

from Peterborough

Our international growth strategy is to develop large stores in big markets where we can establish a leading position. During 1998, we extended our existing activities in the Republic of Ireland and Central Europe, and acquired a hypermarket business in Thailand.

In the Republic of Ireland, where we acquired the leading supermarket chain in 1997, we have rebranded 30 of the 76 stores as Tesco. Rebranding brings real benefits to customers, with new ranges in both food and non-food. Together with local suppliers, we have developed and introduced over 180 new products and 60 Tesco branded products. We are working to create systems for central ordering and distribution which will enable a new supply chain to be formed.

It has been an important year for Tesco in Central Europe.

We opened six more hypermarkets across the region, with three in Hungary, two in the Czech Republic and one in Poland. This gives us eight large stores across the region, with three-quarters of a million sq ft of selling space. We plan to expand the business further in the coming years by opening new stores, with 10 more in the pipeline for 1999, adding over one million sq ft.

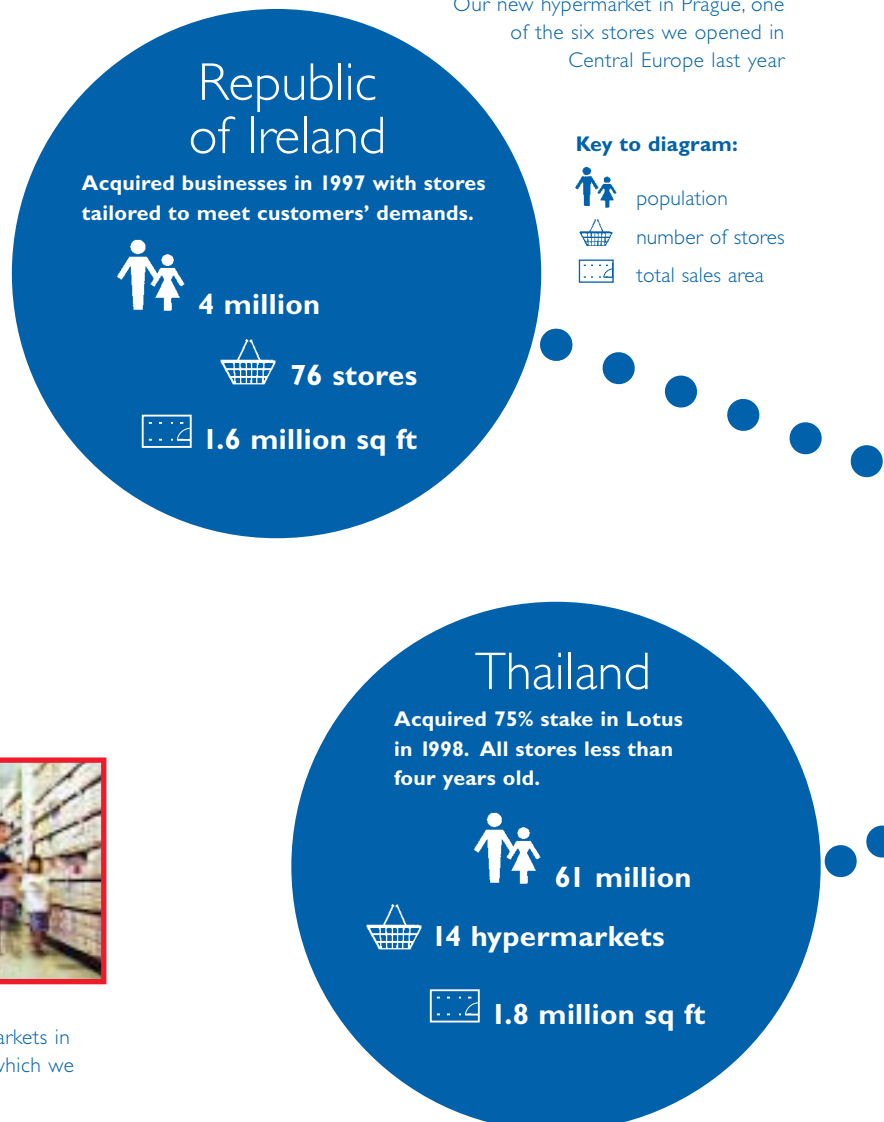
We have been researching the south-east Asian markets for nearly three years. Despite current economic difficulties, the region meets all our criteria for future growth in retailing. In May 1998 we acquired Lotus, the second largest retailing business in Thailand. Lotus has 1.6 million sq ft of selling space in 13 modern hypermarkets. We plan to make it the market leader by doubling the number of stores over the next three years. We have already opened one new store in Bangkok.

In March we announced our partnership with Samsung Corporation to develop hypermarkets in South Korea. We currently have two hypermarkets with plans to develop further stores in line with our long-term strategy. We are continuing to research opportunities in Taiwan and Malaysia.

Our hypermarkets in Central Europe and Thailand are very different from those in the UK. There are more products on sale, with a higher proportion of non-food ranges, and the whole operation is geared towards one-stop shopping. We have brought to these businesses our high service standards and specialist skills in retailing. At the same time, we are developing new skills and experience from these businesses which we can put into practice in the UK and around the world.

Central European expansion

Our new hypermarket in Prague, one of the six stores we opened in Central Europe last year



Irish development
 Tesco in Dublin, one of the stores rebranded and relaunched as Tesco since we acquired our Irish business in 1997



Asian acquisition
 Inside one of the 13 hypermarkets in the Lotus chain in Thailand, which we acquired in 1998

to Prague

Central Europe

Stores throughout Poland, the Czech Republic, Slovakia and Hungary. Six new hypermarkets opened this year.



64 million



91 stores (8 hypermarkets)



2 million sq ft