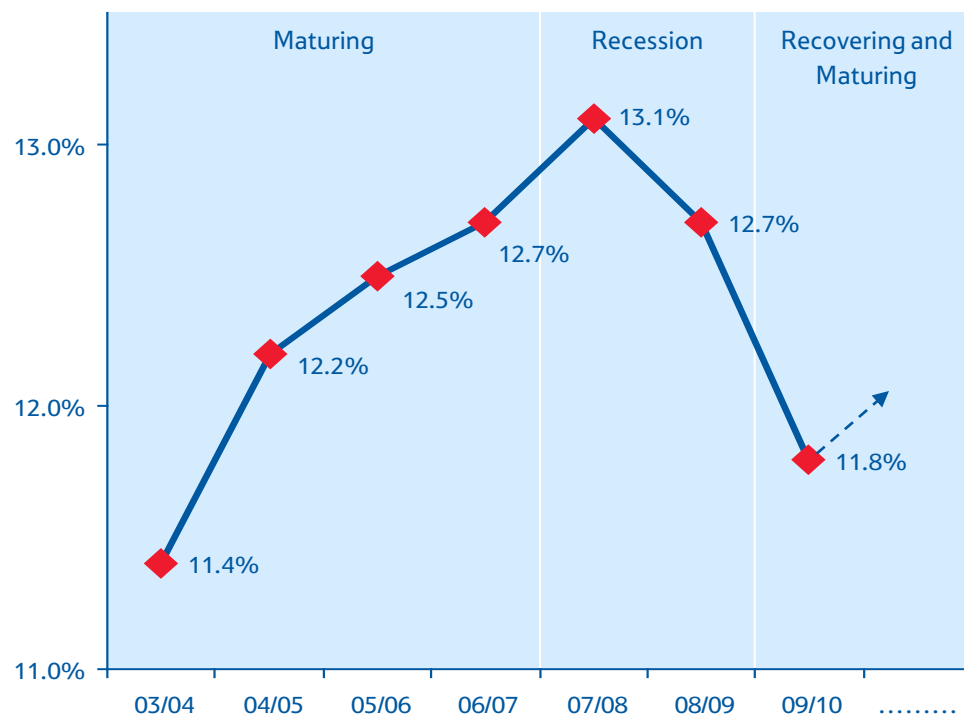
Asia & Europe LFL Sales, %



Asia & Europe Trading Margin, %



Asia & Europe Cash Return on Investment (CROI)*



***International returns will improve from economic recovery in the short term
and maturity of assets in the long term***

*CROI is measured as earnings before interest, tax, depreciation and amortisation, expressed as a percentage of net invested capital - EBITDA and invested capital from assets invested in the last 2 years have been excluded.

Asia – current LFL performance

	09/10 Q3	09/10 Q4	10/11 Q1	10/11 Q2	Current LFL
Korea	+3.1%	+7.7%	+0.6%	+6.0%	+6.7%
China	(1.8)%	+2.2%	+3.2%	+9.3%	+8.3%
Malaysia	(11.7)%	(3.8)%	(2.1)%	(2.0)%	+0.5%
Thailand	(5.4)%	(1.9)%	(5.5)%	+4.8%	+3.4%
Japan	(8.3)%	(9.8)%	(10.7)%	(5.4)%	(5.7)%
India (Star Bazaar)	+35.0%	+21.4%	+19.3%	+23.0%	+18.3%

Note: Current Like-for-like sales growth for all countries except India are the 9 weeks ending 31 October 2010, India sales are the 4 weeks to the 31 October 2010

Update on Tesco Malaysia



Recent Developments

- Over 1 million customers weekly
- No. 1 in the market – approaching 10% share
- Over 3m households in Malaysia have Clubcard (Peninsula Malaysia has 5.6m households) – 75% of company sales on Clubcard
- Launched F&F Blue and Black in refitted clothing departments
- Launched co-branded credit and debit cards with RHB bank in Jan 2009; over 200,000 issued
- Opened 250,000 sq ft DC in 2009, DC investment now complete
- Strongly support local SMEs and charities

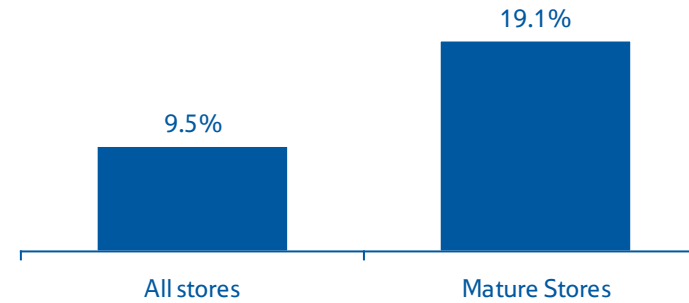
	Aug 2008	Aug 2010
No. of stores	23	35
Hypers	22	34
Supers	1	1

	08/09 H1	10/11 H1
Sales HY £	£223m	£370m
Sales HY % Growth	34.3%	23.7%

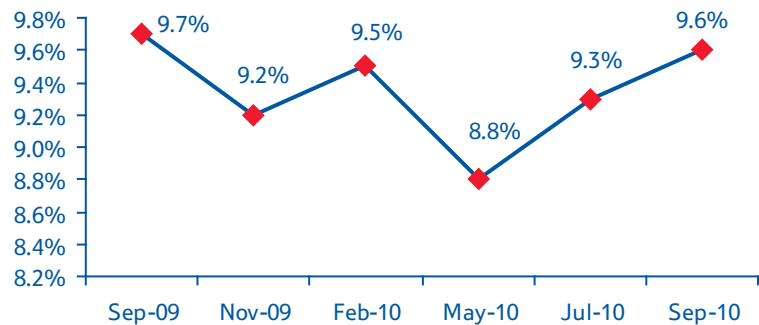
Tesco Malaysia is a strong business



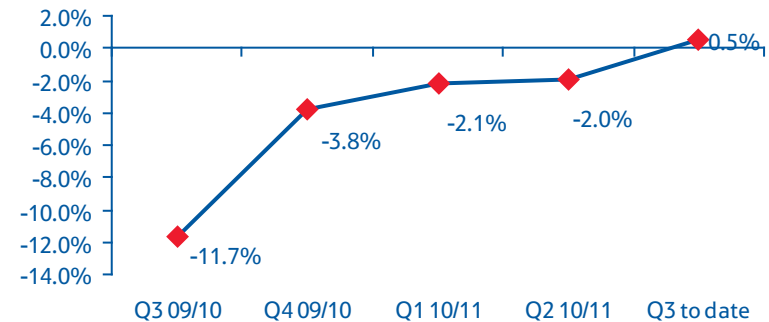
Cash Return on Investment 2009/10*



Malaysia Market Share



Quarterly LFL



* Note: Mature assets defined as stores older than four years, 2009/10 financial year

Update on Tesco Lotus in Thailand



Recent Developments

- Clear market leader
- Since launch in Aug 2009 we now have 5.9m active Clubcard members with 61% sales participation
- Launched F&F in Mar 2010 now 28% softline participation
- Growing own-label with 11% sales participation
- Increased space by 49% since 2007
- Launched Plus Mall Srinakarin. Achieved 16% uplift on sales since re-launch in Oct 2008

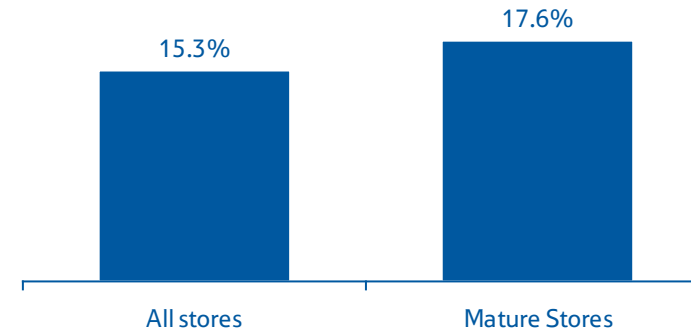
	Aug 2008	Aug 2010
No. of stores	519	704
Hypers	106	116
Supers	48	74
Express	365	514

	08/09 H1	10/11 H1
Sales HY £	£970m	£1.421m
Sales HY % Growth	23.9%	15.3%

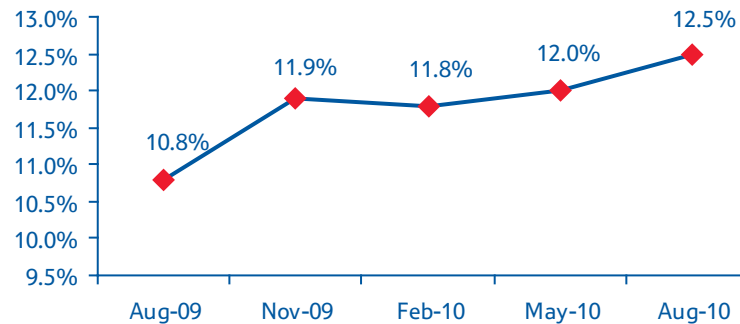
Tesco Lotus performs well



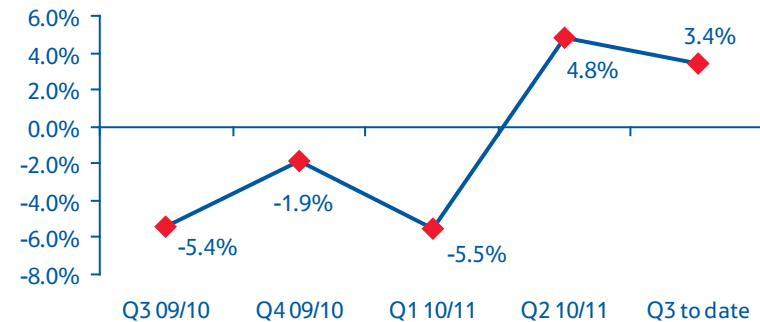
Cash Return on Investment 2009/10*



Thailand Market Share



Quarterly LFL



* Note: Mature assets defined as stores older than four years, 2009/10 financial year

Update on Tesco Japan



Recent Developments

- New Tesco format - 27 stores now have the Tesco fascia. Since H2 09/10 converted 11 stores (Tsurakame / Express format)
 - 20% uplift post conversion
- Tesco fresh kitchen (centralised fish preparation for 56 stores) has been operational from August 2010. Good feedback from customers on quality
- Launch of private brand lines. We now have more than 400 lines, which accounts for 9.7% of our sales
- Goodwill has now been fully impaired

	Aug 2008	Aug 2010
No. of stores	128	142

	08/09 H1	10/11 H1
Sales HY £	£171m	£258m
Sales HY % Growth	23.9%	8.9%

Update on Tesco in India



Recent Developments

- First cash & carry to open during May 2011
- With our franchise partner, Trent, we opened the 10th Star Bazaar hypermarket last month
- Stores continue to see strong sales growth with 4 original stores, in total, up over 120% (Oct. 10 vs. Sep. 08)
- Stores undergoing refits with very positive results (c.30% growth in refitted categories)
- Developed a store blueprint to help ensure more conforming stores in the future
- Private label development received positively by customers and now represents 5.5% of sales

	Aug 2008	Aug 2010
No. of stores	4	9
Hypers	4	9

	08/09 H1	10/11 H1
Sales * HY £	£8.4m	£28.0m
Sales * HY % Growth	314%	189%

**Sales for Star Bazaar our franchise partner, Tesco only recognises a proportion of this*

The Operating Model is how we leverage operational skill and scale across the group

The Operating Model describes our processes, our systems and how we organise ourselves



Our international businesses benefit from shared best practice and leveraging investments made in the UK

- We haven't had to invest in a loyalty scheme in each market. We developed Clubcard in the UK; it's now in 9 international markets
- UK has invested £100m+ in ordering systems in the last decade; to deploy similar systems in each new country costs just £2m
- Central Europe was able to replicate the success of the UK's recent stock reduction programme because it used the Operating Model's planograms and store routines

Today we are only about half way through deploying the Operating Model into our international businesses but we are already starting to see material benefits

The Operating Model in practice

Example: Baby Accessories range change in Korea

Before

- Many hanging products – difficult to shop and replenish
- Many products with single facings - difficult to find
- No clear product blocking – confusing to shop



After



- 65% of products in retail ready packaging
- Clear product blocking
- 43 new products introduced
- Increased LFL sales of 10%

A commitment to building capability

72% of CEOs see education as the global development issue the most critical to address for the future success of business



Leadership & Management skills training	<ul style="list-style-type: none">▪ Advance Leadership Programme▪ WL4 / WL5 Syllabus▪ WL3 / WL4 Leadership Programme▪ Options WL3-4
Operating skills training	<ul style="list-style-type: none">▪ Step Change Bronze / Silver▪ Media Training▪ My Job – Store, Marketing, Commercial▪ Operating Model
Classrooms	<ul style="list-style-type: none">▪ 26 rooms
Bedrooms	<ul style="list-style-type: none">▪ 78 rooms▪ Max 174 Trainees / day
Resource centre	<ul style="list-style-type: none">▪ Library, Business Centre, Museum
Leisure facilities	<ul style="list-style-type: none">▪ International Culture Garden▪ Multi-purposed Sports Ground, Gym, Synbaration Pub
Site area	<ul style="list-style-type: none">▪ 64,207 sqm
Gross floor area	<ul style="list-style-type: none">▪ 14,620 sqm

We are leaders in tackling Climate Change



A zero-carbon business by 2050

- **We plan to be a zero-carbon business by 2050.**
- By 2020 we plan to halve emissions from our 2006/07 baseline portfolio of businesses.
- New stores built between 2007 and 2020 should emit on average half the CO₂ of a 2006 new store.
- By 2012 we plan to halve distribution emissions per case delivered against a 2006 baseline.
- **We plan to reduce the emissions of products in our supply chain by 30% by 2020.**
- **We are finding ways to help our customers halve their carbon footprints by 2020.**

Achievements to date

Reducing our carbon emissions

- We have to date reduced emissions from our 2006/07 baseline portfolio of businesses by 16.3%.
- Average emissions from new buildings in 2009-10 were 28.8% below the 2006 average.
- We have saved over 30 million litres of fuel a year, across the Group.
- We have opened environmental stores in all of our markets. Our first low-carbon distribution centre in China will open in Jiashan. We have built an award-winning Homeplus green store in Bucheon Yeowol.

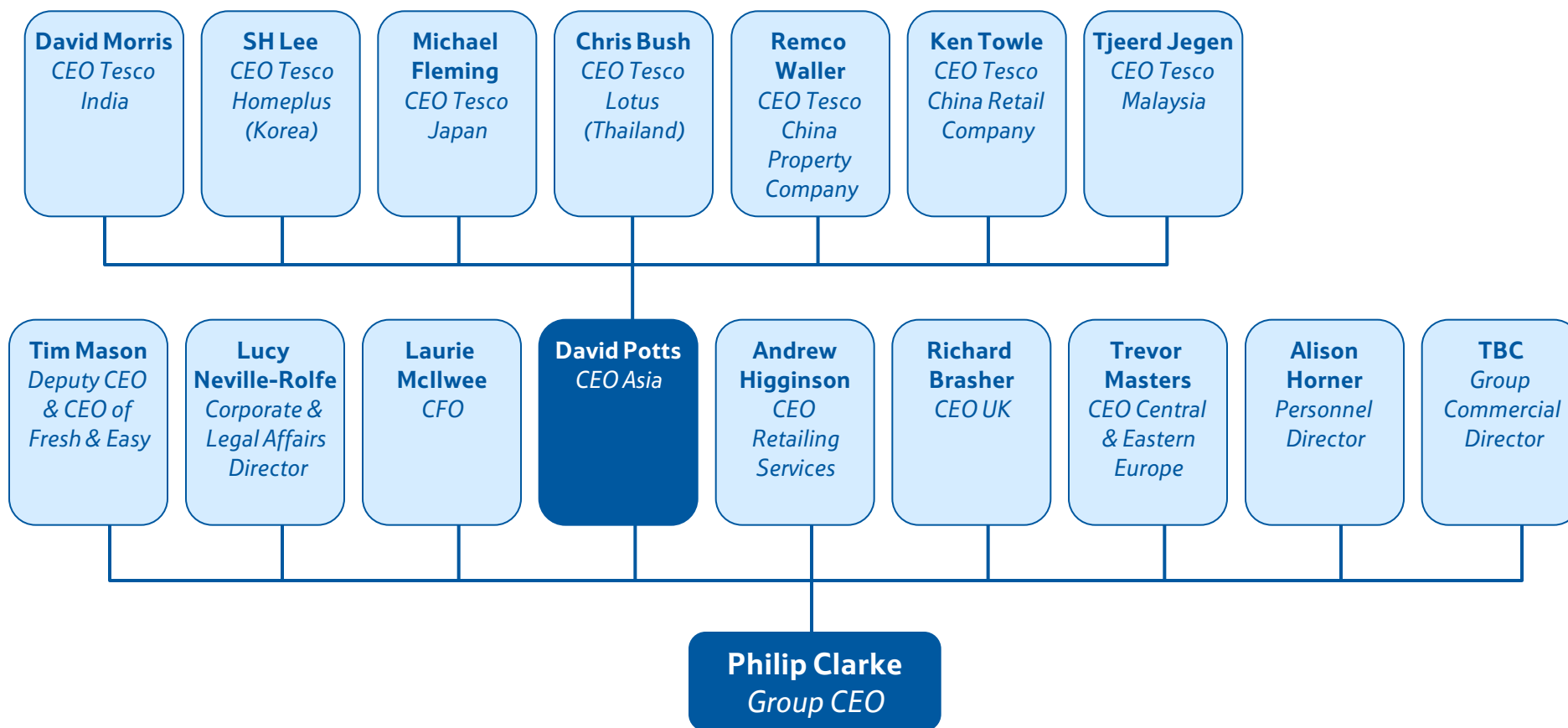
Incentivising green choices:

- We are using Green Clubcard points to encourage low-carbon behaviours – re-using carrier bags in Malaysia and Thailand, cycling to stores in Korea.

Education and information

- We have pioneered carbon labelling in the UK and Korea.

A new structure for the global business



Note: Structure from March 2011

Why are we visiting Korea and China this week?

- A lot has changed in the two years since we were last here:
 - Korea has become a second growth engine for Tesco now that the acquisition has been successfully integrated
 - China is on the verge of becoming both profitable and a meaningful part of our long-term growth
- And the two are connected because we're now deploying all of the experience, skills and resources we've accumulated - and which Korea represents so well - faster into China
 - developing our people capability
 - emphasising localisation
 - making the strategic investment in sites and property – including Malls
 - building out infrastructure
 - investing in the brand (Clubcard, own brand, retailing services)
- So our aim in the next three days is to explain how our Asia strategy is evolving and how our investment now is equipping us for strong, sustained growth in the future