Tesco in the Czech Republic and the Slovak Republic

- how we run our business?

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Our business

- Two separate countries
- Common approach to systems and process
- Separate and different approach to customers, people and trading
- Learning for other parts of the international business, e.g. China



Tesco in the Czech Republic

Key Facts Czech Republic

- **Area:** 78,866 sq km (30 450 sq mi)
- **Population:** 10.2 million
- Capital City: Prague
- Member of the EU from 2004
- **GDP:** US \$ 121.8bn
- **GDP per capita:** US \$ 11,929
- **Annual Growth:** 4.3%
- **Inflation:** 2.8%

Sources: UN, 2005

IMF World Economic Outlook Database World Bank



Tesco History

- 1996 Acquisition of 6 Department Stores
- 1998 First hypermarket opened
- 2000 Tesco brand introduced
- 2004 Step change in competitiveness through price
- 2004 First 3K compact HM
- 2005 First 1K format Tesco in Central Europe opened
- 2005 –First Petrol Filling Station opened
- 2006 27 Edeka stores acquisition, swap of 11 Carrefour hypermarkets
- Centralised Distribution Centre will open
- Now Total net sales space 270 700 sq m





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Today

- Rapidly growing business
- Multi-format approach
 - 25 Large hypermarkets
 - 5 Compact hypermarkets
 - 6 Department Stores
 - 28 Supermarkets
 - 5 Petrol Filling Stations







Local

- 1,5 million customers per week
- 9000 Czech employees
- 100% local store management
- Over 70% of the products sourced by local suppliers
- Range developed to reflect local tastes
- Local Trade Plans
- Store formats developed to meet needs of local customers "built to suit the local community"
- Strong local Corporate Responsibility program
- Local recognition awards for the best Retailer of the Year
- Respecting local traditions and habits







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Capability



- Supply Chain and distribution
- IT systems
- Common store operating model
- International sourcing
- Leadership Development programme







Growth

- Purchase of Edeka stores
 - Acquired 27 supermarkets on April 1st, 2006
 - Located in North West Bohemia
 - Successfully converted to Tesco fascia and range by May 3rd, 2006
 - Key learning for convenience format



Size 300-800 m sq

- Asset swap with Carrefour
 - We reached an agreement to swap assets with Carrefour in Autumn 2005.
 We will gain 11 hypermarkets in Czech and 4 in Slovakia
 - EU gave clearance for Czech part of the business
 - We wait for approval of Slovak Antimonopoly Office
- · Accelerate our market share
- · Opportunities to leverage economy of scale

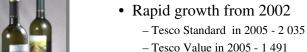




Tesco Brand

- Principals:
 - Value matches the cheapest on the market
 - Tesco standard which delivers brand quality at great value
- Key facts:
 - Introduced in 2000
 - Launch from Czech suppliers in 2002





• Consumer kitchen in Letňany – unique tool to listen our customers





People Capability

Treat people how we like to be treated

- Local approach
- Creating job opportunities
- Good working relationship with Labor Unions
- Listening to our employees.
- Career growth of our employees
- Training and development





Trading Environment

Competitors

- Makro 12 stores
- Hypernova 53 stores
- Kaufland 68 stores
- Globus 10 stores
- Interspar 22 stores
- Lidl 129 stores
- Penny Market 158 stores
- Plus Discount 121 stores



Focused on Growing Returns

- Multiformat development program
- Consolidation
- International sourcing
- Developing Supply Chain network
- Leveraging international processes & systems
- Sharing knowledge & know-how (Option program)

