Our business @ Asda
Contents

• History of Asda pg. 3

• Business overview and financial information pg. 8

• Business strategy pg. 18
  o Customers pg. 21
    – Customer Pledges pg. 25
    – Store formats pg. 31
    – E-commerce pg. 33
  o Colleagues pg. 37
  o Communities and Sustainability pg. 40
  o Shareholder Returns pg. 45

• Summary pg. 53
History of Asda
History of Asda

1920s - 60s
Asda can trace its roots back to a group of Yorkshire farmers in the 1920s. The first Asda supermarket opened under the Queens name in Castleford in the early 1960s. In the 60s, brothers Peter and Fred Asquith contacted Associated Dairies and a new company was formed: Asquith + Dairies = ASDA.

1970s - 80s
During this period, Associated Dairies embarked upon a programme of diversification; the business now sold everything from baked beans to motor cars!

1980s - 90s
A major success of this period was a partnership with George Davies and the launch of George clothing in February 1989.

1990s
Archie Norman arrived at Asda in December 1991 and quickly installed the Asda “Way of Working”. It provided a framework for a new organisation structure that made stores the “heroes” and promoted colleague involvement. It was a new dawn for Asda. Asda rediscovered its core values and customers returned to a revitalised Asda that had gone back to its roots.
History of Asda

1999
Walmart bought Asda, a global brand committed to serving its 200 million customers each week and keeping the promise of its founder, Sam Walton, “Saving people money to help them live better.” This promise is delivered through our EDLC=EDLP strategy that underpins everything Walmart does.

Early 2000s
Asda continued to meet customers’ needs through opening Asda Livings, introducing grocery online shopping through ASDA.com, extending into financial services and launching private brands.

In 2005, Andy Bond was appointed CEO. We started operations in Northern Ireland and broke the 300 stores mark.

2008 - 2009
Asda launched its non-food online business, Asda Direct, which allows our 3 million customers to access over 30,000 products.

In 2009, the purchase of IPL brought about the combination of a better joint sourcing of products such as wine, olives, flowers and fresh produce, the introduction of new global merchandising centres; and removing the middlemen wherever possible.
History of Asda

2010
In May 2010, Andy Clarke was appointed Asda CEO. Under his leadership, Asda has seen a strengthened focus on quality and price leadership, with the launch of Chosen by You and Extra Special ranges.

2011
The purchase of Netto stores and subsequent conversion programme saw the Asda Supermarket format grow to 180 stores in 2011, allowing customers to complete a full weekly shop in a small store format, with the same low prices customers expect from an Asda superstore.

2012
2012 saw the George brand go global with the launch of George Franchise. The first stores opened in the Channel Islands and the Middle East. Alongside this, the George brand was exported through other Walmart markets including Argentina, Canada, Chile, India, and Japan.

The acquisition of GAAT, part of a previous George supply partner, has enabled us to create a seamless supply chain, with our sourcing division operating alongside buying and merchandising.
Asda today - 2013

Multichannel business with scale

In recent years, Asda has grown its status in the e- and m-commerce world. Asda.com is Britain’s second-biggest online grocer. Asda’s transactional apps for both Android and iPhone customers are highly rated by the 1 million customers that use them. And with free Wi-Fi in stores, Click and Collect on grocery, general merchandise and clothing, it means customers can shop, buy, receive, anything, anywhere, anytime – saving them time and money.

Fashion fit for the highstreet

George has been changing the face of British fashion for over 20 years. As the first supermarket to launch its own clothing brand in 1990, George is now sold through more than 551 Asda stores across the UK, and is the 3rd largest clothing retailer in the UK. It’s online business is growing rapidly and George is now also a global brand, exporting the best of British design to 11 countries within Walmart and standalone franchise stores around the world.

And today...

Over 178,000 dedicated Asda colleagues work in more than 573 stores, 29 depots, 9 recycling centres, George House and Asda House. Over 19 million shoppers visit our stores weekly. Asda voted Britain’s Best Priced Supermarket for the 16th year running and Supermarket of the Year for the 3rd year running in 2013.
Business overview and financial information
Business overview

- 573 stores & 29 DCs ¹
- 2012 sales - £22.8bn / US$36.2bn
- 19.5m customers ²
- 17.3% market share ³
- Over 178,000 colleagues

Notes:
(1) As at 30th Sept 2013
(2) FY13 (ending 1/31/13)
(3) Kantar (formerly TNS) Worldpanel, 52 weeks ended 15th September 2013, share of Grocer market
Store formats

**Supercentres**
- Brings together the best of Walmart and Asda
- The widest range
- Best value
- Friendliest service in the business.
- Attracts customers from further afield.

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

**Supermarkets**
- Perfect for shoppers in smaller towns and suburban areas.

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

**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
Financial trends 2008 - 2012

**Sales (£billions)**

- 2008: 18.6
- 2009: 19.9
- 2010: 20.6
- 2011: 21.8
- 2012: 22.8

**Market Share**

- 2008: 16.8%
- 2009: 17.1%
- 2010: 16.9%
- 2011: 17.2%
- 2012: 17.5%

**Operating Margin**

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

**Ex Netto acquisition impact**
# Financials

## Five Year Summary *

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<tr>
<td><strong>Asda Data</strong></td>
<td></td>
<td></td>
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<tr>
<td>Sales (excluding VAT) (£bn)</td>
<td>22.8</td>
<td>21.8</td>
<td>20.6</td>
<td>19.9</td>
<td>18.6</td>
<td>16.9</td>
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<tr>
<td>Number of Stores</td>
<td>565</td>
<td>541</td>
<td>385</td>
<td>371</td>
<td>358</td>
<td>352</td>
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<tr>
<td>Asda Supercentre</td>
<td>32</td>
<td>32</td>
<td>29</td>
<td>29</td>
<td>29</td>
<td>26</td>
</tr>
<tr>
<td>Asda Superstore</td>
<td>314</td>
<td>309</td>
<td>304</td>
<td>296</td>
<td>289</td>
<td>282</td>
</tr>
<tr>
<td>Asda Supermarket</td>
<td>186</td>
<td>173</td>
<td>27*</td>
<td>22</td>
<td>19</td>
<td>19</td>
</tr>
<tr>
<td>Asda Living</td>
<td>32</td>
<td>27</td>
<td>25</td>
<td>24</td>
<td>21</td>
<td>13</td>
</tr>
<tr>
<td>George</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>PFS - Standalone</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td>New Stores (Net)</td>
<td>24</td>
<td>156</td>
<td>14</td>
<td>13</td>
<td>6</td>
<td>17</td>
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<tr>
<td>Extensions</td>
<td>3</td>
<td>3</td>
<td>11</td>
<td>10</td>
<td>11</td>
<td>13</td>
</tr>
<tr>
<td>Total sales area (000s sq ft)</td>
<td>19,936</td>
<td>19,311</td>
<td>17,666</td>
<td>17,235</td>
<td>16,663</td>
<td>15,877</td>
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<tr>
<td>Added sales area (000s sq ft)</td>
<td>625</td>
<td>1,650</td>
<td>431</td>
<td>572</td>
<td>786</td>
<td>745</td>
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<tr>
<td>Weekly average sales per sq ft</td>
<td>21.97</td>
<td>21.75</td>
<td>22.40</td>
<td>22.16</td>
<td>21.47</td>
<td>20.47</td>
</tr>
<tr>
<td>Average number of colleagues</td>
<td>178,792</td>
<td>177,144</td>
<td>172,457</td>
<td>169,847</td>
<td>162,115</td>
<td>156,780</td>
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<tr>
<td>Average Transactions per week (000s)</td>
<td>19,211</td>
<td>18,024</td>
<td>17,407</td>
<td>17,104</td>
<td>16,300</td>
<td>15,625</td>
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<tr>
<td>Average spend per transaction (£)</td>
<td>22.80</td>
<td>23.30</td>
<td>22.70</td>
<td>22.30</td>
<td>21.90</td>
<td>20.80</td>
</tr>
<tr>
<td>Comp sales growth (ex petrol)</td>
<td>1.0%</td>
<td>0.5%</td>
<td>0.6%</td>
<td>6.5%</td>
<td>6.5%</td>
<td>-</td>
</tr>
<tr>
<td>Market Share</td>
<td>17.5%</td>
<td>17.2%</td>
<td>16.9%</td>
<td>17.1%</td>
<td>16.8%</td>
<td>16.8%</td>
</tr>
</tbody>
</table>

* 12/31 Year End
Sales mix

75%  
Food

7%  
General Merchandise

7%  
George

11%  
Petrol

* Food includes health & beauty and non-edible consumables
Importance of private brands (own label)

- Private brands make up a significant portion of Asda’s merchandise offering

- UK customers love private brands
Own label brands - Food

Extra Special - In November 2011, Asda announced its partnership with Leith’s School of Food and Wine and in Christmas 2012, the chefs at the world famous cookery school worked with Asda to create and develop a Leith’s Asda Extra Special range. 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, it was the biggest own brand re-launch in UK retailing history and a first to market which brought unique identity to the mid tier. Now two years old, CBY has over 7,000 products in the range and has completed over 800,000 individual taste tests, which have been carried out by more than 40,000 consumers. Chosen By You is the fastest growing mid-tier range in the market, according to Kantar data.
Own label brands - Food

**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** - Everyday essentials at unbeatable prices. The range has more than 600 products costing £1 or less, helping families to lower the cost of family meals. The range covers food, as well as other household essentials, such as toasters and washing-up gloves. Smart Price food products are all NAFNAC (no artificial flavours or colouring), as is all Asda own-label food.
Own label brands – Non-food

Asda has a number of non-food brands, but the three principal brands are:

George – A fashion brand built on three core values: Quality, style and value. George has dialled up its fashion credentials in the last year and is a growing global business with franchises in the Channel Islands & Middle East and ranges in Walmart stores.

In the last 12 months, George has had huge success with developing the hit fashion trend the ‘onesie’, and has also worked in partnership with Disney to open Disney sections in Asda stores.

More and more customers are buying into the brand, and for the first time in its history, George held third on value share over Christmas [behind Next 7% and M&S 11.6%]. George.com has become the fastest growing clothing retailer on line, with 60% of dot.com sales now ordered through Click and Collect.

Elegant Living – A home range which offers our customers luxurious, stylish, durable homeware that is great value for money. The range includes everything from Egyptian cotton bath towels to high-grade stainless steel cutlery.

Little Angels – A baby care range including baby wash, shampoo and nappies. Parents want the best quality products for their children which is why we regularly test our products against leading brands to ensure our products always offer excellent quality. All our Little Angels products are hypoallergenic and dermatologically tested.
Business strategy
Business strategy

Asda’s strategy is centred on our mission, purpose and beliefs, which guide us as we work to make our business even better. Our strategic framework is structured in four quadrants, focused on benefitting our customers, our colleagues, our communities and our shareholder.
Mission - “To be Britain’s most trusted retailer”

Customer
“Delivering on our pledges”

Colleague
“To be Britain’s most trusted employer”

Communities
“Building stronger communities”

Shareholder
“A growing and profitable business with increasing ROI”

An EDLC approach to:
• Sourcing
• WO4L
• Supply chain
Customers

Mission: “To be Britain’s most trusted retailer”

Customer

Our Beliefs

Customer Service to our customers
Act with integrity

Purpose

Saving you money every day

Colleague

Respect for the individual

Community

Strive for excellence

Shareholder
Pressure continues on consumer spending

The Asda income tracker indicates our customers’ weekly disposable income on a monthly basis.

The latest release shows disposable income to be in decline YoY, (1.1)% decline on August 2013. However, in comparison with the peak in 2010, this is a £6 decline.

Despite the rise in disposable income YoY, the cost of living remains a concern as earnings continue to grow at a significantly slower rate than essential items inflation.

* Asda income tracker is available at the following website: http://your.asda.com/press-centre
Price matters to our customers more than ever...

✓ Customers are looking for genuinely low prices, and using more channels to get them
✓ We need clear pricing that cuts through a noisy market

Smart shoppers - getting smarter

Noisy market – getting noisier
... and how they want to shop with us is changing

- Mums are short on time
- Customers want a seamless and convenient shopping experience
- Access to a number of channels and formats is important so they can access Asda whenever and wherever they need to
Delivering value through our customer pledges
In 2012, we won the Grocer 33 lowest priced supermarket for 37 of 50 weeks.

We increased the price advantage we have on our main competitors by more than 1% during 2012.

We have invested in ‘Price lock’, our commitment to hold down the price of everyday essentials, staples like bread, milk and eggs, for a minimum of 12 weeks.

We back up our great prices with the Asda price guarantee, this is our guarantee that we will be 10% cheaper than our competitors.
Quality

- Ensuring we stock the leading brands
- Maintaining our focus on quality fresh foods
- In 2012, we won many awards, with highlights being “Fresh Produce Retailer of the Year”, “In-store Bakery of the Year” and “Meat Retailer of the Year”
- George won the “Which? No.1 for Overall Value on Schoolwear” award
Innovating via own brands

• We redeveloped over 300 Extra Special lines reflecting our strong partnership with Leith’s (Leading London cookery school)

• Our Chosen By You range was the fastest growing mid-tier own label range of the Big 4 retailers with 1,500 new lines in 2012

• Global leverage allows us to introduce exciting Walmart products to the UK, such as bicycles, BBQs and garden furniture, and enables partnerships with global brands such as Disney
Service

- We pride ourselves on providing great service through our colleagues; it’s service with personality – with energy and with an Asda sparkle.

- We consistently index ahead of our competitors when looking at our internal service metrics and during 2012 have made notable gains in customer satisfaction, in particular in availability and quality of service.
Delivering a convenient shopping experience

Formats

e-Commerce

Services
Asda’s range of formats meets our customer needs

**Supercentres**
Supercentres bring together the best of Walmart and all of the things Asda is famous for – the widest range, best value and friendliest service in the business. Each supercentre acts as a local shop, but also attracts customers from further afield.
- 32 stores - Average 85,000 sq. ft. sales area
- 40,000 products in store

**Superstores**
Our core store format with the largest number of stores. These stores offer a wide range of food and general merchandise products.
- 316 stores - Average 46,500 sq. ft. sales area
- 35,000 products in store

**Supermarkets**
Our supermarkets are perfect for the needs of shoppers living in smaller towns and suburban areas. This format has proven particularly successful in recent years and has enabled us to bring much needed choice to towns that previously missed out on our products, services and low prices.
- 190 stores - Average 17,000 sq. ft. sales area (range 8,500 to 25,000 sq. ft.)
- 24,000 products in store

**Asda Living**
Dedicated to stylish clothing and general merchandise products at affordable prices, customers can buy from our entire non food range.
- 33 stores - Average 28,000 sq. ft. sales area
- 23,000 products in store
Our competitor set is varied

Traditional supermarket competitors...

Non-food specialists...

Growing discounter sector...

Online specialists...
e-Commerce business has room to expand

• **Online grocery:** launched 1998 and now covers 98% of the UK population

• **Asda Direct:** Non-food site featuring 30,000 products; Launched in 2008; 3 million customers currently

• **George.com:** More than 800,000 hits per week, deliveries to Europe
Driving forward the fastest growing areas

- **Mobile**: the fastest part of our growing business, allowing our customers to buy anything, anytime, anywhere. Our highly-rated mobile apps already account for 16% of online revenue.

- **Click & Collect**: Launched 2009; Full general merchandise and George ranges available in all 573 stores; grocery Click & Collect in 217 stores by September 2013.

- **Free Wi-Fi in store**: Introduced in October 2012; In all stores by Q2 2013; 500,000 customers have already registered.
Social media and award-winning apps

**Facebook** – Displaying news and offers, as well as promoting competitions and giving customers the chance to provide feedback on future products and services.

1,042,000 **Facebook fans** - The fastest growing fan base in the industry and consistently the most engaged fans of any UK retailer according to Social Bakers.

**Twitter** – for news, special offers and money saving tips

169,000 **Twitter followers** - as at end September 2013

⭐⭐⭐⭐⭐

“The Best Grocery Shop App without a doubt this is the best grocery shopping app & all the others should at least try to imitate it to keep up. Can't fault it.”

⭐⭐⭐⭐⭐

“Excellent app-This really is so quick and sooooo easy. Totally recommend for busy working mums as can shop anywhere, anytime!”

⭐⭐⭐⭐⭐

“Amazing!!!!!!! Very easy to use and very quick. You just click back at any point and it always goes back to the right page. Very pleased, it's easier than using the computer. I managed to order my ASDA shopping while sat in traffic on the bus.”
Broad appeal extends to financial services

We have a financial services business, ‘Asda Money’, with the following products available:

- Credit card
- General insurance e.g. motor, home, pet, travel
- Life Insurance
- Breakdown cover
- Utility switching
- Warranties
- Gift cards
- Travel money
- ATMs

Financial service products are available online and in the majority of our stores

* Asda Money accounts for less than 1% of Asda sales
Colleagues

Mission: “To be Britain’s most trusted retailer”

Customer

Our Beliefs

Service to our customers

Respect for the individual

Community

Purpose

Saving you money every day

Customer

Act with integrity

Colleague

Strive for excellence

Shareholder
Our promise to colleagues is based on 4 pledges

- **Fairness at Work**
  - "I always feel that the work I do is appreciated"

- **Opportunity for All**
  - "There are loads of opportunities to get on at Asda if you put the effort in"

- **Respect for Each Other**
  - "My manager knows me and treats me how I expect to be treated"

- **Pride in Asda**
  - "I don’t say I work for a supermarket, I say I work for Asda"
Colleague successes in 2012

- Our colleagues help us to deliver the warm and friendly experience we aspire to and we were delighted to pay them a bonus in 2012, at a time where many other retailers were unable to do so.

- Our award winning Sharesave scheme is now in its 30th year and in 2012 paid out a record £50.9 million. Since its launch in 1982, it has paid out over £530 million to our colleagues.

- Our talent management process develops colleagues and improves succession planning. Well over 80% of our retail colleagues are now promoted from within Asda.

- More than 2,800 colleagues have completed an Asda apprenticeship in 2012, with 30 colleagues undertaking a Retail Honours Degree in conjunction with Middlesex University

- We’ve also been helping our colleagues through tough times - the childcare voucher scheme, ASDA credit card, cycle scheme and an initiative to support colleagues to make savings on their fuel bill all saved our colleagues money in 2012
Communities and Sustainability

For more information visit our website: http://your.asda.com/sustainability
Building stronger communities

- **In March 2012 we launched our Community Life programme** which is about making the communities around our stores and depots better places to live, work and grow up for our colleagues and customers.

- The **Community Life Programme** is underpinned by 4 key pillars (Working Life, Local Life, Healthier Life and Greener Life).

- Our **ambition** is to become the ‘Number 1’ retailer for community perception.

- To support Asda to become Britain's most trusted retailer.

- To grow customer loyalty, awareness and increase footfall in our stores.

- To raise funds for local and national charities – **Since 1996 Tickled Pink has raised £30 million for our partner charities Breast Cancer Care and Breast Cancer Campaign.**
We made a real difference

• The Community Life Programme sees its first birthday in April 2013
• What did we do in Year 1
  – 23,174 uses of our Stores as community centres
  – 3,237 visits within the local community by our general store managers
  – £1 million given by ASDA Foundation to over 9,000 good causes through our ‘Chosen By You, Given By Us’ programme
  – 10,000 bags of litter collected – The Big Litter Pick
  – 70,000 children attended an ASDA Active Event
  – 140,000 children attended a Kwik Cricket Event
  – 2,000th Remploy colleague employed
Our sustainability vision

• We believe sustainable living is for everyone, no matter who they are and whatever their income. We believe in everyday low prices for sustainable products

• Our business is committed to delivering great value at everyday low prices. For us, sustainability is part of that value

• We’ve worked hard for many years to reduce our environmental impacts and, as a result, our costs.

The next slide illustrates the efficiencies that our sustainability programme has delivered for the business
Sustainability achievements

Over £80 million saved since 2005

**Energy**
- £40 million
- Energy efficiency
- 32.9% carbon reduction in buildings

**Waste**
- £27.4 million
- Over 97% diverted from landfills
- Card & plastic recycling

**Product**
- £10+ million
- 1/3 less packaging
- Innovative supplier engagement tool

**Supply Chain**
- £7.7 million
- 18 million fewer miles driven
- 47% less carbon from fleet
Contributing to returns for Walmart Shareholders
Our financial goals align with Walmart’s priorities

- Sales growing ahead of the market
- Profit growing greater than sales
- Expenses growing slower than sales
- ROI increasing YoY
Profit drivers and expense savings

• Sourcing through efficient procurement, global leverage & vertical integration

• We operate for less programme

• Efficiencies in the supply chain
Sourcing leverage

- Leveraging Walmart’s buying power by working closely to access key ranges
  e.g. A 6 burner gas BBQ, typically around £600 in the UK, Asda are selling for less than £350

- Continue to expand the reach of IPL both in the UK and globally
  e.g. During 2012 IPL helped reduce both the cost of goods and improve quality control, enabling us to invest further in price, such as our investment in essentials through Price lock

- Following the acquisition of GAAT, developing an integrated operation around the world to establish a better, faster, lower cost supply chain
  e.g. The ‘Be seen in’ range, previously on a 12 week lead time, has now been reduced to 6 weeks
Productivity Loop is WO4L programme’s foundation

- ‘We operate for less’ is Asda’s efficiency programme across Retail, Distribution and Home Offices

- The programme continues to drive annual incremental savings in the business, with examples landed in 2012 including ‘top stocking’, various energy saving projects and also issuing iPads to our GSMs

- The programme is a great example of global leverage by sharing initiatives, knowledge and governance globally
The journey so far... driving value in the supply chain

Continuous improvement through colleague engagement

Fewer, cheaper miles
- Fleet
- Systems
- Fuels

Energy & sustainability

Organisational design
Asda Logistics

38 Operations nationwide
• 23 Asda managed Depots
• 6 third-party managed sites
• 9 ASCs (3rd Party managed)

Through network efficiency we have improved our cases per mile since 2006 by 53% and our warehouse productivity by 47%

We have ~14,000 logistics colleagues
Driving productivity via innovation and mechanisation

High bay
(capacity & productivity)

Multi-shuttle
(capacity)

Robots
(productivity)

Hanging sorter
(Productivity)

Boxed mini load
(capacity and productivity)

Autostore
(capacity and productivity)
Asda business summary

• Customer-focused business

• EDLP strategy makes us stand out from competitors and delivers our purpose of “saving our customers money everyday”

• EDLC and WO4L underpin our ability to provide EDLP

• Our multi format integrated business helps customers save time by allowing them to access Asda when, where and how they want to
Resources

- 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/