Leveraging the Skill and Scale of the Group for Central Europe

Trevor Masters, CEO Central and Eastern Europe
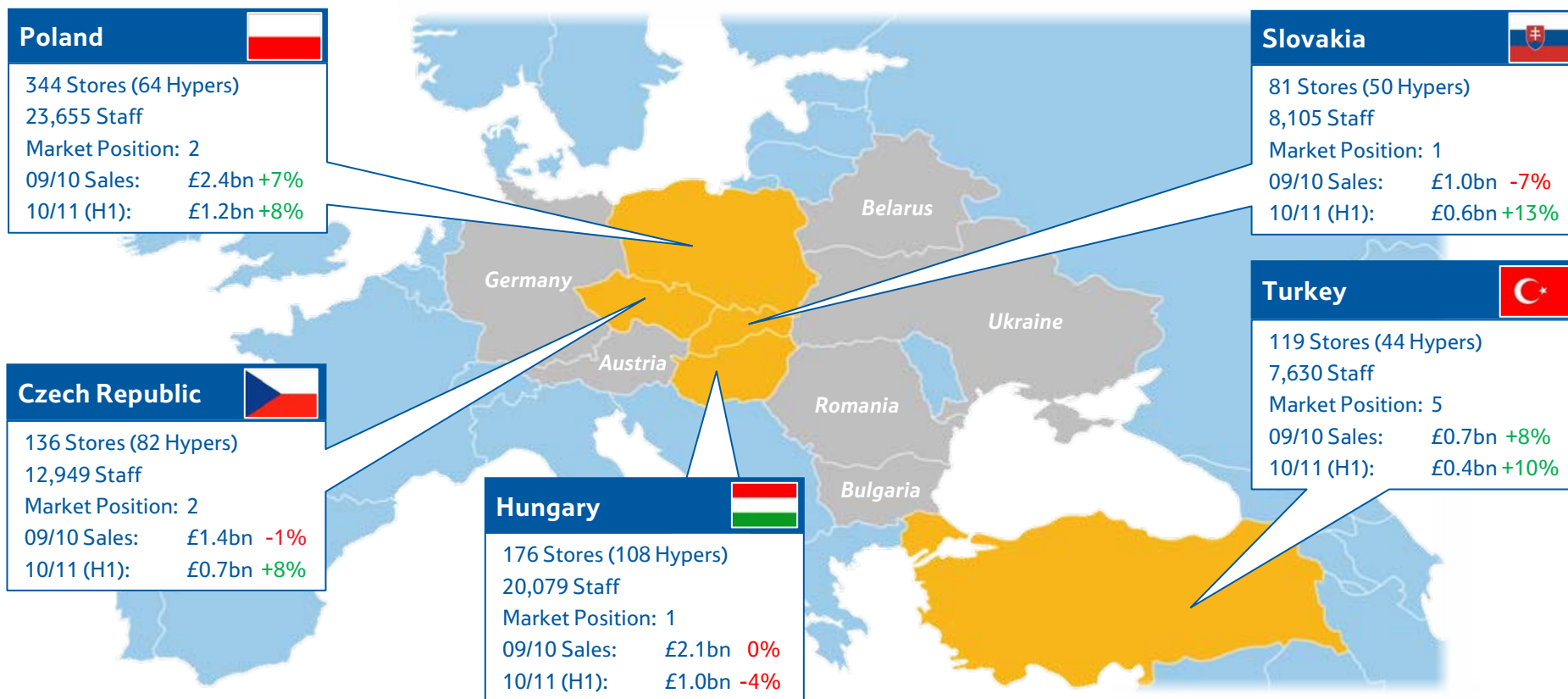
Tesco in Asia 2010, 21st–23rd November

Contents

- Central Europe and Turkey store portfolio

- Growth from our multi format strategy

- Our returns are set to improve

- Leveraging Group Skill and Scale

- Our Hypermarket Refresh programme

- Petrzalka Extra - Slovakia

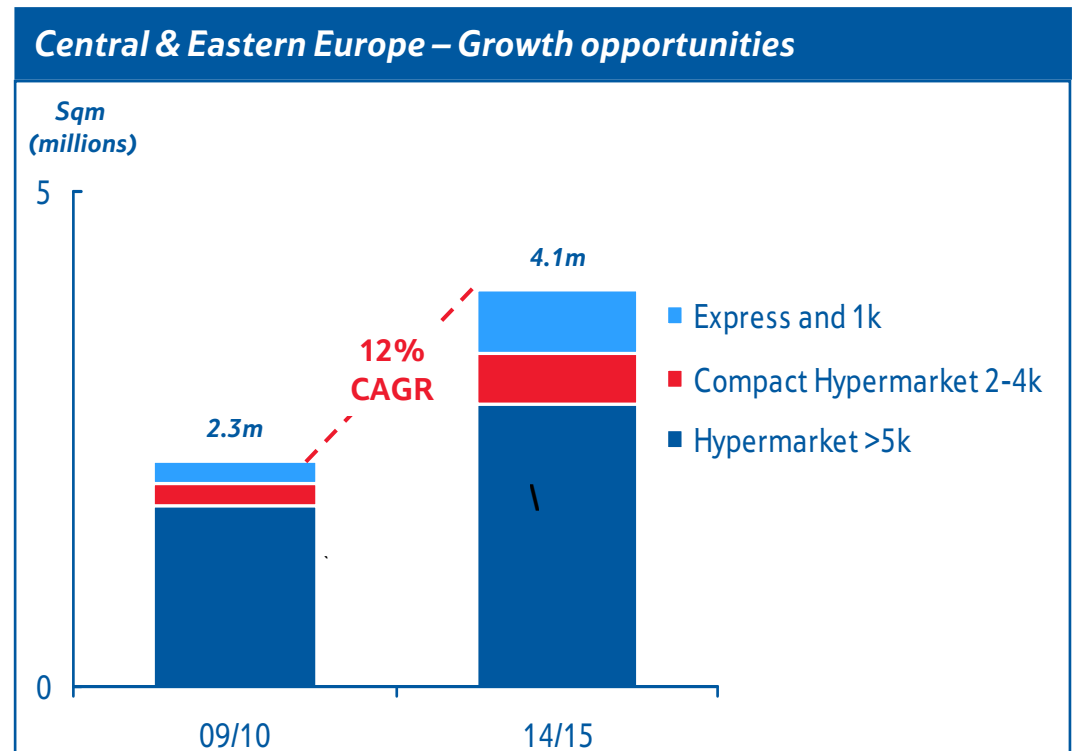**TESCO**

Central Europe and Turkey store portfolio

Sales Performance: 09/10 (FY): £7.6bn, +2% 10/11 (H1) :£3.9bn, +5%

Poland

344 Stores (64 Hypers)
23,655 Staff
Market Position: 2
09/10 Sales: £2.4bn +7%
10/11 (H1):   £1.2bn +8%

Slovakia

81 Stores (50 Hypers)
8,105 Staff
Market Position: 1
09/10 Sales: £1.0bn -7%
10/11 (H1):   £0.6bn +13%

Turkey

119 Stores (44 Hypers)
7,630 Staff
Market Position: 5
09/10 Sales: £0.7bn +8%
10/11 (H1):   £0.4bn +10%

Czech Republic

136 Stores (82 Hypers)
12,949 Staff
Market Position: 2
09/10 Sales: £1.4bn -1%
10/11 (H1):   £0.7bn +8%

Hungary

176 Stores (108 Hypers)
20,079 Staff
Market Position: 1
09/10 Sales: £2.1bn   0%
10/11 (H1):   £1.0bn -4%

Belarus
Germany
Ukraine
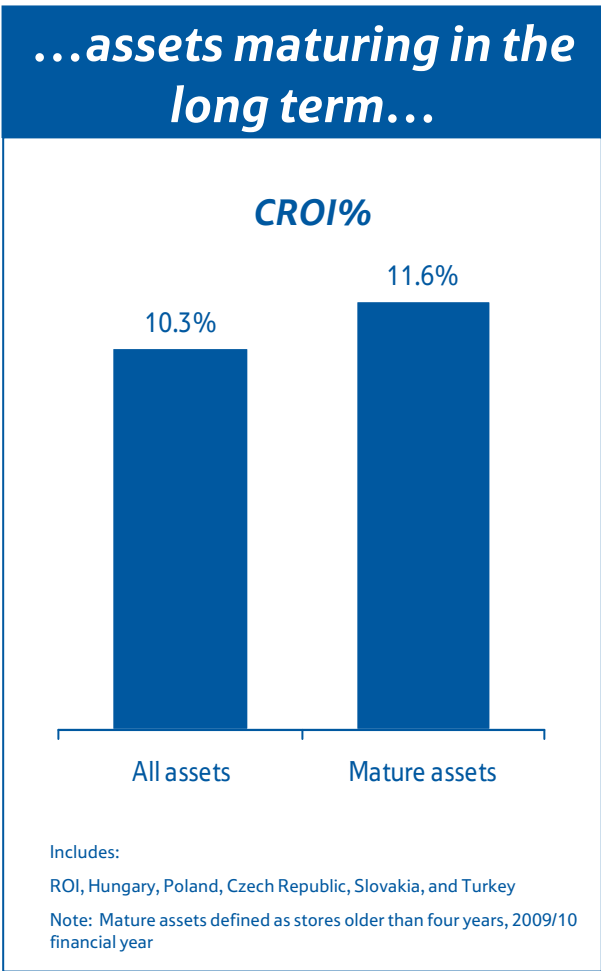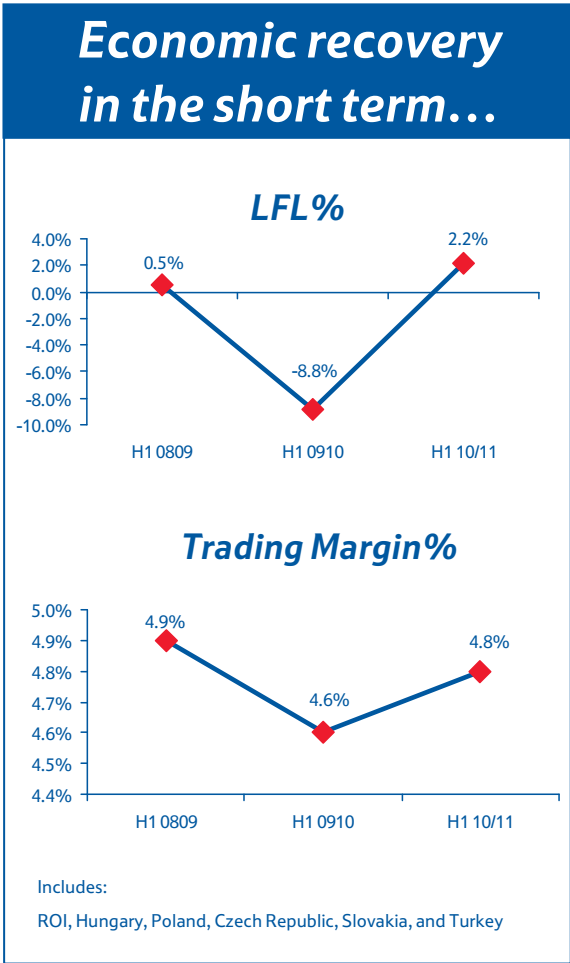Austria
Romania
Bulgaria

We have spent the last 15 years building an excellent store portfolio across Central and Eastern Europe

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We have strong organic growth potential from our multi format strategy

- Our experience tells us that if we give customers the opportunity to shop in multiple formats, we will achieve:

  – higher market penetration

  – increased loyalty

  – greater brand reach

- Our multi-format offer:

  – Express (<0.3k)

  – Discounters & Supermarkets (1k)

  – Compact Hypermarket (2k-4k)

  – Hypermarket (>5k)

Central & Eastern Europe – Growth opportunities

Sqm (millions)

5

0

2.3m

4.1m

12% CAGR

■ Express and 1k

■ Compact Hypermarket 2-4k

■ Hypermarket >5k

09/10   14/15

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Our returns in Europe are set to improve as a result of:

Economic recovery in the short term…

LFL%

0.5% -8.8% 2.2%

H1 0809 H1 0910 H1 10/11

Trading Margin%

4.9% 4.6% 4.8%

H1 0809 H1 0910 H1 10/11

Includes:

ROI, Hungary, Poland, Czech Republic, Slovakia, and Turkey

…assets maturing in the long term…

CROI%

10.3% 11.6%

All assets Mature assets

Includes:

ROI, Hungary, Poland, Czech Republic, Slovakia, and Turkey

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

…and leveraging the group's skill and scale

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Leveraging Group Skill and Scale

"SAVE"
The Change Plan

"REINVEST"
Business Plans

"DRIVE SALES"

"IMPROVE RETURNS"

Property & Corporate Purchasing

Operations

Supply Chain

Head Office, IT & Finance

Commercial Food

Commercial Non Food

TUR

CZE

SLO

HUN

POL

Shared Plans

- Improve the Shopping Trip
- Improve the Brand
- Improve Staff Benefits

Beat the Profit Plan

The Central Europe change plan will leverage the skill and scale of the group and enable us to deliver bigger and better improvements for customers

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Our Hypermarket Refresh Programme – Tesco Extra

Average Weekly Customer Count

14%

09/10   10/11

Note: Tesco Customer Data from 4th Oct - 31st Oct from the four Extra hypermarkets that have been open more than four weeks

Average Weekly Sales

19%

09/10   10/11

Note: Tesco Sales Data from 4th Oct - 31st Oct from the four Extra hypermarkets that have been open more than four weeks
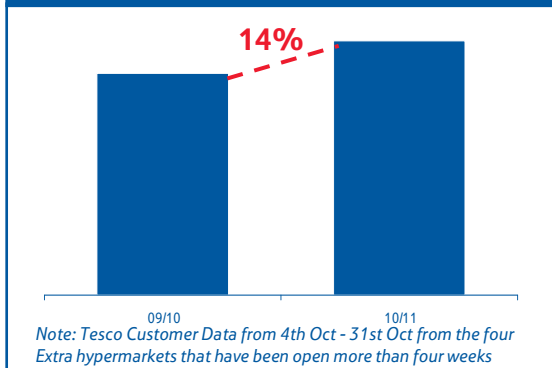
- Recently refitted six Hypermarkets
  - at least one in each country

- Shopping trip improvements:
  - extended the **range** by introducing +5000 SKUs
  - improved **availability** through supply chain best practice
  - increased staff and introduced specialists to improve **service**
  - better **environment** through conforming layout, fixtures & fittings

- Brand improvements
  - new Retailing Services including Phone Shop, Opticians, Pharmacy & Photoshop
  - introduced "Worlds" including Electrical, Home, Pet & Baby
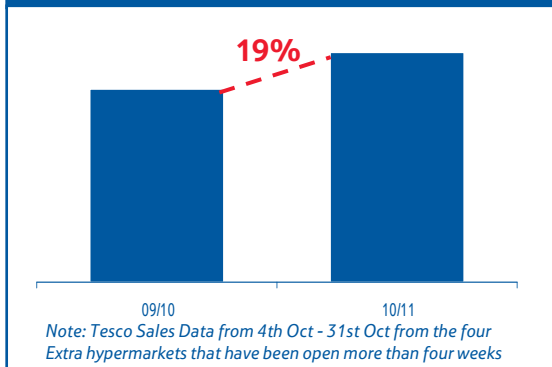
Here is an example of what we have done…[Video]

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