

BUILDING A BETTER **TESCO** IN THE UK NOVEMBER 2012



Contents

Welcome	2
The agenda	3
Building a Better Tesco in the UK	5
Enfield dotcom store	6
Innovation	10
Bishop's Stortford Superstore	12
Product Quality and Assessment Centre	16
Regent Street Metro	18
Investor Relations	22

Welcome

I would like to take this opportunity to welcome you to our 2012 UK Investor and Analyst tour.

This booklet contains a summary of the day's events, and some key facts about each of the locations you will be visiting.

Today will give you the opportunity to see first-hand how our plans to Build a Better Tesco are being implemented every day in our stores across the country. You will also get the chance to hear from our dedicated leadership team, and ask them about their experiences.

I hope you enjoy the event and I look forward to meeting you throughout the course of the day.

Philip Clarke
Group CEO



The agenda

Coach A

9.15am - Arrival and Registration
9.45am - Welcome
10.20am - Enfield dotcom store tour
12.10pm - Coach departs
1.00pm - Bishop's Stortford
2.30pm - Coach departs
3.15pm - Product Quality Assessment Centre
4.45pm - Coach departs
6.15pm - Regent Street Metro
6.45pm - Sofitel St James

Coach B

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Guidance for the day

Thanks for attending our UK Investor and Analyst tour, November 2012.

Please take the time to read the guidance we have provided below to make sure you get as much as out of the event as possible.

We have packed a lot in to today's itinerary, and the journey times between each location may take longer than expected if the roads are particularly congested, so please do make sure you get back to the coaches on time at each stage.

Today represents a great opportunity to hear from colleagues from all over our business, so please do feel free to ask questions.

The IR team will be on hand to cover anything that can't be covered during the tour, and there will be time in the evening to discuss anything you could not cover during the day.

Enfield dotcom store contains automated machinery and large equipment so do take care when walking between pitstops. We will also be visiting some busy stores, so we would really appreciate it if you could help us make sure we don't get in the way of our customers and colleagues.

Building a Better Tesco in the UK

In April, we set out our plans to Build a Better Tesco in the UK. The changes we are making to improve the customer shopping trip are significant and there is much more that can be done. However, customers are already starting to respond positively to the improvements we have begun to make in each area of the plan:

In the first half...



Service & Staff

- + Recruited, trained and deployed more than 8,000 new staff
- + Provided 350,000 hours of specialist training



Brand & Marketing

- + Wieden + Kennedy on board as our new creative agency and brought dunnhumby back into the heart of the UK business



Price & Value

- + Launched Clubcard Bonus, mailing over 7 million customers with personalised offers
- + Provided stronger blend of great prices, relevant promotions and personalised offers



Range & Quality

- + Launched Everyday Value and added 100 new lines
- + Upgraded more than 2,000 products from our core Tesco own label food range



Stores & Formats

- + Refreshed over 230 stores
- + Opened 60 Express stores, taking overall total to nearly 1,500



Clicks & Bricks

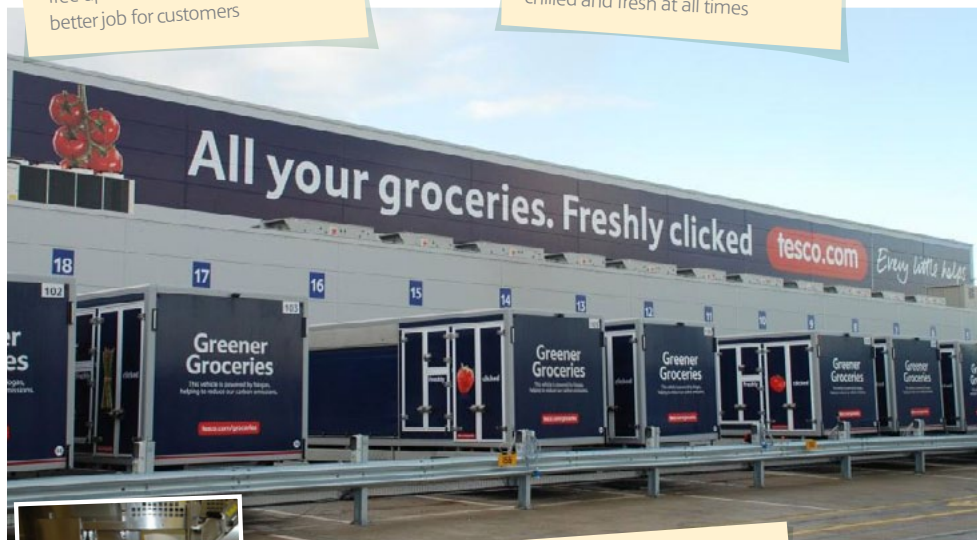
- + Over 200,000 products now available on Tesco Direct
- + Click & Collect desks rolled out to more than 1,300 stores
- + Over 70,000 customers signed up for our Delivery Saver subscription scheme

Enfield dotcom store

Dotcom stores are a great way to free up space in our busiest stores. By building them in densely populated areas, we can free up our other stores to do a better job for customers



Our vans are powered by bio-methane which reduces our carbon emissions. They also have specially designed compartments that keep food chilled and fresh at all times



For our colleagues at Enfield dotcom, the working day starts at 2am, when they start baking fresh bread for the day's deliveries

Personal Shoppers work on each aisle. Rather than the shoppers moving around picking products, the basket comes to them on the conveyor belt. That allows the Personal Shopper to focus on product selection in their area, which is both faster and more accurate



Grocery home shopping factfile

- We first launched a grocery home shopping service in 1997, and we have grown to be the world's largest and most profitable online grocery retailer with sales of over £2 billion
- We now have four dotcom stores – Enfield, Greenford, Aylesford and Croydon, with another three in the pipeline

Did you know?

- 💡 Enfield dotcom first opened in January this year
- 💡 Around 700 people work there, joining more than 2,000 people who work across the rest of our dotcom stores
- 💡 Our dotcom stores operate 24 hours a day, 7 days a week
- 💡 We currently fulfil over 80% of London orders from our dotcom stores, providing our customers with our total food range – more than can be offered from any one store
- 💡 All our dotcom stores have fresh deli counters, but Enfield was the first to offer a "Scratch" Bakery, baking more than 1,000 loaves from scratch every morning
- 💡 30% of the build cost of Enfield dotcom has been invested in the world-class technology which helps our Personal Shoppers focus on quality and service
- 💡 The increased automation doubles the number of products our Personal Shoppers can pick every hour
- 💡 This means we can deliver c.12,000 trays every day, each tray running along nearly two miles of conveyor belt

Enfield dotcom: operation



Picking

- ✎ Zone picking model – Enfield use the “zone” picking model whereby customer trays travel round the conveyer system to each picking zone
- ✎ Arm Mounted Terminal – Each Personal Shopper has an arm mounted terminal telling them which zone to go to and which products to pick. The shelf layout is designed to ensure the picking process is as efficient as possible
- ✎ Pick rate – On a peak day Enfield has been picking 145,000 products
- ✎ Enfield also has a “chiller” which is kept between 0-4 degrees. Cages are delivered straight from refrigerated delivery vehicles into the chiller to preserve the chill chain
- ✎ Even after the items are picked they are kept in the multi-shuttle in the chiller



Multi-Shuttle

- ✎ The chilled multi-shuttle has space for 5,000 customer trays, and can receive 1,000 trays per hour and release 1,400 trays per hour
- ✎ It also acts as a storage system for customer trays after they have been picked
- ✎ Each tray is stacked in order depending on the time that the delivery is due to be made and the van trip to which it has been assigned
- ✎ The ambient multi-shuttle has a capacity of 10,000 for ambient trays. It can receive 2,500 ambient trays per hour, and release 3,300 ambient trays per hour

Delivery

- ✎ Overnight the scheduling system groups deliveries by location and assigns the most efficient routes to a van trip
- ✎ Chilled trays are delivered just-in-time into the chilled section of the van
- ✎ Enfield currently operates around 90 vans, some of which are large capacity gas powered vans enabling us to service drops further away and increase efficiency



Innovation



Grocery Click & Collect

- Over 100 stores already offering Click & Collect
- Collection slots available seven days a week, from just £2
- Produce picked on day of collection and stored in temperature-controlled collection points
- Customers love the convenience and speed of the service



Electronic Shelf Edge Labels

- Reduction in hours needed for displaying shelf edge labels
- Improved customer perception based on positive feedback from Hungary trials
- Supports our effort to improve and maintain price integrity



Scan as you Shop

- Better for customers:** Customers love being able to use the handset to budget as they see a running total of what they are spending and saving
- Better for colleagues:** By reducing queues across the checkouts, it frees up colleagues to spend more time with customers



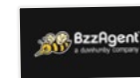
Tesco Virtual store at Gatwick airport

- Customers view range of everyday products by scrolling through the screens and scanning barcodes with their smartphones
- Built on innovation by our South Korean Business
- 80 products with access to thousands more via the app
- Opportunity to target the 30,000 people departing from Gatwick North Terminal each day, who have an average of 70 minutes of downtime



The future of retail

- The future of retail will be different, and we're getting ready for this change. Shopping is still a highly tactile and visual experience, but the merging of the physical and virtual world will change the way people shop. It's the combination of both Clicks & Bricks which will be the key to the future of retail
- In the last few years, Tesco has acquired a number of businesses that have allowed us to harness the potential of social media (BzzAgent), digital books (Mobcast), and online streaming (Blinkbox and WE7)



Endless Aisles

- Brings the advantages of digital into a store environment, whilst preserving the advantage of the tactile physical shopping experience
- Takes advantage of latest technology, including an 80" touch screen and sensor
- Customers love the 360° product views, user reviews, extended product information and powerful search tools



Bishop's Stortford

Bishop's Stortford is one of three types of superstore remodels we have carried out this year, each of which is tailored to meet the specific needs of the catchment it serves. In this particular case, the focus is on providing the best possible fresh food offer and we have reallocated some space to food that had previously been devoted to general merchandise.

In our remodelled superstore in Thetford, we have kept a wider range of general merchandise in order to deliver a one-stop shopping experience for customers who would otherwise have to travel long distances. In Chester, where our superstore is at one end of a busy high street, we have introduced a new food-to-go area at the front of the store, making it easier for customers to pick up a wider range of fresh snacks, sandwiches and chilled ready meals.



As part of the Refresh, we installed new look and feel counters
91% of customers surveyed who use the fresh food counters were satisfied with the new offer



In the Refresh, we installed a Click&Collect desk, a new patisserie, and refreshed the health & beauty department



Bishop's Stortford is a great example of how we are looking at reallocating space across our estate. We've reduced the amount of non-food by about 20% and given it back to food

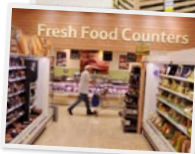
We have also moved fruit and veg to the front of the store, and extended the number of lines on offer



Did you know?

- 💡 Bishop's Stortford Superstore first opened in 1991
- 💡 The store has 40,000 sqft of selling space
- 💡 The latest Refresh was completed in August of this year
- 💡 Peak trading hours are between 17:00 and 22:00, and the store is open 24 hours
- 💡 The surrounding area is predominantly affluent, and popular with families and older people
- 💡 Bishop's Stortford is located near Stansted Airport in Hertfordshire and has good transport links making it popular with commuters
- 💡 The store is used predominantly for main shopping trips, with some top ups

Bishop's Stortford



Service & Staff

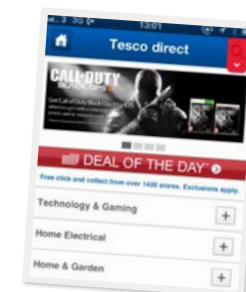
- Launched Making Moments Matter, with 11 nationwide events briefing over 3,000 Managers, Better Service Managers, and Express Operations Managers
- Every one of our 300,000 colleagues in the UK took part in the first of two Making Moments Matter training sessions in October
- Focusing on the little things that can really make a difference to customers – like being the first to smile, acknowledge, and greet people in store

Stores & Formats

- Reduced our new space opening by c.40% this year
- Love the stores we have – investing in existing stores
- Proposition led – customer knowledge and insight
- Multi-channel – making shopping more convenient and seamless
- Express – continuing investment in convenience

Price & Value

- Working hard to build customers' trust by offering consistently good value and simplified promotions
- Using Clubcard mailings to give our customers highly relevant and rewarding bonus coupons
- Similar approach this Christmas. New this year is the extra "thankyou" we have included in customers' Christmas Clubcard statements with seasonal offers, informed by the products they bought last year



Range & Quality

- Aiming to create a destination for beauty customers with improved services, improved ranges, and beauty consultants on hand to serve our customers
- Rebranded our bakery offer to Your Bakery, and rolled out new wooden fixtures, new packaging solutions, and created an artisanal bakery feel in more than 850 bakeries
- Improved the quality of our Meat, Fish, and Poultry range, making changes to 70% of our products, for example through specification improvements or pack sizes
- Re-launched British and Italian ready-meals, improving quality with 20% more meat

Brand & Marketing

- Using research into how our customers engage with brands to help inform our work with Wieden + Kennedy
- We will offer a clearer, more unified articulation of the Tesco Brand and what we stand for in the future
- Our communications are focusing on the little things that make Christmas special for customers

Clicks & Bricks

- Over 250,000 products now available on Tesco Direct
- Now have 20 Sellers at Tesco (marketplace)
- Click & Collect desks rolled out to more than 1,500 stores
- Mobile site accounts for around 10% of Tesco Direct orders
- Economic model benefits from leveraging our store and distribution assets, a changing mix (including scaling marketplace), and our strength in own-label

Product Quality and Assessment Centre

The Product Quality and Assessment Centre is where we make sure our products are up to scratch, whether this be the appearance or the blend of flavours. We think the best way to do this is to ask our customers. So, we screen and train them to form part of our testing panels, and if they don't like certain products, or think something is not quite right, we go back and make some changes.

We also independently work with our suppliers and technical teams to monitor the packaging, content and overall quality of the products we sell, to make sure that what we offer in store is right first time, every time.



New

- New meat and poultry packaging, adding more personality and character to the design, helping customers identify what they are looking for
- Introduced Free From Range in 2003, answering a growing customer need as 20% of the population are affected by allergies
 - Today we have over 150 Free From products including milk and cheese, bread and cake, even ready meals and snacks
 - Delivered dedicated production facilities working with new suppliers to make the products which cannot be made alongside our normal range due to the risk of cross contamination
- Introduced new Home Baking range to meet growing customer demand for a convenient, hassle free way of baking with family and friends. We have agreed an investment plan to develop capability in the supply base, and tested products with customers to make sure we got it right



Improved

- Improved every line in Italian Ready meals category with 20% more meat. Re-designed the range with greater differentiation between the flavours to make it simple to shop, and made the card sleeve narrower to improve product visibility
- From Value to Everyday Value - tested every product and improved 35% of the range, redesigned the packing to remove barriers to purchase
- Moved all our Tesco brand steaks and joints to being 21 day matured, and tightened our specifications so that the products look more consistent on shelf. Introduced a range of Finest 28 day matured Aberdeen Angus lines as customers recognise Aberdeen Angus as "best in class"
- Announced formation of our Sustainable Farming Group in early November. We will offer the farmers we work with contracts of up to 36 months and pay them above the published average price so that they can invest and plan for the future

Customer led

- Train and work with our Commercial teams on how to build flavours and use our senses to aid product development and buy better products
- Utilise our expertise to screen and train our customers to form specialist panels, providing descriptive feedback
- Over 150 screened and trained panellists, 7,000 home panellists, and access to thousands of customers in our six Product Assessment Centres in the UK & ROI

Regent Street Metro

We have ensured that dunnhumby – and the insight that it provides using data from Clubcard – is instrumental in making sure we are focusing on the right areas as we seek to improve the shopping trip for customers. A great example of this is Regent Street Metro. The store is situated in an affluent neighbourhood, and the customer base is made up of people who want to be able to get in and get out, and have their food on the go. So, we have tailored both the look and feel and the product range to ensure that our customers can buy high quality, convenient food, like salads, deli finest sandwiches, and popular hot snacks, quickly and easily.



We have improved the signposting and navigation around the store so that customers can find the products they want quicker



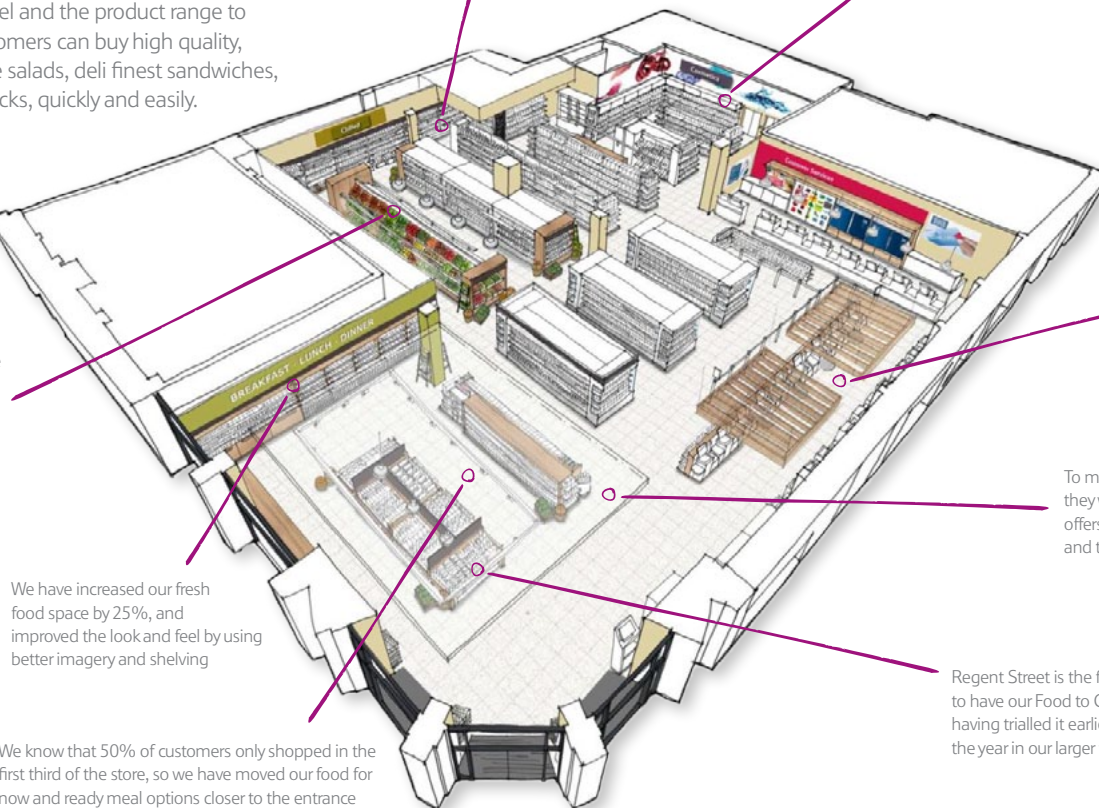
We have a bigger health and beauty department, with an improved selection of ranges and illumination providing the high street ambience that customers expect



Customers told us that the store got congested at busy times. So, we have increased our total checkout count by nine but used 40% less space by trialling new slim-line self-service checkouts



Our customers told us that the look of the store felt a bit cold. So, we warmed the store up by inserting wooden panelling and improved shelving



We have increased our fresh food space by 25%, and improved the look and feel by using better imagery and shelving

We know that 50% of customers only shopped in the first third of the store, so we have moved our food for now and ready meal options closer to the entrance

To make sure customers can get what they want, when they want it, the store offers fresh baguettes at lunch time, and takeaway meals in the evening

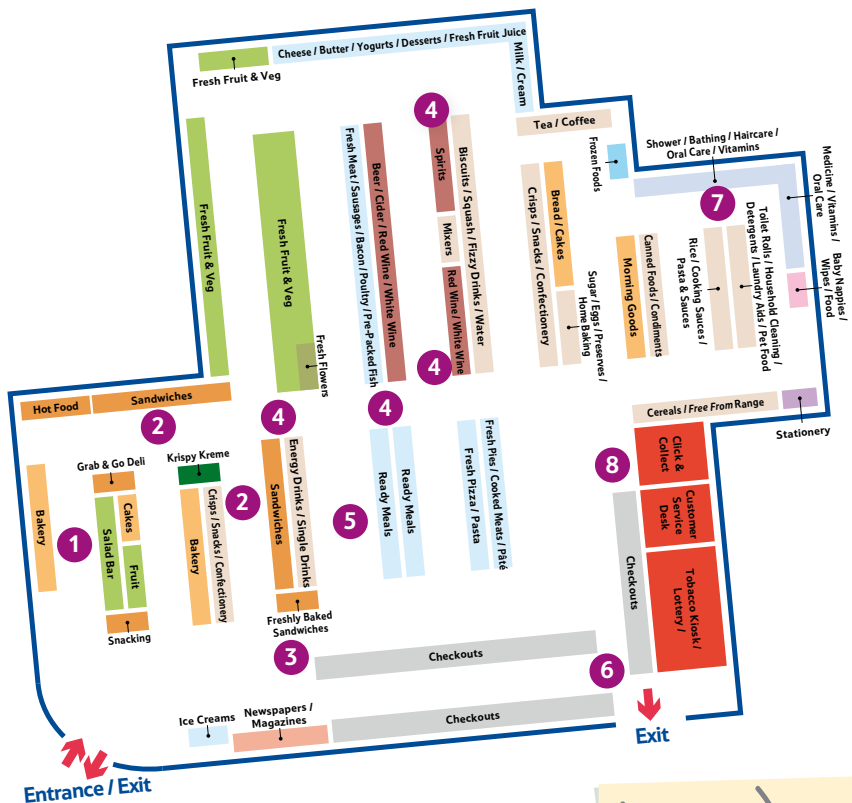
Regent Street is the first Metro to have our Food to Go offer, having trialled it earlier on in the year in our larger formats



Did you know?

- 💡 Regent Street Metro first opened in 2003
- 💡 Its most recent Refresh was completed just last week
- 💡 Throughout the store, we have used more wood and warmer colours, improved the lighting, and provided better sightlines
- 💡 It has 7,700 sq ft of trading space
- 💡 The store serves over 50,000 customers every week
- 💡 Regent Street is one of our best performing stores for snacks

Regent Street Metro: Store tour



1. Food to Go

- new salad & olive bar
- changeable snacking

2. Extended ranges

- new green fixtures
- new Finest deli
- sushi
- prepared salads

3. Changeable signage

- 'freshly prepared' during the day
- 'takeaway' at night

4. Super-upmarket ranges

- water
- fine wines
- restaurant collection
- herbs & spices

5. Stainless steel shelving

- to give a more upmarket feel

6. Improved checkouts

- increased self-service in 40% less space
- combined customer service and checkout desks

7. Bigger and illuminated health & beauty range

8. Click & Collect

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