



Tesco in Asia – key messages

Laurie McIlwee, Group Finance Director

Tesco in Asia 2010, 21st–23rd November

With a population of more than 3.2 billion, Asia offers enormous opportunity

China					
Tesco is a leading player in a huge, fragmented market					
Country	Population (millions)	GDP Growth %	MGD Sales £bn	Tesco	
				Mkt Share %	Mkt Position
China	1,355	10.5	630	3.6	2 TESCO

TNS data panel conducted in 7 cities only

Source: Planet Retail (GDP growth is 2010 forecast)
Note: MGD = Modern Grocery Distribution

India					
Tesco has recently entered this huge under-developed market with a strong local partner					
Country	Population (millions)	GDP Growth %	MGD Sales £bn	Tesco	
				Mkt Share %	Mkt Position
India	1,199	9.4	314	-	- TESCO

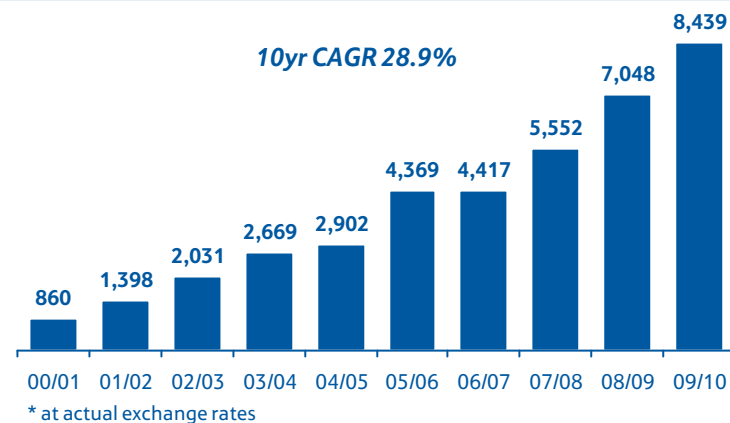
North Asia					
Tesco is a leading player in Korea and has a foothold in Japan					
Country	Population (millions)	GDP Growth %	MGD Sales £bn	Tesco	
				Mkt Share %	Mkt Position
Japan	128	2.4	694	0.2	- TESCO
South Korea	49	6.1	94	9.2	2 TESCO

South East Asia					
Tesco is the No. 1 retailer in South East Asia , despite being in only two markets					
Country	Population (millions)	GDP Growth %	MGD Sales £bn	Tesco	
				Mkt Share %	Mkt Position
Indonesia	232	6	36	n/a	n/a
Philippines	92	7.0	11	n/a	n/a
Vietnam	87	6.5	4	n/a	n/a
Thailand	67	7.5	26	12.7	1 TESCO
Malaysia	28	6.7	16	9.6	1 TESCO
Singapore	5	15.0	10	n/a	n/a

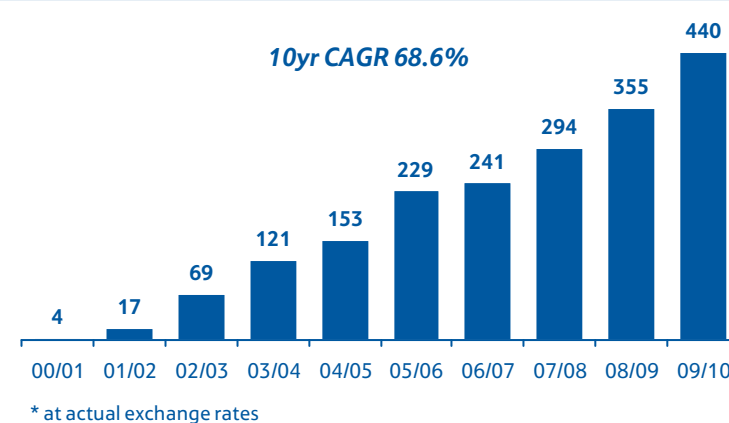
Tesco has established strong foundations in key markets

We have established in Asia a high-growth, profitable business of significant value

Revenue: £8,439m*



Trading Profit: £440m*



Estimated value of Asian business: c. £10bn



- **Estimated value of Asian business: c.£10bn** based on valuation multiples from recent transactions in Asia*
- **Market value of property : £7.8bn**

*Multiple based on Big C buys Carrefour Thailand for 13.0x EBITDA, Lotte Shopping buys Times (China) for 15.4x EBITDA and TPG buys stake in Wumart (China) for 13.9x EBITDA

Homeplus – a world class business

A sophisticated scale business...

- No. 2 in market (closing in on No. 1)
- £4.5bn Sales
- c.£300m Profit
- Korea's Most Admired Company 2010
- Tesco's largest international business

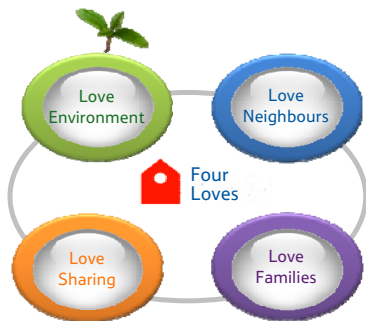


... with many avenues for organic growth

- Modern grocery market still growing rapidly
- We still only have 4.3% share of the retail market
- Extending our multi-format opportunities
- Our on-line offer remains in its infancy
- Potential for £50m profit in Retailing Services



Homeplus in Korea is the blueprint for our other international markets

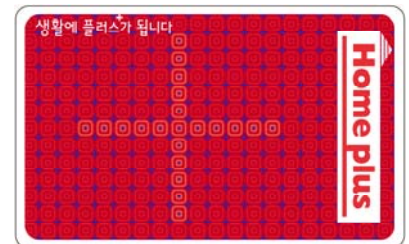


The blueprint

- Strong local management and culture ✓
- Strong property portfolio ✓
- Multi-format ✓
- Centralised supply chain & distribution ✓
- Clubcard & dunnhumby ✓
- Admired brand ✓
- Tesco Operating Model ✓
- Online and Retailing Services ✓
- Community at the heart of what we do ✓



- **Consistent sales growth**
- **Strong profit margin**
- **Good returns**



In China we've invested in assets and people to develop a strong platform for growth

The blueprint

- Strong local management and culture ✓
- Strong property portfolio ✓
- Multi-format ✓
- Centralised supply chain & distribution ✓
- Clubcard & dunnhumby ✓
- Admired brand ✓
- Tesco Operating Model ✓
- Online and Retailing Services ✓
- Community at the heart of what we do ✓



Tesco China today:

- Regional management teams strengthening
- Lifespace malls offer unique advantage
- Strong hypermarkets & initial trials of Express
- Development of DC network ahead of competitors
- Membercard is already the largest consumer database in China
- A brand seen as progressive and leading in our biggest cities
- More than half way through the deployment of the Operating Model
- The first financial services product (co-branded credit card) launching in November
- Awards and recognition for our Community work

As we grow our scale we will realise efficiencies in central overhead costs, buying, supply chain and marketing, on a path of rapidly improving profitability and returns

As with all our international businesses our growth in China is underpinned by a strong property strategy

The Challenge

Securing high quality hypermarket space to allow Tesco to become the Best Retailer in China

The Opportunity

How to capitalise on the multi-billion market for retail property in China

Tesco's China Property Strategy

1. Freehold malls anchored by a Tesco hypermarket
 - 50 malls (inc. 50 hypers) trading by 14/15
2. Leasehold hypermarkets in 3rd party developments
 - 150 leasehold hypermarkets trading by 14/15

Tesco is well placed to become China's foremost mall operator:

- Experienced mall operator (one of the largest in the world)
- Strong site research capability
- Tesco hypermarket as anchor tenant
- Strong brand identity
- Good network of local partners
- Superior customer-focused design based on Tesco's international experience
- Future-proofed for emerging Chinese consumer
- Primary sites focused on tier 2 & 3 cities



Our businesses in Asia will make a significant contribution to our targeted improvement in Group ROCE

Drivers of 14.6% Group ROCE target

1. Economic recovery

2. Maturing international assets

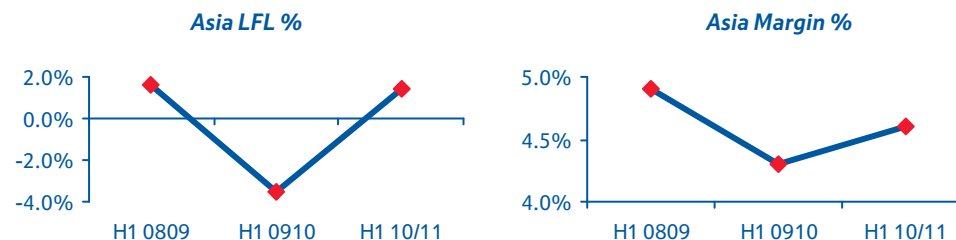
3. Delivering on acquisitions

4. Growth in retailing services

5. Increased capital efficiency

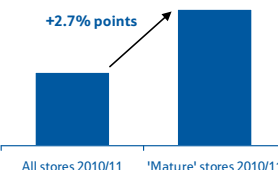
6. Leveraging group scale and skill

Economic recovery driving improved sales & profits

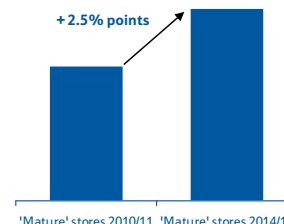


Returns expected to improve as assets and businesses mature - e.g. China

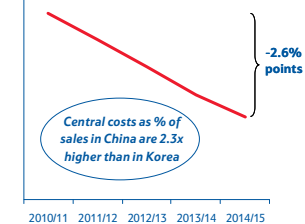
Store profitability %



Store profitability %

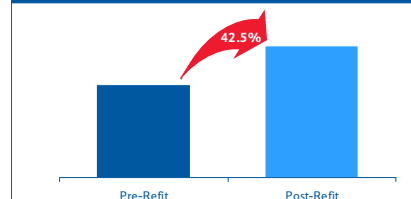


Central costs as % of sales

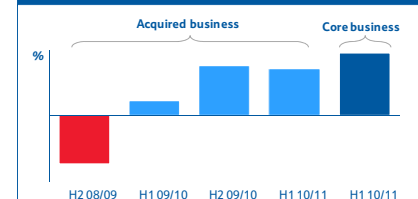


Acquired assets in Korea are now highly profitable

Daily sales / store



Korean EBIT



Our businesses in Asia will make a significant contribution to our targeted improvement in Group ROCE

Drivers of 14.6% Group ROCE target

1. Economic recovery

2. Maturing international assets

3. Delivering on acquisitions

4. Growth in retailing services

5. Increased capital efficiency

6. Leveraging group scale and skill

Good progress and a strong plan for services in Korea

Where we are Today £18m Profit

- Telecom Shop
- Mart-surance
- Co-brand Credit Cards
- Other Retailing Services

Where we want to be £50m Profit

- MVNO
- Insurance Joint Venture
- Credit Card Company
- Other Retailing Services

Improved capital efficiency from scale and new formats

- Less capital-intensive formats - Express
- Potential improvements in working capital - learning from UK and Europe
- Higher utilisation of supply chain & distribution assets
- Developing our own malls in China avoids paying the developer's profit

Leveraging the Group's capability and Operating Model



Key Messages

- **Opportunity:** Asia – with its large and growing population and increasingly prosperous consumers – will be a powerful driver of long term growth and returns for Tesco
- **Scale:** We've built sophisticated and profitable businesses of scale in three markets – Korea, Thailand and Malaysia
- **Growth:** We have significant growth opportunities in our three leading Asian markets but with China and India we have growth opportunity on a completely new scale
- **Foundations:** In the largest Asian market – China – we have laid strong foundations on which we are developing a business for long term profitable growth
- **Property:** A strong property strategy helps us succeed in our three leading Asian markets. In China our Lifespace malls will help us achieve our vision of becoming the Best Retailer in China and will also create significant value from property development
- **People:** We have strong teams in all our Asian businesses with a good mix of local expertise and international experience. Our new Asian Academy shows our commitment to developing our people