Our business @ Asda
October, 2014
Business overview
ASDA - a strong business with a strong history...

- 1920s-60s: Yorkshire farmers Asquith + Dairies = ASDA
- 1970s: Selling baked beans to motor cars
- 1980s: Archie Norman takes over as CEO
- 1990s: George clothing launched
- 2000s: Asda Living Asda.com launched
- 2010s: Andy Clarke, CEO “Chosen by You” and “Extra Special” launched
- 2011: Asda acquired by Walmart
- 2012: First George Franchise opened
- 2013: Acquired IPL
- 2013: Launch mobile apps, C&C & drive thru, standalone PFS format
- 2013: Netto acquisition
- 2013: Redefining Value Retailing strategy
Business summary

- 585 stores & 39 DCs\(^1\)
- 2013 sales - £23.3bn
- Sales mix:
  - Food 73%
  - Clothing 7%
  - GM 8%
  - Petrol 12%
- 19.5m customers\(^2\)
- 17.2% market share\(^3\)
- Over 176,000 colleagues

Notes:
(1) As at 26\(^{th}\) September 2014
(2) FY14 (ending 12/31/13)
(3) Kantar (formerly TNS) Worldpanel, 52 weeks ended 14\(^{th}\) September 2014, share of Grocer market
Key financial trends 2009 – 2013

Sales (£billions)

Market Share

Operating Margin

Underlying operating margin excludes technical assistance, services and royalties paid to Walmart and stock options charges or credits.
## Financial summary

### Five Year Summary *

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<tbody>
<tr>
<td><strong>Asda Data</strong></td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Sales (excluding VAT) (£bn)</td>
<td>23.3</td>
<td>22.8</td>
<td>21.8</td>
<td>20.6</td>
<td>19.9</td>
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<tr>
<td>Number of Stores</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Asda Supercentre</td>
<td>32</td>
<td>32</td>
<td>32</td>
<td>29</td>
<td>29</td>
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<tr>
<td>Asda Superstore</td>
<td>321</td>
<td>314</td>
<td>309</td>
<td>304</td>
<td>296</td>
</tr>
<tr>
<td>Asda Supermarket</td>
<td>189</td>
<td>186</td>
<td>173</td>
<td>27*</td>
<td>22</td>
</tr>
<tr>
<td>Asda Living</td>
<td>34</td>
<td>32</td>
<td>27</td>
<td>25</td>
<td>24</td>
</tr>
<tr>
<td>PFS - Standalone</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>New Stores (Net)</td>
<td>13</td>
<td>24</td>
<td>156</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>Extensions</td>
<td>0</td>
<td>3</td>
<td>3</td>
<td>11</td>
<td>10</td>
</tr>
<tr>
<td>Total sales area (000s sq ft)</td>
<td>20,263</td>
<td>19,936</td>
<td>19,311</td>
<td>17,666</td>
<td>17,235</td>
</tr>
<tr>
<td>Added sales area (000s sq ft)</td>
<td>327</td>
<td>625</td>
<td>1,650</td>
<td>431</td>
<td>572</td>
</tr>
<tr>
<td>Weekly average sales per sq ft</td>
<td>19.52</td>
<td>19.42</td>
<td>19.28</td>
<td>20.18</td>
<td>20.28</td>
</tr>
<tr>
<td>Average number of colleagues</td>
<td>176,304</td>
<td>178,792</td>
<td>177,144</td>
<td>172,457</td>
<td>169,847</td>
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<tr>
<td>Average Transactions per week (000s)</td>
<td>19,649</td>
<td>19,211</td>
<td>18,024</td>
<td>17,407</td>
<td>17,104</td>
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<tr>
<td>Average spend per transaction (£)</td>
<td>20.13</td>
<td>20.16</td>
<td>20.66</td>
<td>20.48</td>
<td>20.43</td>
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<tr>
<td>Comp sales growth (ex petrol)</td>
<td>0.50%</td>
<td>1.00%</td>
<td>0.50%</td>
<td>0.60%</td>
<td>6.50%</td>
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<tr>
<td>Market Share</td>
<td>17.20%</td>
<td>17.50%</td>
<td>17.20%</td>
<td>16.90%</td>
<td>17.10%</td>
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* 12/31 Year End
We are proud of…

Our customer focus…
- Price leadership
- Award winning quality
- Supporting local communities

...our innovation & growth
- Leading online
- Operating for less
- Developing smaller formats

...the strength of our assets
- World class talent
- Integrated sourcing
- Key brands

Delivering for our shareholders…
- £1.2 billion profit in 2013
- Continued sales growth
- Cash generation
- £m’s costs saved through WO4L
Business strategy
Structural changes in retail led to a review of our strategy in 2013

Cost inflation continues despite low top-line growth

Low growth in grocery retail will be the new norm

Our markets will grow slowly post recession

The discounters are driving a structural shift in the industry and new online competitors are emerging

Customers are demanding increased convenience in retailing with lower growth in traditional channels

Customers are changing the way they shop

We need to adapt to succeed

1. Market

2. Competition

3. Customers

4. Costs
We have launched a strategy to Redefine Value Retailing in the UK.
We will offer customers market leading value by investing in price, quality & communication

Our strategy has 3 elements investing over £1.25 billion over 5 years

**Price**
- Consistent and relentless price leadership
- £1 billion investment over 5 years

**Quality**
- Delight with quality and style
- £250 million investment over 5 years

**Marketing**
- Compelling & integrated communication
- Up-weighted marketing campaigns to reinforce price and quality messages
Our customer proposition delivers value for customers across multiple formats and channels.

Everyday price leadership on a wide basket of quality products, delivered with a smile by people you trust.
Our own-brands are at the heart of our value credentials

Extra Special – Launched in 2002, Extra Special is Asda’s best quality food and drink brand delivering great tasting food for every occasion. In November 2011, Extra Special announced its partnership with Leiths School of Food and Wine. Making quality accessible for all is at the heart of this partnership and builds on Asda using independent experts to taste and approve its food ranges.

Chosen by you – Launched in November 2010, CBY was the biggest own brand launch in UK retailing history and a first to market, bringing a unique identity to the mid tier. Now almost four years old, the brand holds a range of more than 7000 products and we have now completed over 1 million individual taste tests, which have been independently carried out by thousands of consumers across the UK.

Butcher’s selection - Butcher’s Selection was introduced in July 2011. It was the biggest fresh meat launch in our history and part of Asda’s commitment to continuous innovation on quality. We have been awarded Retailer of the Year at the ‘Supermeat and Fish Awards’ for two years running. The beef in the Butcher’s Selection range is sourced direct from 8,500 farmers, and is hand-selected by Asda’s Master Butchers to ensure the meat is tender and succulent. All Asda’s meat counters now carry the Butcher’s Selection range.

Smart Price – Our entry price point brand which underpins our position as price leader. Offers a range of simple products, simply packaged at the lowest prices to stretch the budget as far as possible. The range covers food, as well as other household essentials, such as washing up liquid and washing-up gloves. Smart Price food products are all NAFNAC (no artificial flavours or colouring), as is all Asda own-label food.
The award winning George brand forms the basis of our non food success

Clothing – launched in 1989, as the UK’s first supermarket clothing brand. George is a household name and has built up a reputation for quality, style and value for the whole family. To demonstrate this continued commitment, a 100 days satisfaction guarantee was introduced in 2010 and continues to be offered across the entire clothing range. George continues to outperform in a tough UK market, but is also expanding on a global scale with franchises in the Channel Islands & Middle East and ranges in Walmart stores.

Home - Following on from the success of George, George Home was launched in January 2014 with 4000 products across 16 categories in Soft Home. George Home offers inspirational affordable homeware to solutions and focuses on delivering three key principles of Quality, Style and Value. All products in the George Home brand are designed to fit into one of the 4 inspirational key seasonal trends and all carry the 100 day satisfaction guarantee which communicates our pride in our quality to customers.

We have many other non-food brands including: Little Angels, Polaroid, Little Tykes & Sparkle girls

Our brand appeal also extends to Financial Services. Our successful ‘Asda Money’ business includes the following products: Credit card, General insurance e.g. motor, home, pet, travel, Life Insurance, Breakdown cover, Utility switching, Warranties, Gift cards, Travel money & ATMs
Our value investment is backed by our low cost operating model

Our consistent focus on innovating to remove cost from our operations will deliver a further £1bn in 5 years

£1 billion saving over 5 years
We are developing our physical formats to meet customers needs

**Supercentres**
- Brings together the best of Walmart and Asda
- The widest range
- Attracts customers from further afield

**Superstores**
- Core store format with the largest number of stores offering a wide range of food and GM

**Asda Living**
- Dedicated to stylish clothing and GM
- Products at affordable prices
- Customers can buy from our entire non food range

**Supermarkets**
- Perfect for shoppers in smaller towns and suburban areas
- An important growth area

**Petrol Filling Station**
- Consistently low petrol prices
- Asda fuel price checker allows you to instantly compare prices
- Smart phone users on the go can utilize our app to check prices and find their closest Asda Filling Station

Innovation in our large formats is essential to maintain footfall in our core business

Developing and refining our smaller formats will help us to access new geographies
We have a big opportunity to reach new customers through physical expansion.

New space
targeted towards high growth under represented markets in the South East

Smaller formats
Skew space towards our smaller formats

Space plans
40 new superstores
150 new supermarkets
100 new PFS
We have built a strong multichannel business

- **Online grocery:**
  - Launched 1998 and now covers 98% of the UK population
  - Truly multi-channel with home delivery and the UK’s largest grocery click & collect network
  - Driven by innovation with first to market initiatives including drive-thru collection points, collection from London underground stations, fresh food lockers and an award winning mobile app

- **Asda Direct:**
  - Launched in 2008, our non-food website features 25,000 products and is enjoyed by over 3 million customers

- **George.com:**
  - More than 1.5 million hits per week, and deliveries across the UK and Europe
Our multichannel business will be an important source of future growth

Expand online
£3 billion online sales by 2018

Develop Click & collect
1,000 Click & Collect sites

Continue to innovate
New collection & delivery services

Automatic lockers allow 24 hour collection

Same day delivery
Extending our brand

Our focus is on our core business but with a history of successful expansion and developments we will continue to explore opportunities to develop our operations and leverage the strength of our brands in new markets

Recent acquisitions and developments include:

- Supermarkets (2011)
- GAAT International (2012)
- George franchises (2012)
- Standalone PFS (2012)
We are building a sustainable business, supported by world class people which works hard in our local communities

Colleagues

World class people…

Colleague Development – Over 3,000 people completed National Apprenticeship programme, over 11,000 colleagues completed ‘Step In’ induction programme

Women in Leadership – Over 300 participants and overall female manager representation rising

BA Hons Degree – Currently 60 colleagues from retail & logistics completing a debt free degree

Princes Trust – Following pilot, 12 cohorts planned in 2014 – minimum 150 young people offered opportunity of full time employment

Awards – Retail Weeks ‘Employer of the Year’, The Times ‘Top 50 Employers for Women’

Communities

Working hard for our communities…

Community Life
• Local Life, Working Life, Greener Life & Healthier Life

National charity support
• Tickled Pink – Asda’s own charity supporting those with breast cancer
• National Partnerships – Tommy’s, Children in Need & Orchid

Asda Foundation
• Community Grant Programme
• Social investments
• Supporting colleagues
• Chosen by You, Given by Us

Sustainability

Building a sustainable business for the future…

Quality
• Maintenance of reputation
• Development of key reputation enhancing products & processes

Price
• True value recovery for waste & recycling
• Sustain & Save Exchange – effective supplier development
• Zero waste programmes
• Application of climate change adaptation studies

Community
• Community links with local farmers
• Farming apprenticeship opportunities
• Dairy pathfinder programme to other farming sectors
Our relationship with Walmart allows us to leverage our complementary strengths and capabilities

- Global sourcing
- IT capability
- Investment
- Global market for Asda brands

- Share innovation and best practice (e.g. online, Click & Collect, WO4L)
- Leverage talent
Further information

- http://asda.com/
- http://your.asda.com/
- http://groceries.asda.com/
- http://direct.asda.com/
- http://direct.asda.com/george/clothing/
- http://www.walmart.com/
- http://corporate.walmart.com/