

## **Dave Lewis and Alan Stewart talk to Ashwin Prasad, Health, Beauty and Wellness Director**

**Alan:** Hello everybody, we're here today to talk about our Half Year Results for the six months to the end of August. Ashwin Prasad has very kindly agreed to come and ask Dave and myself any questions about the results, and indeed about the business. Thanks very much Ashwin for coming, and over to you.

**Ashwin:** So what can you tell us about the results?

**Alan:** In terms of our overall results I think we're encouraged by what we've seen and what we're reporting today. If we look at it in terms of the different markets in which we operate, in the UK we've focused on service and availability, and we've definitely seen a strong impact and benefit from all of that attention.

In the Republic of Ireland business we've focused on the customer offer and we've begun to see some positive momentum building in that business too. Our Central European businesses have continued to see strong performance and sales across all four of our markets there are very encouraging. And then in the Asia business, we have also begun to see good improvement.

In the Bank we are again focused on the customers, the insurance business has been strong, and our current account focus is also encouraging.

**Ashwin:** It feels like, just through that, there's been some great progress in the half. Dave, we're a year now into the turnaround, how do you see the progress and how long do you think it will take?

**Dave:** If I look back over the year I think we set ourselves three priorities. We said we needed to recover the competitiveness in the UK and we are clearly making huge gains in that. I think we stand up really quite well in what is clearly still a very difficult market, so I feel that we're making good progress in the UK.

We said our second priority would be to protect and strengthen the balance sheet. We've taken a lot of decisions around this, none of them easy. Obviously the sale of our Homeplus business in Korea was a very difficult decision to take. It's a business that's been very, very good as part of Tesco, but that decision has a very big impact on the indebtedness of the business, and we said that was something we wanted to do something about.

And then there's the third priority of building trust and transparency in the brand, and in the business again. This is an area where we've got to behave our way out of the situation we found ourselves in. On the financial markets the changes that Alan and the team have made in terms of making it much clearer and much more transparent. The feedback we get from investors and shareholders alike now is that actually, that transparency is welcome. And they trust that when we say we're going to do something, we do it, which is hugely important.

So when it comes to regaining trust in the brand I come back to the purpose, the new purpose for the business that we communicated earlier this year. Because we're sitting here in Cheshunt, I'll talk about "*serving Britain's shoppers a little better every day*", but the thought behind the purpose is as applicable in Thailand, Poland, and every place that we operate. Be that in a country, a town or store, the idea, the unifying thought on which we build our brand trust is that we are a business that is dedicated to serving the customers, wherever they are, better than everybody else is, and a little bit better every day. And against that brand trust, we've done an awful lot.

**Ashwin:** Great. Well I think another bit of news that colleagues will be interested to hear your perspective on, is that we've announced the sale of the Korean business as you mentioned. Can we expect to see sales of any more of our businesses?

**Dave:** We said we would set a business review and we've done a full review of all of the operations that we have. The focus has been on the core retailing operation and that's clearly where all of the chatter is. If we just talk about the core retailing business, the decision for us to make a disposal in Korea is part of a decision that says the assets that we have in Central Europe and in Southeast Asia are very key parts of the group and that we actually want to invest and rebuild.

I've just talked about the fact that we've seen broad-based improvement so we'll be clear with the market today that, in any material way, the business review of our retailing operations is complete. And now we all should get ourselves completely focused on how it is we improve the performance of those assets.

Speculation will always be there, and we've all just got to learn to live with that sort of speculation. So for colleagues in Central Europe who read it every day, and Southeast Asia, I ask them to be calm, that's not at all what we're planning to do. We can't control what it is the newspapers might speculate but we'll try today, to draw a line under it.

**Ashwin:** Great, thank you very much for that, I have a final question from me and that is: you've both mentioned at various times, two important things for us. One of those is improving our competitiveness and the second one is trust in our brand. As you've gone around and visited colleagues, how do you think we're doing on that and what more is there to come?

**Dave:** The competitiveness, there's only one way of judging. It's an output measure, it's about sales, and it's about market share. Because really, at the end of the day, competitiveness is judged on how it is customers choose to invest their resources between different offerings. At the end of the day the work that we do together as colleagues, we take it to the marketplace and customers vote. They look at what it is we offer versus what it is another team offers in a similar place and the market share is a direct piece of feedback as to how much they value what we do, versus what others do. We've got better at that. We're still losing a little bit of market share but mainly because we've changed the store opening programme. If I strip that out, I see us being more competitive. You know, we're growing share in Thailand and Malaysia for the first time in a long time. We're growing market share in Central Europe. We'll grow market share in the UK when we strip out the store opening programme of ourselves versus others but there's much more to be done in the UK. It's nice to see that Ireland in the last sort of period with Kantar are gaining share for the first time in the last two or three years. So the competitiveness I see us getting stronger, but with still an opportunity.

As for trust in the brand, I see lots and lots and lots of progress. You know from your area, the way we relate to our suppliers has a disproportionate impact on the trust of the brand. So the changes that Jason and the team have made are fantastic. I think the other thing I'd say is that I'm completely blown away by the things that I see our colleagues doing for customers. These things not only rebuild trust, but also build an engagement that is just unparalleled. You earn trust through behaviour.

You know what I said, we must 'behave our way out' of the position we found ourselves in, and our colleagues are behaving fantastically everyday against that call. So, there's more to do, and we've got to rebuild the trust, but as for both competitiveness and trust, I see a lot of progress.

**Ashwin:** Alan, Dave, thank you for talking to us today.

**Alan:** Thanks Ashwin.

**Dave:** Thank you.