



Czech Republic

Philip J Clarke – CEO Czech Republic

June 2011

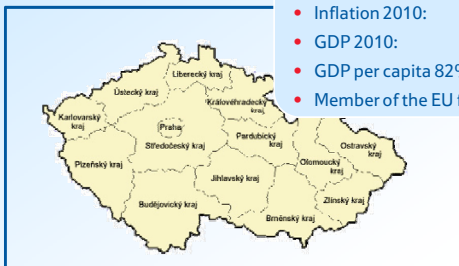


Welcome to the Czech Republic



Facts

- Area: 79,000 sq km
- Population: 10.5 million
- Capital City: Prague
- Inflation 2010: 1.5%
- GDP 2010: 3,669.8 billion CZK
- GDP per capita 82% of the EU average
- Member of the EU from 2004



Source: Czech Statistical Office



The economy is in recovery though consumers remain cautious

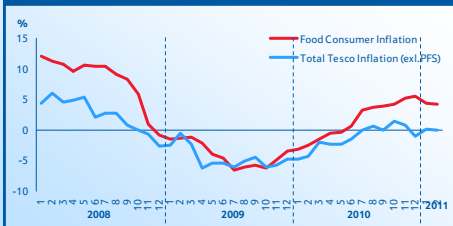
GDP development



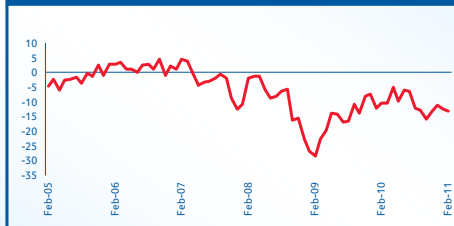
Economic recovery

- Economy gradually improving
- Unemployment relatively flat in Q1 7.3%
- Average salary in 2010 increased by 2% (nominal), 0.5% (real) year-on-year

Consumer inflation YOY in %



Czech consumer confidence



Sources: GDP - Czech Statistical Office; Consumer confidence - Eurostat; Retail Price Inflation - Czech Statistical Office

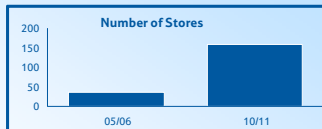


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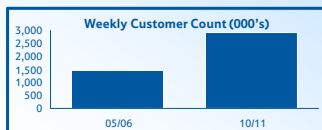
Strong, successful business, with impressive growth since your visit in 2006



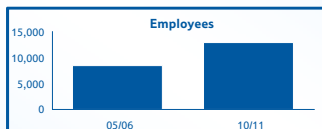
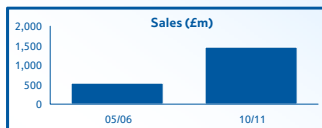
- Progress since 2006 in figures:
 - Over 20% CAGR in sales including VAT ex PFS
 - 123 additional stores
 - Strong sales improvement in 2010/11, return to like-for-like growth



- Milestones since 2006:
 - Market leader
 - First 1k and Express store opened
 - Edeka and Carrefour acquisitions in 2005/6
 - 'My' department stores launched in Narodni & Liberec
 - Financial services launched
 - Clubcard launched 2010
 - Split Czech and Slovak businesses in 2010
 - Winner of Top Retailer, Retailer of the Year and Most Admired Company awards
 - Acquisition of Zabka and Koruna stores in 2011



- CSR highlights since 2006:
 - Winner Energy Global Award
 - Tesco Foundation, Run for Life
 - Support to local producers
 - First zero-carbon store in continental Europe opened in Jaromer in February 2011



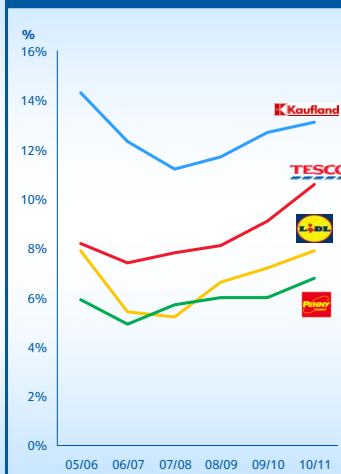
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We have secured a strong position in a competitive market

Key competitors

	Number of stores	10/11 Market share*	Strengths / Weakness*
TESCO	157	10.6%	Range, Promotions, Soft line, Nonfood, Clubcard, Store environment, Willing staff / Fresh Food, Staff presence
ALBERT HEIN	280	9.7%	Fresh food – Bakery, Shopping environment / Prices, Promo availability
Kaufland	95	8.7%	Low Prices, Promotions, Produce / Store environment, Services, Nonfood range
Penny	329	7.2%	Prices, Promotion, Counters (third party), Good locations / Limited range, lack of staff, promo availability
LIDL	222	6.4%	Prices, Promotions, WIGIG, Produce / Overall discount image, low number of brands, missing counters
ALDI	14	5.2%	Range, Nonfood, Quality, Availability, Fresh food - Meat, Store environment, Staff, Food area / Prices, low number of stores
BILLA	201	4.2%	Produce, High selection of brands, friendly staff / Prices, Nonfood
INTERSPAR	33	2.8%	Fresh Food, Shopping environment, Branded products choice / Prices, Slow checkouts, Nonfood range

Market share⁺



*Market share: GfK, Feb 2011, Food

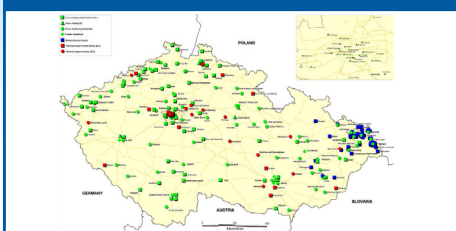
* Source: Incoma Research Agency (and Site Research); * Kaufland and Lidl are part of the Schwarz Group – combined share 15.1%

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Tesco has a strong portfolio of stores with an extensive geographic profile, and a multi-format offer

Location of stores



Format Structure

	05/06	10/11	Current market position	2010/11 LFL %
Department store	6	6	1	4.6%
Hypermarket	28	73	1	1.0%
Supermarket	1	51	3	7.6%
Expres	0	27	1	11.0%
Total	35	158	1	2.0%
Zabka	0	83	-	-

Extra

- 3 Extra stores converted in 2010/11
- 5 Stores to be converted by the end of 2011/12
- Average sales increasing c. 15% versus comparable hypermarkets
- Sales increases driven by both higher customer counts and spend
- Customers like mostly
 - The overall atmosphere of Extra stores, it is more spacious, friendlier and lighter
 - Arrangement of FF departments and see improvement in quality and range
 - Softline department and range
 - Self service checkouts
 - New retail services (optician, pharmacy, phone shop)

Expres

- 10% of all Tesco customers shop in Tesco Expres stores
- Customers like:
 - Location of most of our Expres stores – near public transport, home or work
 - Convenience with very good quality of goods for top-up/small shopping trip
 - Strong bakery offer – good quality and range, sufficient availability
 - Shopping experience - nice and friendly staff, short queues
- Opening plan over next five years:
 - Fastest growing format – c.15-20 Expres stores planned in next two years, accelerating to c.20 stores per year from 2014/15

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Department stores – updating the offer

- Stores located in 11 prime locations across CR and SK
- Two concepts:
 - “My” brand
 - Tesco branded department stores
- Strong sales and profit LFL with refitted stores performing well:
 - 2009/10 reversal of sales and profit decline with refitted stores leading this growth:
 - My Narodni up c.11%; My Liberec up c.16%
 - Changes have enhanced our property valuations
 - Trading profit increased YoY by c.60% and improved returns
- Tesco City being launched August 2011
 - Enhanced food ranges
 - New clothing brands, exclusive to the market
 - First catalogue home shop in central Europe



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Shopping Centres and Malls

- Tesco operates six shopping centres and 53 serviced malls
- Shopping centres maintain over 420 units across 1.4m sq ft, contributing c.75% of total mall income
- Tesco runs facility operation and asset management services
- We are constantly working on improving the value by implementing asset management plans and creating pleasant atmospheres for customers, staying competitive against new shopping centre developments



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Franchising under Zabka provides further opportunities for growth

- Tesco took control of 83 Zabka branded stores
- Mostly clustered around Prague and neighbouring communities
- Franchise model operations (Company Owned Franchisee Operated)
- Substantial opportunity for new stores, also exploring possibilities of opening stores where franchisee holds the lease



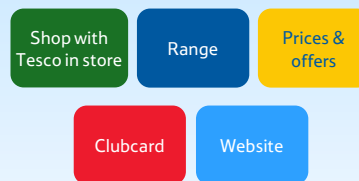
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Introducing a successful online grocery offer

- Launch planned for Autumn 2011
- Initial plan to cover Prague operating from three stores
- Capital city well positioned to launch the new service:
 - High broadband penetration (66% vs. 69% in UK)
 - Over 50% users buy products and services online
 - Unlike other categories (Electronics, Clothing) Grocery / Food is not yet very prevalent online
 - Limited competition; offering limited range and charging premium prices
- Roll-out of over 20 stores over next three years to achieve c.80% coverage of the Czech Republic and more than 2% total sales

Key target drivers for the new service



www.itesco.cz

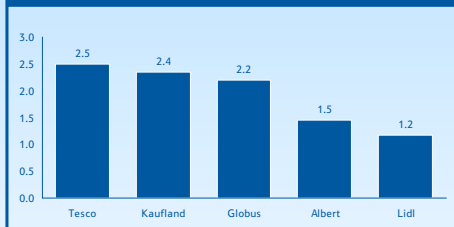
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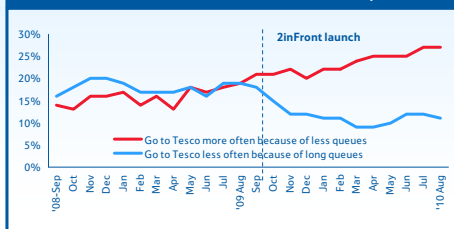
We continue to put the customer first by finding ways to innovate and improve our offer

- Tesco is the strongest food retail brand in the market according to AC Nielsen ranking (3rd position three years ago)
- Customers have high expectations of shopping in Tesco
- Customers prefer shopping at Tesco due to:
 - Strong range, standard prices, unique loyalty programme, pleasant shopping environment and food quality
- Customers also positively evaluate in Tesco:
 - Promotions, value for money of Tesco own brand products, willingness of staff, great range, quality and prices of clothing
- Customers recognise and appreciate improvements
 - Checkout queues, fresh food quality and range and innovations including self-service checkouts
- We are focused on improving standards across the whole shopping trip

Store Equity Index 2010 (AC Nielsen Winning Brands™)



Go to Tesco more/less often because of queues



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Clubcard – further increasing loyalty

- Clubcard launched in September 2010
- Quickly recognised by customers as the most advantageous loyalty scheme of any retailer (Lifestyle October 2010)
- Clubcard amongst top four reasons why customers prefer Tesco
 - 27% of answers refer to Clubcard as the reason for preference of Tesco (Image tracker Q4 2010/11)
- 1.3m Customers enrolled, with around 56% sales penetration
- Average customer spend c.30% higher for Clubcard users
- Our 35% most Loyal Customers account for c.70% of sales



Every little helps

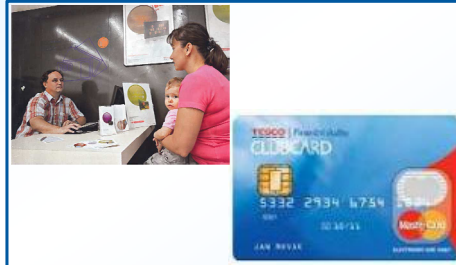


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Building on our success in Financial Services and developing other Retailing Services

Financial Services

- Re-launched in 2009
- Currently offer sales finance loans, personal loans and Clubcard credit cards
- 24,000 new customers in 2010, up from 7,000 in 2009
- Plan to further widen our range of financial products in 2012
- Plan to gain c.35,000 new customers in 2011 and more than 200,000 active customers in total



Insurance

- Plan to launch own-brand insurance products in second half of 2011
- Focus on car and travel insurance
- Target to attract 30,000-50,000 new customers per year



Telecommunications

- Launched top-up services at cash desks in June 2011
- Exploring opportunities in Tesco Mobile services introduction



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Leveraging Group skill and scale to win locally

Progress to date

- Central sourcing has delivered tangible benefits and should accelerate savings
 - All Softline (clothing) products are sourced centrally.
 - All Goods not for Resale are bought through corporate purchasing teams.
 - Over 55% of Produce and 50% of meat, fish, poultry is bought through Global Food Sourcing (GFS) teams.
 - Approximately 9% of Grocery is bought by GFS.
 - 10% of our Hardlines goods are bought through central teams with plans to increase dramatically in 2011/12.
- Hypermarkets conversions into Extra format to improve customers' shopping trip
 - 3 stores converted so far with promising sales uplifts
- Championing Operating Model implementation in Central Europe to simplify processes and apply Group best practices
 - Phase 2 fully completed, on track deployment of phase 3

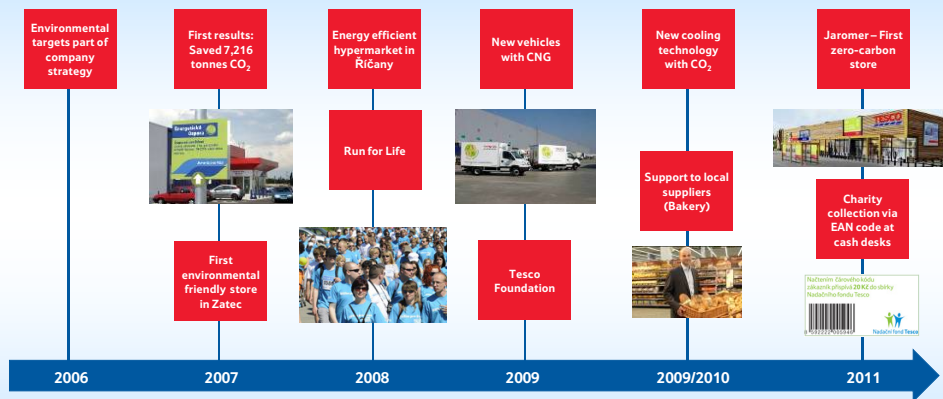
Plans for 2011/12

- Centralisation of non-customer facing processes
 - Access to the Tesco Hindustan Service Centre in Bangalore, providing non-customer facing activities to UK, US and ROI entities, using best available technologies on the market
- Accelerate Extra conversions to create competitive advantage within Hypermarkets sector
 - Four stores to be converted before Christmas
- Cross border joined seasonal events
 - (Back to school, Christmas)
- Further centralisation of Hardline goods buying



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Continuing to lead on community and the environment



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Looking ahead...

Strong growth

- Further supermarket conversions to the Extra format
- Small formats focus (Express, Zabka and 1K refits)
- Increased sales densities through product development and range review (Food & Non-food)
- Greater breadth in Retail Services:
 - online Grocery and Non-food
 - increased Financial Services
- Leveraging existing assets:
 - property development, malls, petrol filling stations

Capability development

- Develop strong local managers
- Hire the best people:
 - Graduate schemes
 - Management training academy
- Leveraging our scale through:
 - Group sourcing to improve our prices and quality
 - Borderless distribution to improve availability and stockholding
 - Operating Model to help simplify our operations for staff

Further multi-format development



Improving the shopping trip for customers

- I can get what I want with the best availability, quality and range
- Prices are great
- Staff are great
- Great shopping environment

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In summary

- Improving and steady economic situation in the country
- Tesco well placed in Czech market – multi-format, broad geographical reach
- Strong organic growth, exploring franchising opportunity
- Leading in innovations for customers
 - Online shopping
 - Wider range of retailing services
- Leveraging regional and Group skill and scale



With the backdrop of a solid economy and strategies to improve and expand the customer shopping trip, Tesco should continue to grow at a fast pace and sustain our strong position in the market

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