



Tesco PLC

Company Profile

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COMPANY OVERVIEW

Tesco is the largest food retailer in UK, operating around 2,318 stores worldwide. Tesco operates around 1,878 stores throughout the UK, and also operates stores in the rest of Europe and Asia. Tesco.com is a wholly-owned subsidiary offering a complete online service, including tescodirect.com and tesco.net. The company also offers a range of both online and offline personal finance services. Tesco is headquartered in Hertfordshire, UK.

For the year ended February 2004 Tesco PLC achieved revenues that totaled £33,557 million, an increase of 18.7% against the previous years revenues that were £28,280 million.

KEY FACTS

Head Office	Tesco PLC Tesco House Delamare Road Cheshunt Hertfordshire EN8 9SL United Kingdom
Phone	+44 1992 632 222
Fax	+44 1992 630 794
Web Address	http://www.tesco.co.uk
Revenues/turnover (£ Mn)	33557
Financial Year End	February
Employees	326000
SIC Codes	SIC 5411 Grocery Stores
NAICS Codes	44511, 44512, 44711, 45291
London Ticker	TSCO

BUSINESS DESCRIPTION

Tesco is one of the largest food retailers in the world, operating around 2,318 stores and employing over 326,000 people.

As well as operating in the UK, it has stores in the rest of Europe and Asia. It also provides online services through its subsidiary, Tesco.com. The UK is the company's largest market operating under four banners: Extra, Superstore, Metro and Express.

Tesco sells approximately 40,000 food products in its superstores, as well as clothing and other non-food lines. The company's own-label products are at three levels, value, normal and finest. Own brand accounts for approximately 50% of sales.

As well as convenience produce, many stores have gas stations. The company has become one of Britain's largest petrol independent retailers. Other retailing services offered in the UK include Tesco Personal Finance and Tesco.com. Tesco Personal Finance is a joint venture with the Royal Bank of Scotland. It has over 3.4 million customers, and provides various financial products and services.

The company has operations in the rest of Europe, including the Republic of Ireland, Hungary, Poland, Czech Republic and Slovakia.

Tesco's Republic of Ireland business operates in the region of 82 stores, and around 60 stores in the Hungarian market. Tesco's Polish operations include former HIT operated stores. It operates around 66 hypermarkets and supermarkets in this country. In the Czech Republic and Slovakian markets, Tesco operates 22 and 23 hypermarkets respectively.

Tesco also operates stores in Asia, including Thailand, South Korea, Malaysia and Taiwan. The company operates 64 stores in Thailand and 28 stores in the South Korean Market, while in the Taiwanese and Malaysian markets it has three stores in each nation.

HISTORY

Tesco was originated in the markets of London's East End, where in 1914, war veteran Jack Cohen began to sell groceries. The brand name of Tesco first appeared on packets of tea in the 1920s.

Tesco was an amalgamation of the initials of T.E. Stockwell, a partner in the firm of tea suppliers, and the first two letters of Cohen. The first Tesco store was founded in 1929 in Burnt Oak, Edgware.

Following the success of self service stores in the US, Mr. Cohen opened the first Tesco self-service store in St. Albans in 1948. Gradually the business expanded from stores to supermarkets, and by the early 1960s, Tesco had become a familiar household name, selling household goods and clothing.

In 1974, the company set up petrol stations at its major sites, selling fuel at competitive prices. In 1979, the company's annual turnover reached £1 billion for the first time.

Throughout the 1990s, Tesco expanded even further, and continued its international expansion. In response to a growing Eastern European market, Tesco opened stores in Poland, Hungary, Slovakia and the Czech Republic. Tesco also expanded into Taiwan, Thailand and South Korea.

The company purchased the UK-based T&S, a convenience retailer, while in Poland it bought HIT, a hypermarket operator, in 2002.

In November 2003, the company purchased the small Turkish hypermarket chain, Kipa. The chain operated five hypermarkets in the Aegean region with reported sales in 2002 of £124 million, pre tax profit of £4.7 million and over 1,500 employees.

In early 2004, the company announced that it was purchasing the family-run chain, Adminstore, which operates the Europa, Harts and Cullens grocery outlets in the London area, for £53.7 million.

In April 2004, Tesco faced a hurdle in its acquisition of Adminstore, even though the Office of Fair Trading (OFT) cleared its bid, as the Federation of Wholesale Distributors (FWD) attempted to block the deal. The FWD argue that the OFT's decision was flawed since the acquisition would make it virtually impossible for independent retailers to open new shops in central London.

KEY EMPLOYEES

Name	Job Title	Board	Compensation
David Reid	Chairman	Executive Board	
Sir Terry Leahy	CEO	Executive Board	
Richard Brasher	Commercial and Trading Director	Executive Board	
Philip Clarke	International and IT Director	Executive Board	
Andrew Higginson	Finance and Strategy Director	Executive Board	
David Potts	Retail and Logistics Director	Executive Board	
Tim Mason	Marketing, Ecommerce, Property and Republic of Ireland Director	Executive Board	
Veronique Morali	Non-Executive Director	Non Executive Board	
Rodney Chase	Deputy Chairman and Senior Non-Executive	Non Executive Board	
Charles Allen CBE	Non-Executive Director	Non Executive Board	
E. Mervyn Davies	Non-Executive Director	Non Executive Board	
Dr. Harold Einsmann	Non-Executive Director	Non Executive Board	
Ken Hydon	Non-Executive Director	Non Executive Board	
Graham Pimlott	Non-Executive Director	Non Executive Board	
Lucy Neville-Rolfe	Company Secretary	Senior Management	

KEY EMPLOYEE BIOGRAPHIES

David Reid

Board: Executive Board
Job Title: Chairman
Since: 1985
Age: 57

David Reid became non-executive chairman in April 2004. Prior to his appointment he was deputy chairman of Tesco PLC and served on the Tesco board since 1985.

Sir Terry Leahy

Board: Executive Board
Job Title: CEO
Since: 1979
Age: 48

Terry Leahy became CEO in 1997. Joining Tesco in 1979, he held a number of marketing and commercial positions prior to being appointed to the board of Tesco PLC in 1992.

Richard Brasher

Board: Executive Board
Job Title: Commercial and Trading Director
Since: 1986
Age: 42

Richard Brasher was appointed to the board in March 2004. He joined Tesco in 1986. He has held a number of marketing, commercial and store operations positions, most recently non-food commercial director.

Philip Clarke

Board: Executive Board
Job Title: International and IT Director
Since: 1998
Age: 43

Philip Clarke was appointed to the board in 1998. Prior to his appointment he held a number of roles in store operations, commercial and marketing.

Andrew Higginson

Board: Executive Board
Job Title: Finance and Strategy Director
Since: 1997
Age: 46

Andrew Higginson was appointed to the board in 1997. He is a member of the 100 group of finance directors, chairman of Tesco personal finance and non-executive director of C & J Clark Limited.

David Potts

Board: Executive Board
Job Title: Retail and Logistics Director
Since: 1998
Age: 46

David Potts was appointed to the board in 1998. He joined Tesco in 1973 and has held a number of store and head office positions. From 1997 he directed the integration of our businesses in Northern Ireland and the Republic of Ireland before returning to the UK in his current role in July 2000.

Veronique Morali

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 2000
Age: 45

Veronique Morali was appointed a non-executive director in 2000. She is COO and director of Fimalac.

Rodney Chase

Board: Non Executive Board
Job Title: Deputy Chirman and Senior Non-Executive
Since: 2002
Age: 60

Rodney Chase was appointed a non-executive director in 2002. He is also a non-executive director of Diageo plc and Computer Sciences Corporation.

Charles Allen CBE

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 1999
Age: 47

Charles Allen was appointed a non-executive director in 1999. He is CEO of ITV.

E. Mervyn Davies

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 2003
Age: 51

Mervyn Davies was appointed a non-executive director in 2003. He is group CEO of Standard Chartered.

Dr. Harold Einsmann

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 1999
Age: 70

Dr. Harald Einsmann was appointed a non-executive director in 1999. He is a non-executive director of EMI Group, is on the board of Stora Enso Oyj, part of the Wallenberg Group and is a director of British American Tobacco.

Ken Hydon

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 2004
Age: 59

Ken Hydon was appointed a non-executive director in 2004. He is the financial director of Vodafone Group, a member of the board of representatives of the Verizon

Partnership in the USA and a non-executive director of Reckitt Benckiser.

Graham Pimlott

Board: Non Executive Board
Job Title: Non-Executive Director
Since: 1993
Age: 54

Graham Pimlott was appointed a non-executive director in 1993. He is a non-executive director of Provident Financial and chairman of Export Credit Guarantee Department. He is deputy chairman of Hammerson.

Lucy Neville-Rolfe

Board: Senior Management
Job Title: Company Secretary
Since: 2004
Age: 47

Lucy Neville-Rolfe was appointed company secretary in March 2004 in addition to her role as group corporate affairs director. She joined Tesco in 1997 from the cabinet office and is non-executive director of the foreign office and deputy chair of the British Retail Consortium.

MAJOR PRODUCTS AND SERVICES

Tesco is the largest food retailer in UK, operating around 2,318 stores worldwide. Its products and services include:

Store types:

Extra

Superstore

Metro

Express

Tesco.com

Store offerings:

Food Retail

Non-Food Retail

Petrol Stations

Home Living Range

Tesco Personal Finance:

Life Insurance

Pet Insurance

Home Insurance

Travel Insurance

Motor Insurance

Savings Accounts

Personal Loans

Secure Investment Bonds

Online Mortgage Finder

PRODUCTS AND SERVICES ANALYSIS

For the year ended February 2004 Tesco PLC achieved revenues that totaled £33,557 million (\$59,307.9 million), an increase of 18.7% against the previous year's revenues that were £28,280 million. The company's revenues are derived from three major geographical areas: the UK, Rest of Europe and Asia, which accounted for 73.8%, 10.1% and 8% of fiscal 2003 revenues respectively. Other revenues accounted for 8.1% of Tesco PLC's 2003 revenues.

UK

Full year sales in the UK totaled £24,760 million, an increase of 16.2% against the previous year's revenues that were £21,309 million.

This year in the UK Tesco opened 21 Extras, eight new builds and 13 extensions giving the company 83 in total, devoting more space than ever to non-food. Tesco has also opened 20 Superstores, four Metros and converted 138 T&S Stores to the Express convenience format.

REST OF EUROPE

Full year sales in the UK totaled £3,385 million, an increase of 27.1% against the previous year's revenues that were £2,664 million.

Tesco is the leading hypermarket retailer in four out of five European markets, serving three million customers a week and employing 41,000 people.

In fiscal 2003 Tesco opened 22 stores in Central Europe.

ASIA

Full year sales in the UK totaled £2,669 million, an increase of 31.4% against the previous year's revenues that were £2,031 million.

In Asia, Tesco has over 50 hypermarkets, employing more than 24,000 people. Its largest market is Thailand, where it is the market leader with 35 stores.

In fiscal 2003 Tesco have opened 22 stores in Asia.

SWOT ANALYSIS

Tesco PLC is a major food retailer that operates primarily in the United Kingdom. The company operates 2,291 supermarkets, superstores and convenience stores in the United Kingdom, the rest of Europe and Asia. The company also offers financial products, such as insurance and banking services, as well as electrical appliances and telecommunication products.

Strengths	Weaknesses
Increasing market share	Reliance upon the UK market
Insurance	Debt reduction
Tesco online	Signs point to serial acquisitions
Brand value	
UK market leadership reinforced	
Opportunities	Threats
Non-food retail	UK structural change could spark a price war
Health and beauty	Overseas returns could fall
Further international growth	Wal-Mart/Asda challenge
	International expansion

Strengths

Increasing market share

Tesco holds a 13% share of the UK retail market. Its multi-format capability means that it will continue to grow share in food, while increasing space contribution from hypermarkets will allow it to drive a higher share in non-food.

Tesco's general growth and ROI show no sign of abating. In the UK, Tesco's late 2002 investment into West-midlands based convenience store group T&S was billed as the most aggressive move into the neighborhood market by a big-name retailer so far. The deal has turned Tesco into the country's second biggest convenience store chain after the Co-operative Group, and the company also plans to open up 59 new stores

in the UK this year. Tesco has grown its non-food division to the extent that its revenues now total 23% of total group earnings.

Tesco's international business segment is growing steadily, and is predicted to contribute nearly a quarter of group profits over the next five years. If geographical spread continues to grow, this will ensure Tesco's continued regional strength.

Insurance

In fiscal 2003 Tesco Personal Finance reached the milestone of one million motor insurance policies, making it the fastest growing motor insurance provider ever. The group's instant travel insurance allows Clubcard holders to buy their holiday insurance conveniently at the checkout. Pet insurance now has over 330,000 cats and dogs covered, while the life insurance policy followed on from the success of last year, when it was voted The Most Competitive Life Insurance Provider in the MoneyFacts Awards 2003.

Tesco online

Tesco.com is the world's biggest online supermarket and this year the group had sales of over £577 million, an increase of 29% on last year. Tesco online now operates in over 270 stores around the country, covering 96% of the UK. With over a million households nationwide having used the company's online services, the company has a strong platform to further develop this revenue stream.

Brand value

Profits for Tesco's operations in Europe, Asia and Ireland increased by 78% during the last fiscal year. The company has a strong brand image, and is associated with good quality, trustworthy goods that represent excellent value. Tesco's innovative ways of improving the customer shopping experience, as well as its efforts to branch out into finance and insurance have also capitalized on this.

UK market leadership reinforced

Since acquiring number one ranking in 1996, Tesco has developed a successful multi-format strategy that has accelerated its advantage. Its UK sales are now 71% larger than Sainsbury's. Also the Competition Commission's report makes it very difficult for a competitor to challenge its scale and has effectively scuppered Wal-Mart's chances of stealing UK leadership. Therefore, Tesco is in an enormously strong position in its domestic market.

Weaknesses

Reliance upon the UK market

Although international business is still growing, and is expected to contribute greater amounts to Tesco's profits over the next few years, the company is still highly dependent on the UK market (73.8% of 2003 revenues). While this isn't a major weakness in the short term, any changes in the UK supermarket industry over the next year for example, like the Morrison's group successfully purchasing the Safeway chain could alter the balance of UK supermarket power, and affect share.

Debt reduction

Tesco is not expected to reduce its debt until at least 2006. Tesco has a large capital expenditure program mainly due to its huge investment in space for new stores. Since its expansion is so aggressive, Tesco has little free cash for any other operations.

Signs point to serial acquisitions

With an enterprise value of £23 billion, Tesco clearly has enormous firepower. Also, its product range is vast and almost any acquisition can be justified, particularly in the UK. While 'fill the gap' strategy would be useful to the company, as has been the case with the UK convenience market, there is the danger of Tesco becoming a serial acquirer, as this tends to reduce earnings visibility and quality.

Opportunities

Non-food retail

The growth in Tesco's hypermarket format in the UK means that there are expectations of seeing its 13% share of retail sales climb sharply over the next few years. It can use its footfall and low cost structure together with improved merchandising skills to add another leg to growth. Equally, its growth overseas will further increase earnings and scale, taking Tesco onto the virtuous circle of growth. It is estimated that Tesco's non-food sales will double over the next four years.

Worldwide it has sales of £7 billion in non-food, some 23% of the total. Its aim to be 'as strong in non-food as we are in food', no longer sounds like the consultancy-speak that it once did, and they are getting there using the basic tenets of value, choice and convenience that have been so successful in food. Around half of new space opened in the UK last year was for non-food and the result has been to increase its market

share from 5% to 6% and its overall share of UK retail sales has increased by 100 basis points to 12.8%.

The company's telecoms venture is the latest stage in its strategy to develop popular retail services. It has repeated its approach in banking, by capitalizing on its brand.

Health and beauty

Tesco's UK health and beauty ranges continue to grow, and it is currently the fastest growing skincare retailer in the market. The company has a volume market-leading position in both toiletries and healthcare and is number one retailer in the baby goods markets. Across all health and beauty ranges Tesco continues to invest in price to deliver the value customers have come to expect and this year invested £27 million on health and beauty pricing alone. The company now has 19 stores with opticians and nearly 200 stores with pharmacies.

Further international growth

Tesco now operates in six countries in Europe in addition to the UK; the Republic of Ireland, Hungary, Czech Republic, Slovakia, Turkey and Poland. It also operates in Asia: in South Korea, Thailand, Malaysia, Japan and Taiwan. Seven years ago, its International sales were £770 million. Now, they are nearly 10 times larger, at almost £7 billion, with profits of £306 million. In the current year, Tesco will add 2.5 million square feet to sales area and could well enter another major market. Growing internationally has forced Tesco to become serious about hypermarkets and this has had seriously positive implications for growth in the UK.

Tesco has formed a strategic relationship with US supermarket, Safeway Inc, to take the tesco.com home shopping model to the US. Telecoms is the latest stage in its strategy to develop popular retail services. It has repeated its approach in banking, by capitalizing on its brand.

Threats

UK structural change could spark a price war

The price followers in the UK market are about to become aggressive investors in price, Safeway because of new ownership and Sainsbury because of new management. Morrison is reducing Safeway's prices by up to 6% and Sainsbury is bound to see lower prices as one of the basic changes necessary to drive its recovery. With both Asda and Tesco committed to price leadership, this could result in a step down in industry profitability.

Overseas returns could fall

The buy case for Tesco is predicated around investment overseas driving higher group returns as each country moves past critical mass. This might not happen, either because of economic conditions, competitor action, or failure in Tesco's business model. It also could come as a consequence of an aggressive move into a larger market, such as China or Japan.

Wal-Mart/Asda challenge

Since the US shopping giant Wal-mart purchased Asda, Tesco's rank as the top UK supermarket has been threatened. Asda can now compete extremely well on price and range of goods. For the moment, Asda is the third largest supermarket in the UK, just behind Sainsbury's and then Tesco. However, Asda closed the gap on Sainsbury's in 2003, leaving the company to directly challenge Tesco's dominance. Tesco is well aware of this, and has so far been quick to keep up with price cuts or special offers at Asda. Wal-mart may also decide to wield its buying power more heavily in the UK, and this could spell the end of Tesco's brand dominance in the future.

International expansion

International growth is expensive. Entering new markets with a new brand requires heavy investment and marketing, as well as land prices (which are currently low) and extra distribution and operation expense. Tesco's debt may increase before it begins to decline.

Korea is contributing a good proportion of Tesco's international profit growth. If profits continue to grow in this way, Korea will probably represent one-third of Tesco's international profits in 2003/4. Korean consumer spending is currently quite low, and coupled with the country's current unrest, and Tesco's large investment, this represents a high risk area for Tesco to bank on.

TOP COMPETITORS

The following companies are the major competitors of Tesco PLC:

ASDA Group Limited
BP Plc
Carrefour S.A.
ExxonMobil Corporation
The Big Food Group Plc
J Sainsbury plc
Marks and Spencer Group plc
Royal Dutch/Shell Group
Safeway Inc.
Safeway plc
Somersetfield
SPAR Handels-Aktiengesellschaft
The Boots Group PLC
Wm Morrison Supermarkets PLC
Booker Cash & Carry Limited
ALDI Group
The Carphone Warehouse Group PLC
John Lewis Partnership plc

COMPANY VIEW

The following is a statement by David Reid, chairman of Tesco. This has been taken from the company's 2004 Annual Report:

I am pleased to report that this year the Tesco group has again delivered an excellent set of results. I believe they reflect the strength of the Tesco strategy and the team's ability to focus and execute well.

For the full year on a 53 week basis, Group sales have risen by 18.7% to £33.6 billion and underlying pre-tax profit is up 21.9% to £1,708 million. Over the same period, pre-tax profit on a statutory basis is up 17.6% to £1,600 million. Earnings per share is 16.31p, up 16.7%.

The Board proposes a final dividend of 4.77p, up 10.2% on last year. This, together with the interim dividend of 2.07p, gives a full year dividend of 6.84p, up 10.3%.

Our growth has again been driven by delivering a great shopping trip for customers wherever we operate. We have seen an exceptional performance in the UK this year, reflecting our investment in lower prices and all round customer offer.

Non-food is now a scale business, it goes from strength to strength, increasing the attractiveness of our stores in the UK and is also a key feature of our international hypermarkets.

Retailing services, with Tesco Personal Finance in the forefront, has had a very strong year.

Our international business has achieved another year of strong growth in sales, profits and market share gains.

We are delivering in all areas of our business. We have strong momentum and there is more to come.

I would like to thank each of the 326,000 employees in the Group for their contribution. Our people are the key to delivering for customers and our results reflect the excellent work of our staff at all levels. They will receive a record £148 million in profit share this year. Our expansion program will create more than 20,000 new jobs at home and abroad.

BOARD CHANGES

Tesco have a good track record of well-planned succession. This year has seen a number of changes to the Board. Rowley Ager Company Secretary andm John Gildersleeve Commercial and Trading Director have both retired, we thank them both for their contribution and wish them well after many years of loyal service. I am pleased to announce that Richard Brasher has joined the Board as Commercial and Trading Director and Lucy Neville-Rolfe has been appointed as our new Company Secretary.

I have taken over Non-executive Chairmanship from John Gardiner. On behalf of the Board, I thank him for 16 years service and wish him well in his retirement.

We have also announced that Mervyn Davies CEO of Standard Chartered, and Ken Hydon Financial Director at Vodafone have joined the Board as Non-executive Directors.

Looking ahead, next year will be as competitive as ever and we have an excellent plan to improve the shopping trip for our customers, particularly in light of the changes in the UK industry. Tesco welcomes new challenges and competition and we believe we will continue to deliver the best shopping experience for our customers.

LOCATIONS AND SUBSIDIARIES

Head Office

Tesco PLC
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Cheshunt
Hertfordshire
EN8 9SL
United Kingdom
P: 44 1992 632 222
F: 44 1992 630 794
www.tesco.co.uk

Other Locations and Subsidiaries

Tesco Distribution Ltd. Tesco House Delamare Road Cheshunt Hertfordshire EN8 9SL United Kingdom	T&S Stores PLC Apex Road Brownhills Walsall West Midlands WS8 7TS United Kingdom P: 44 1543 363 000 F: 44 1543 363 114 www.tands.co.uk
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LATEST COMPANY COMMENT

Tesco: no frills legal services

24/06/2004

UK retailer Tesco has launched a legal services website.

Under new government proposals, non-legal companies are to be given the right to sell legal services. If retailers such as Tesco [TSCO.L] are subsequently granted permission to offer specialist advice as well as basic legal products, solicitors will have to rethink their marketing strategies to compete in terms of advertising and brand awareness.

Tesco launched an online legal store this week, offering customers DIY divorce kits, letting agreements and wills, making basic legal services available to millions of people who at present do not use them.

Under current regulations, Tesco will be unable to develop this offering further and offer specialist legal advice to customers itself, but must instead refer them to Law Society regulated solicitors. However it can sell basic products such as the divorce kit. But this could soon change following the Clementi review into the ownership rules governing law firms. Under the proposals traditional legal services will be able to combine with other professions, allowing non-legal companies to operate their own law firms.

This has long been touted as the 'Tesco Law' model, allowing cheap and straightforward access to justice. Tesco's initial moves have therefore ironically taken this model a step closer to reality.

Retailers have already successfully stretched their brands into other industry sectors in order to extend their product offering and cement customer relationships. For example, insurance products such as motor and household cover are now widely offered by supermarkets.

Parallels could indeed be drawn between the insurance and legal sectors. Arguably, with few exceptions, neither has managed to establish successful brands, both lack a consumer-friendly reputation, and traditionally consumers have used both with a degree of mistrust.

However, the legal profession is not as equipped as the insurance sector to defend itself. Unlike insurance companies, the legal sector has not yet been swept by merger and acquisition fever, and therefore lacks players of sufficient size to really make an impact on the consumer. Furthermore, it simply does not have advertising budgets large enough to compete effectively with retailers for consumer awareness.

Some solicitors may view the entrance of these players as an opportunity rather than a threat, providing solicitors with partnership and distribution opportunities. Above all, solicitors must wake up to the fact that these changes mark a wholesale shift in the way legal services are provided.

Tesco: Hungary to get more petrol stations

14/05/2004

Tesco's Hungarian subsidiary has opened its second discount petrol station.

Tesco [TSCO.L] is starting to flex its muscles in the Hungarian fuel retailing market with the opening of a second discount petrol station. Building on its existing reputation as a food retailer in the market and its fuel retailing success in the UK, it's certainly strong enough to make its mark.

Hungarian retail chain Tesco Global Rt, a subsidiary of the UK retailer Tesco, has opened its second petrol station at a site in Veszprem, western Hungary. This follows the launch of the country's first ever combined supermarket and petrol station at a 24 hour Tesco Megapark in March of this year. Motorists using the new Tesco petrol stations can purchase discounted fuel daily from 6am to midnight, paying 5 Hungarian forints (E0.02) less than at other major filling stations.

These aren't the first cases of petrol stations on Tesco sites in Hungary. The retail chain, KlubPetrol, opened a pilot station outside of a Tesco store in 2002. However, following the success of the independent forecourt concept in the UK, Tesco decided to go it alone. To date, it looks as though it is making successful strategy decisions in the Hungarian market.

Tesco Global reported an increase in 2003 sales of 26% over the previous year. With 34 convenience stores and 27 supermarkets equating to a 13% share, the company is now a market leader in the food retailing segment. Prompted by this success, competition is already looming in the shape of French supermarket chain Auchan. Auchan is looking to match Tesco's sales growth in the country, and is looking at following Tesco's example by opening its own petrol stations.

Over 2004, Tesco is expected to complement experiments with smaller convenience store formats with the opening of more discount petrol stations next to both new and existing stores. The plan is to open 8 new petrol stations, with the third expected at Gyor. However, with a license to build a petrol station at all of its 61 existing stores already in place, Tesco certainly has the scope to expand more rapidly if, as seems likely, the concept proves successful.

Tesco: trim trolleys

28/04/2004

UK supermarket Tesco is trialing an innovative new trolley design.

Tesco's [TSCO.L] new Trim Trolley allows consumers to exercise while they shop by offering differing resistance when pushing and counting the calories they burn as they go round the store. This innovative approach to shopping could boost sales of low-fat, low-carb or other diet products, but equally consumers may reward themselves for their efforts with extra cakes, sweets and chocolate...

The glut of low-fat, low carb and other diet options on supermarkets shelves is clear evidence that today's shoppers are at least conscious of the need to think about their weight as they choose their daily shopping. In fact, the high visibility of healthy eating products probably prompts consumers to think about their waistlines as they shop. But now, thanks to German firm Wanzl, shoppers will be able to take more affirmative action than simply buying more low-carb snacks.

The Trim Trolley comes equipped with a pulse monitor, timer and various other gadgets which would not be out of place on a gym treadmill. And to make sure shoppers are getting all the exercise they can, the trolleys have a variable resistance, making them harder to push around the store.

The Trim Trolley may seem an outlandish idea, but it reflects a number of trends in modern life. Firstly, the concern over diet and exercise, prompted by the growing levels of obesity in the West. But at the same time, many consumers find that their lives are too full and complicated to allow them to live the healthy lifestyle they crave. Addressing these concerns, the Trim Trolley allows consumers to squeeze in exercise during the course of an ordinary week.

While the idea has some drawbacks (ordinarily, trolleys which are harder to push are seen as a problem, not an exercise opportunity) it will be interesting to see

consumers' reaction to them. Specifically, it is difficult to predict the effect on sales of "unhealthy" items such as sweets, crisps and carbonated drinks. For some, the virtue of exercise may have knock-on effects on purchases, leading to greater sales of healthy eating products. For others, though, the knowledge that the very act of pushing a six-pack of cola and a slab of chocolate to the till burns off half a calorie may act as a justification for buying them.

Tesco: record profits

20/04/2004

Tesco has announced record annual profits of GBP1.6 billion.

Tesco's [TSCO.L] profits increased by 17.6% for the year to February 28, 2004, largely due to a boost from international, Internet and non-food sector sales. However, high levels of competition have sparked price wars that will impact on next year's profits. Whilst a benefit for consumers in the short-term, in the longer-term price wars could give large players, like Tesco, increased market power.

Supermarket giant Tesco now holds an estimated 27% share of the UK grocery market, moving it even further ahead of nearest rivals Asda and Sainsbury. The group's record annual profit of GBP1.6 billion was largely boosted by a sales increase of 18.7% to GBP33.6 billion. Much of this increase was a result of international sales and Internet sales, both of which grew by 29%. Non-food is also a key area of growth for Tesco, for example, it now sells more baby goods than Boots and Mothercare combined.

The group's 2005 profits could be hampered by the price wars that have recently been sparked by the close competition in the UK market. Tesco announced GBP70 million of price cuts last week, following on from Asda's GBP65 million cuts a few weeks before. Morrison's recent takeover of Safeway creates a fourth major player in the market and is likely to result in further price wars as the top three attempt to draw custom away from Morrison's converted Safeway stores.

High levels of competition are likely to benefit consumers through reduced prices, though the growing strength of Tesco enables it to undercut competitors' prices and create an extensive number of loss leaders subsidized by other lines. An extensive price war is likely to put smaller chains and independent competitors out of business, or make them vulnerable to takeovers. While the Competition Commission is likely to restrict Tesco from any large-scale takeovers, a gradual improvement in market share will steadily increase Tesco's power, which is of more questionable benefit for

consumers.

UK regulators believe that a supermarket should not account for more than 25% of a national market, so Tesco's dominance in this field could soon come under fire, despite claims by Tesco that its popularity is due to consumer choice.

Tesco: Fairtrade fever

02/03/2004

Tesco has launched a new own-label Fairtrade range.

Coinciding with the beginning of Fairtrade fortnight, Tesco [TSCO.L] has launched a Fairtrade grocery range of 15 products. This move by the UK's leading supermarket highlights the growing consumer demand for higher ethical standards from retailers and producers. With the strength of the Tesco brand behind it, the ethical consumerism trend in the UK looks set to become firmly established.

Tesco's 15 product Fairtrade range, which includes orange juice, cookies, coffee, tea, chocolate and South African wine, has been developed in conjunction with the Fairtrade Foundation. There will also be Fairtrade fresh produce including mangos, bananas, plums, grapes, apples, oranges and lemons. Also, for the first time in the UK, Fairtrade flowers will go on sale under Tesco's own label and will include mixed and luxury roses from Kenya.

The launch will take the total number of Fairtrade products available in Tesco to 60 as the supermarket will continue to stock other Fairtrade brands such as Cafdirect, Clipper and Divine. Tesco will support Fairtrade Fortnight by promoting the new range with in-store tastings, promotional offers and information on Fairtrade.

It is likely that the new range will particularly appeal to middle-aged professionals, as those on high incomes tend to be the most active ethical consumers. As with organic food and drinks, affluence has a strong influence on consumers' willingness to buy ethically.

Consumers are increasingly seeking to derive not only functional benefits but also 'feel good' emotional benefits from the products they consume. Recent statistics from the Fairtrade Federation highlight that sales of Fairtrade products - aimed at giving developing world farmers a fair financial return for their labors - have increased by 46% in the last year to GBP92 million.

There is mounting pressure on businesses in all sectors to act with, or at least present an image of, corporate social responsibility (CSR). This means that companies are more willing to provide products and services that fit in with and reflect the lifestyle and ethical choices that consumers wish to make.

Tesco's launch illustrates that Fairtrade is becoming more established in the mainstream and with the UK's largest retailer throwing its marketing muscle behind the trend it can only become more popular.

Tibbett & Britten: Czech mate with Tesco

29/08/2003

Tibbett & Britten is to serve all of Tesco's chilled distribution needs in the Czech Republic.

Tibbett & Britten [TBG.I] is expanding its relationship with Tesco, providing its cold chain distribution in the Czech Republic. The British based supermarket group is a leading player in Central Europe, and the contract win will provide a big boost for T&B as it builds its presence in this promising region.

International logistics specialist Tibbett & Britten's contract with Tesco Stores CR will see the UK based logistics company set up a central warehousing and distribution operation at its existing chilled and frozen food distribution center in eastern Prague. T&B has recruited 60 additional staff to handle the extra volume, eventually expected to be around 70,000 pallets a year, and representing 700 different stock lines (rising to 1,100 in September). Transport to all 19 Tesco stores throughout the Czech Republic will be outsourced under the management of T&B.

The dominant grocery retailer in the UK, Tesco has also pursued growth in overseas markets, and has been present in the Czech Republic since 1996. Tesco is now one of the leading supermarket chains in Central Europe and the region's largest hypermarket retailer. As such, it represents an important client for T&B, which has operated in the Czech Republic since 1998 and focuses heavily on the consumer goods and retail sectors. T&B already provides logistics support for the retailer in the UK and Hungary.

T&B's presence in the Czech market is based mainly in the Prague and Brno regions, in the west and east of the country respectively. The company's other major clients in the country include Henkel, Beiersdorf and Kimberly-Clark.

For logistics companies, the Czech Republic offers much potential as a growth market. With a population of over 10 million people and steady economic growth driven by growing domestic demand as well as exports, the country has seen foreign direct investment more than double between 2000-2002 as Western European retail and consumer goods companies, among others, have entered. This activity has fuelled an increased demand for logistics solutions, and the country's expected accession to the EU next year should only serve to accelerate this growth.

Tesco: a flurry of activity

18/08/2003

Tesco is pressing ahead with plans to test a new stock tagging system in the UK.

The last week has seen UK retailer Tesco [TSCO.L] attract a foray of media attention for its plans to introduce a controversial stock tagging system. Aside from this the retailer is embarking on further activities, which if successful will further help to assert its position as the UK's leading retailer.

Tesco is continuing with plans to test a controversial new stock tagging system in the UK, but has been criticized by some consumer groups for its infringement on shoppers' privacy. A microchip the size of a grain of sand is attached to each product and when a customer removes that product from a display an in-store CCTV camera is triggered.

The system has already been dubbed the 'Big Brother' anti-theft system with critics asserting that the chips, known as RFID tags, could be used to track products even after they left the store. Tesco has moved to counter such claims by insisting that the CCTV images are destroyed once a product passes through the checkout and is paid for.

Civil liberties campaigners have criticized the experiment and protested outside the Cambridge supermarket where it is being carried out. They described the pilot as an infringement of privacy and called on shoppers to boycott the chain until it drops the idea.

Aside from the PR frenzy, Tesco has also been busy redesigning its entire Value range, replacing the somewhat outdated and uninspiring blue and white striped packaging with product images. Tesco decided to change the brand's look after consulting with customers who said they were tired of the plain packaging. The GBP500,000 project is hoped to bring the brand up-to-date.

In addition, Tesco is extending its digital in-store advertising trial of 'Tesco TV' to a further three stores this autumn, taking the total to six stores. Depending on customer feedback, a decision will be made in January on whether to roll out 'Tesco TV' to 300 stores next year.

All three activities demonstrate the type of approach that has contributed to Tesco's market leadership in the UK. The smallest of innovations can help maintain consumer interest in brands, and the fact the retailer is constantly listening and acting upon consumer feedback should help to contribute to success in its latest ventures.

LATEST COMPANY NEWS

Tesco to sell Dillons newsagents

26/07/2004

UK retail giant Tesco is to sell Dillon, the 180 strong newsagents chain, in a GBP20 million deal.

The company acquired Dillon in 2002 as part of its purchase of T&S Stores. Although it has been converting most of the T&S Stores into Tesco Express outlets, the company is believed to have wanted to shed Dillons for some time.

Although it has yet to confirm who is to buy the newsagents, Tesco is expected to sell the stores to TM Retail, a private operator of convenience stores and one of the UK's largest owners of newsagents. It currently owns the Martin's and Forbuoys chains.

As reported on business.scotsman.com, a Tesco spokeswoman commented: "It is no secret that we have been looking for the right purchaser of the Dillons stores since the T&S acquisition. In terms of deals, when we have something to say we will say it."

Tesco to relocate 420 support jobs to India

23/07/2004

UK grocery retailer Tesco is to move 420 of its support jobs to Bangalore in India. The move will affect support staff at the company's Cardiff, Dundee and Welwyn Garden City locations.

The company said it would be offering alternative jobs within Tesco for its UK support staff, as long as they were flexible. It commented that last year it cut 350 jobs around the UK, but found alternative roles within the company for 70% of these.

Tesco is the latest in a number of UK companies to relocate their support operations to India. Companies such as BT and Norwich Union have been lured to the country because of its relatively cheap, high educated workforce who speak good English.

Trade Unions in the UK are increasingly protesting at the number of companies relocating staff to India. Up to 200,000 jobs are expected to be transferred to India in the next few years, analysts have predicted.

Tesco core UK food aids growth

18/06/2004

UK grocer Tesco has reported a 12.3% increase in its first quarter results, with UK sales up 11.1%.

International sales were also up on the same period last year, by 24%. The company noted that currency impact, due to the strong pound, resulted in sterling sales being up 18%.

Although the company's non-food business saw deflated profits due to continued price cuts, Tesco stated its clothing line has performed well, with a recent clothing sale selling two and a half times more items than in the same period last year.

Chief Executive of Tesco, Terry Leahy said: "I am particularly pleased that our core UK food business has continued to grow market share and to perform very strongly in the first quarter."

Tesco is currently undertaking a four-part strategy to help aid growth. This includes winning in the core UK through its inclusive offer; growing non food market share; being innovative in retailing services; and growing its international business, gaining market share.

Tesco expands Japanese operations

27/04/2004

UK grocery retailer Tesco is to expand its Japanese business by acquiring Frec's supermarket business through its Japanese subsidiary, C Two Network Co. (C2). Fre'c operates mainly in the Greater Tokyo area.

Frec's is a privately owned company which operates supermarket chains in Japan with a particular focus on fresh food. It had revenues of Y28 billion in 2003.

The company commented that the deal, which is being coordinated by the Industrial Revitalisation Corporation of Japan, would give C2 access to stores that complement the store size and location of its existing chain.

C2 is to assume net debt of approximately JPY 3.0 billion belonging to Frec's, which owns 27 stores in the Greater Tokyo area. The deal is expected to complete in August

2004 and will be funded from C2's existing financial resources.

Tesco acquired the C2 chain in July 2003. The new acquisition will add to the 77 stores it already operates in the Tokyo metropolitan area.

Tesco reports 18.7% sales growth

20/04/2004

UK retailer Tesco has reported an 18.7% increase in its annual sales, boosted by an increase in its non-food market share.

Within its home market of the UK, Tesco reported sales growth of 14.2%, including 6.6% like for like volume, contributing to 29% volume growth in the last five years. The company commented the market has been one of its strongest in recent times.

Internationally, Tesco's sales increased by 29%, while its profits grew by 44%. Operating margins increased from 4.5% in 2002 to 5.1%.

Terry Leahy, Chief Executive, commented: "Today's figures demonstrate what a great British success Tesco is at home and abroad. The last year has been an exciting time for retail and a great year for Tesco. Sales in our core UK market have grown by more than 14%. We have seen a step change in non-food with an increase in market share. Our retail services are helping us to grow profits strongly by giving our customers choice and value. Internationally we have grown profits by an impressive 44%."

Tesco purchases Adminstore

22/01/2004

UK retailer Tesco has purchased Adminstore, a chain of convenience stores based in London. The company paid £53.7 million for the chain.

Tesco is to rebrand the stores, which currently operate under the Europa, Harts and Cullens brands, as Tesco Express outlets.

The purchase of Adminstore will boost Tesco's share of the fragmented convenience store marketed, of which it has less than a 6% share. The market is currently dominated by the Co-operative group, which owns such outlets as the Alldays chain.

Commenting on the purchase, Jitu Patel, managing director of Adminstore, said: "This

is good news for us. We have built a successful business and our stores are well located for delivering convenience to customers."

Tesco plays Santa to job seekers

26/09/2003

UK supermarket giant Tesco [TSCO.L] is set to recruit 12,000 extra staff for the busy Christmas period.

The UK's largest supermarket chain, which already employs 220,000 staff, has increased its temporary Christmas employee intake to help cope with seasonal consumer demands.

The new staff will be employed throughout the UK, across 780 stores, with more jobs being created both behind the scenes and on the shop floor to support the company's round-the-clock operations.

In particular the company said it aims to increase the number of checkout staff, bag-packers, customer service staff, stock replenishment staff and dot.com pickers.

Tesco slashes prices and launches phone service

02/09/2003

Tesco [TSCO.L] has cut prices by GBP60 million across hundreds of products in its 780 UK stores. The latest promotion will see the price of some items falling by as much as 46%, while the average reduction will be 12%. Reductions cover every area of the store including ready meals, fruit and vegetables, meat, snacks, wine, health and beauty, homewares and toys.

Announcing the price cuts, Tesco director Tim Mason said: "Everyone wants to save money on their weekly shop. Customers vote with their feet and we're committed to continuing to win customers by cutting prices and helping them spend less every day.

In a separate move, the supermarket giant is rolling out a range of phone tariffs, branded Tesco Talk. The company claims that BT phone users could save up to 30% on their monthly home phone calls by switching to Tesco Talk.