GUS

Kate Swann

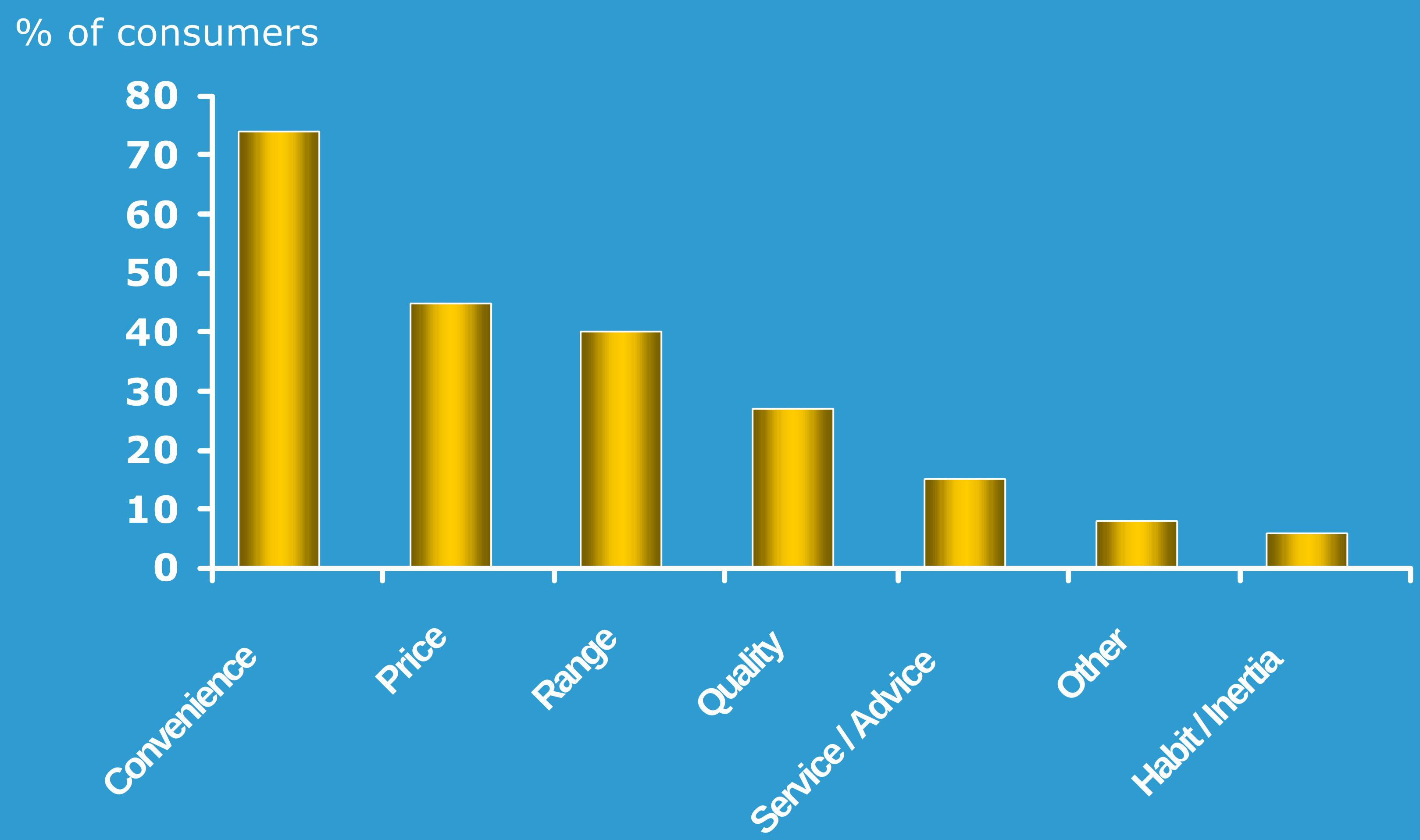
Managing Director
Argos

Agenda

- Argos proposition and business model
- Financial performance
- Drivers of growth
- Agenda for growth going forward
- Summary

Proposition and Business Model

Argos: More choice, less hassle, low prices



Source: Argos market research

Proposition and Business Model

Unique in the retail market

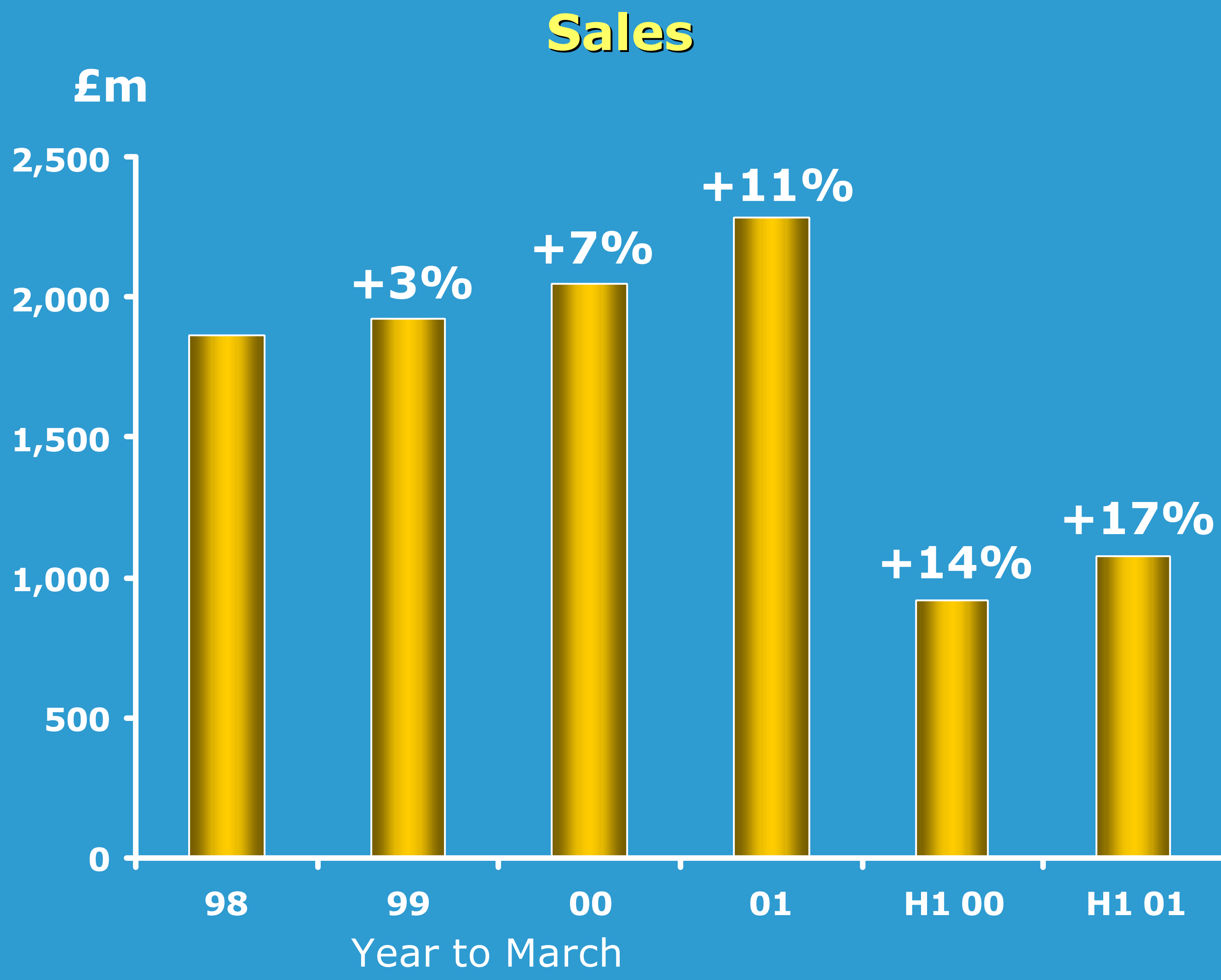
- Pick up own catalogue
- Choose at home
- Use store to collect or order
- Use store as collection point
- OR order at home
- OR use home delivery

Proposition and Business Model

Low cost operator

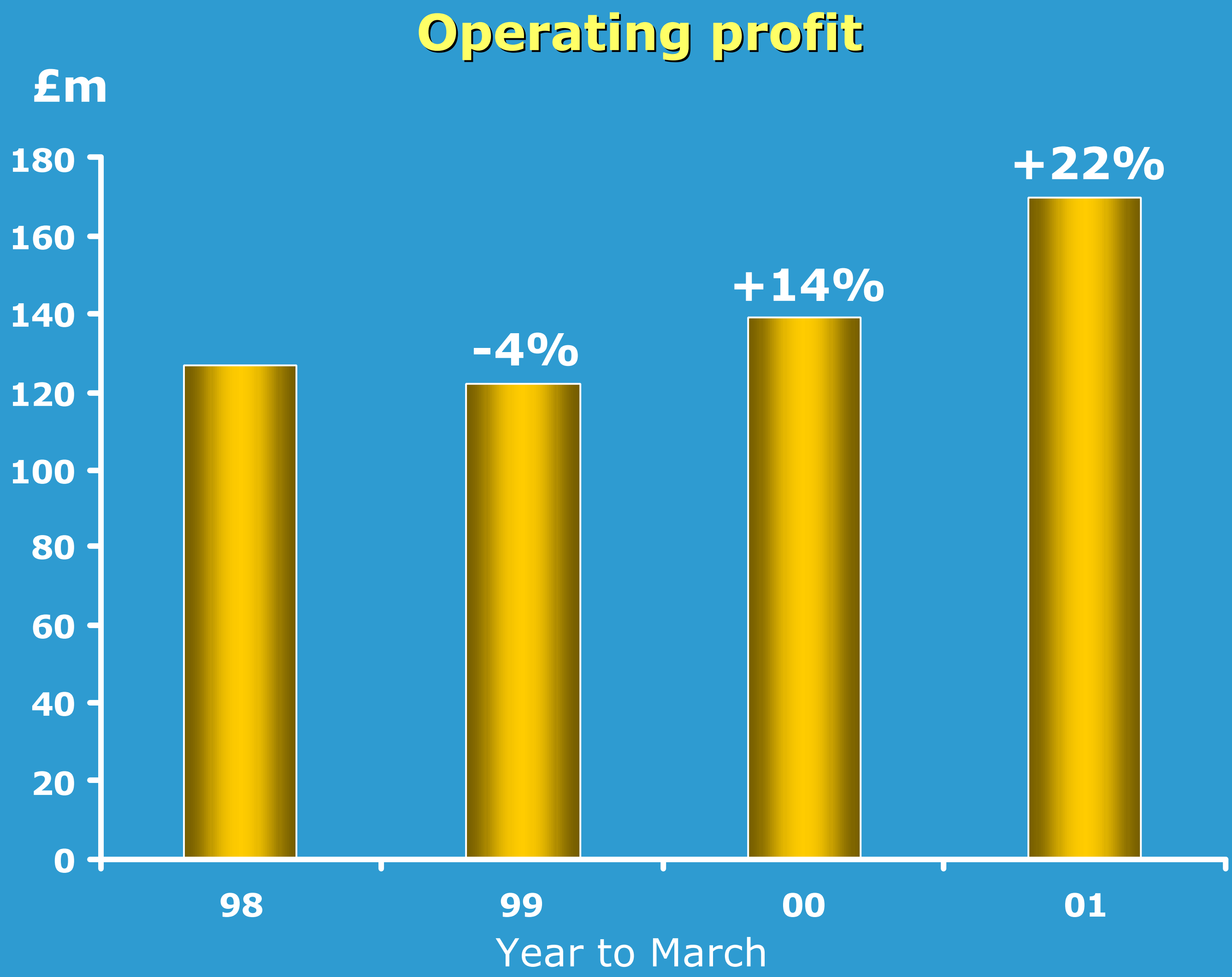
- Secondary/non prime locations
- Small shop floor
- Large stockroom
- Catalogue display space
- Catalogue collection
- Daily delivery
- Lower store staff costs
- Very little shrinkage

Financial Performance



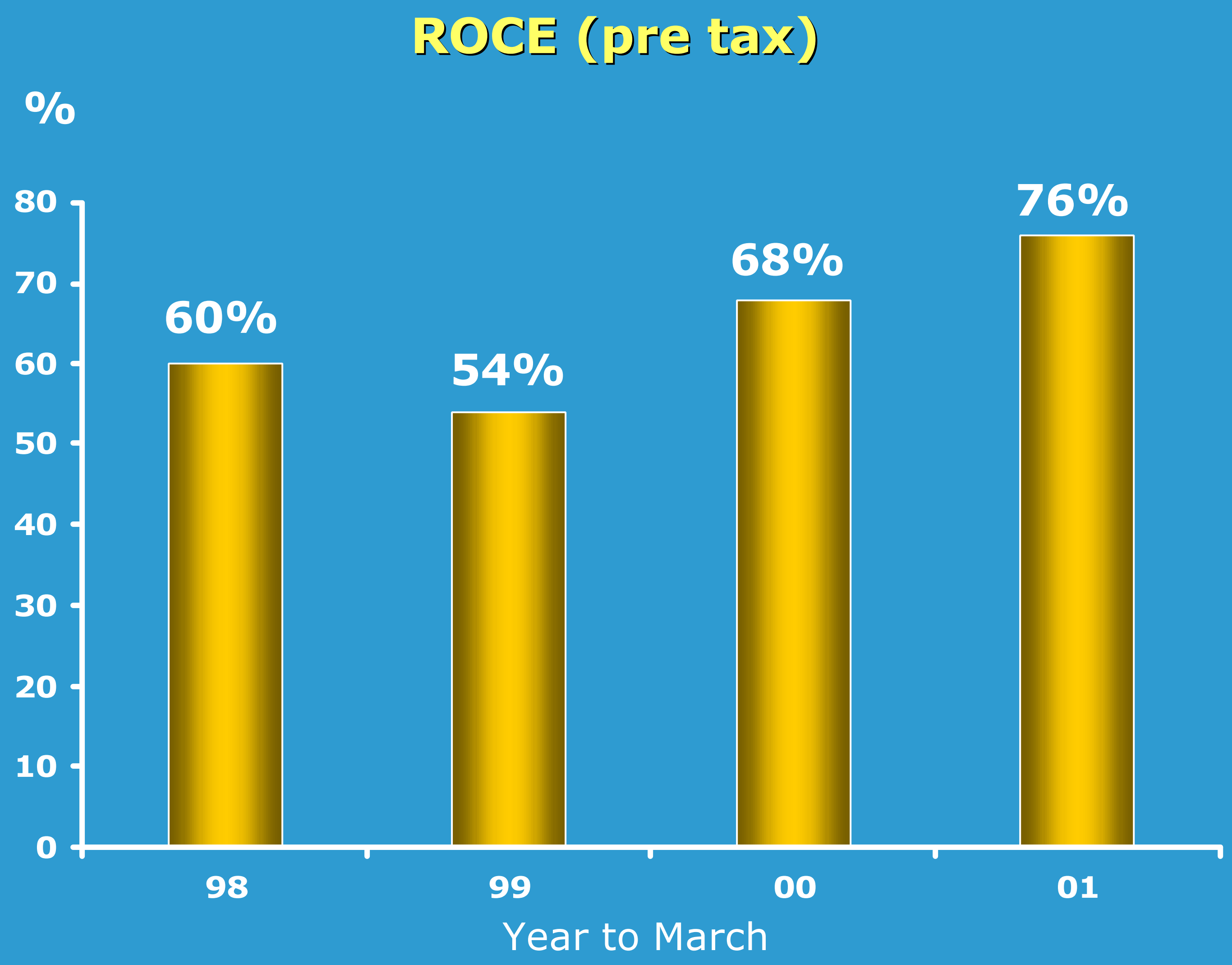
Excluding Argos Additions and jungle.com

Financial Performance



Excluding Argos Additions and jungle.com

Financial Performance



Goodwill of £1.55bn not included

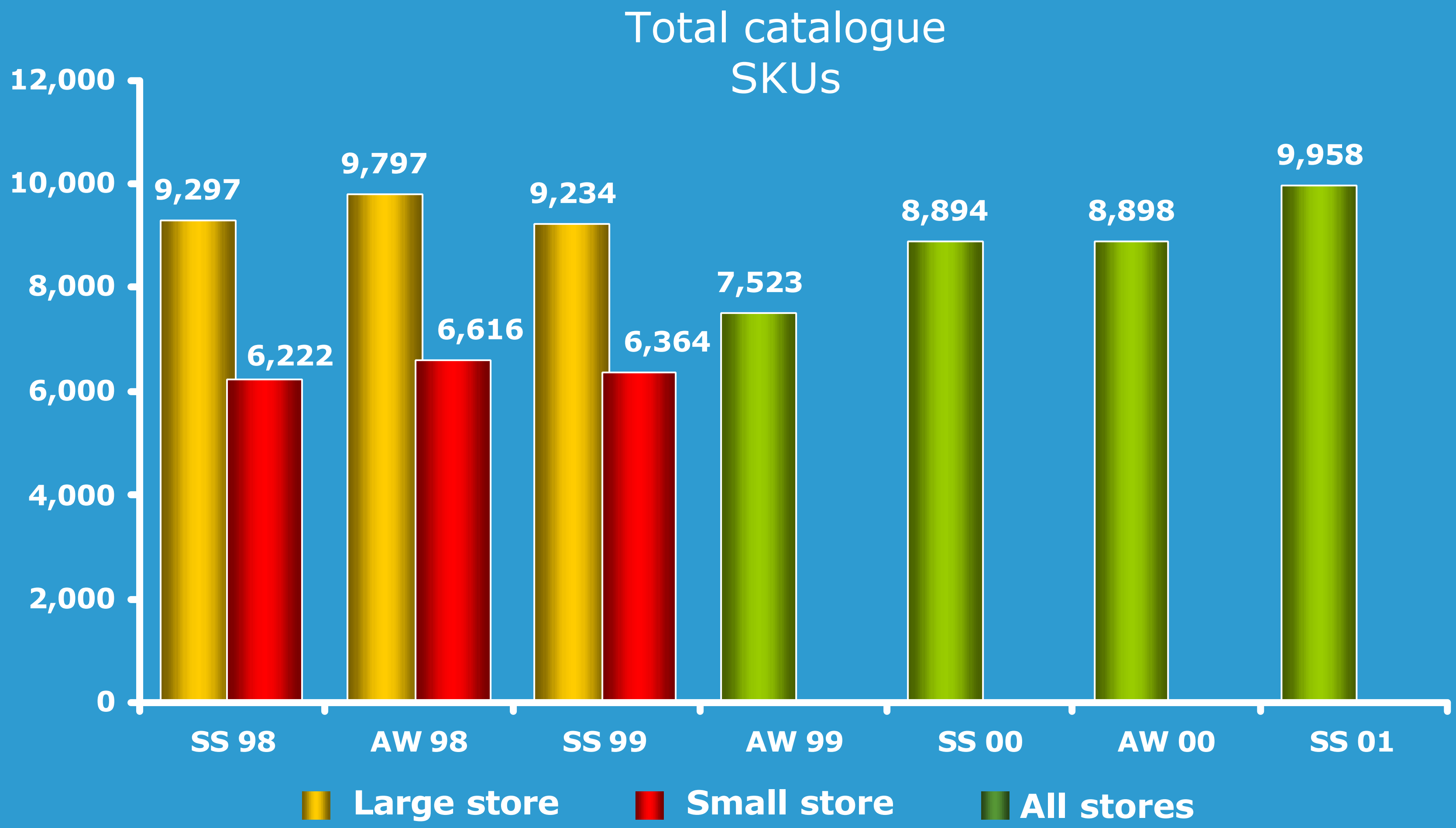
Financial Performance

Argos sales growth rate continues to be above market

Source: British Retail Consortium non-food, non-clothing sales

Drivers of Growth

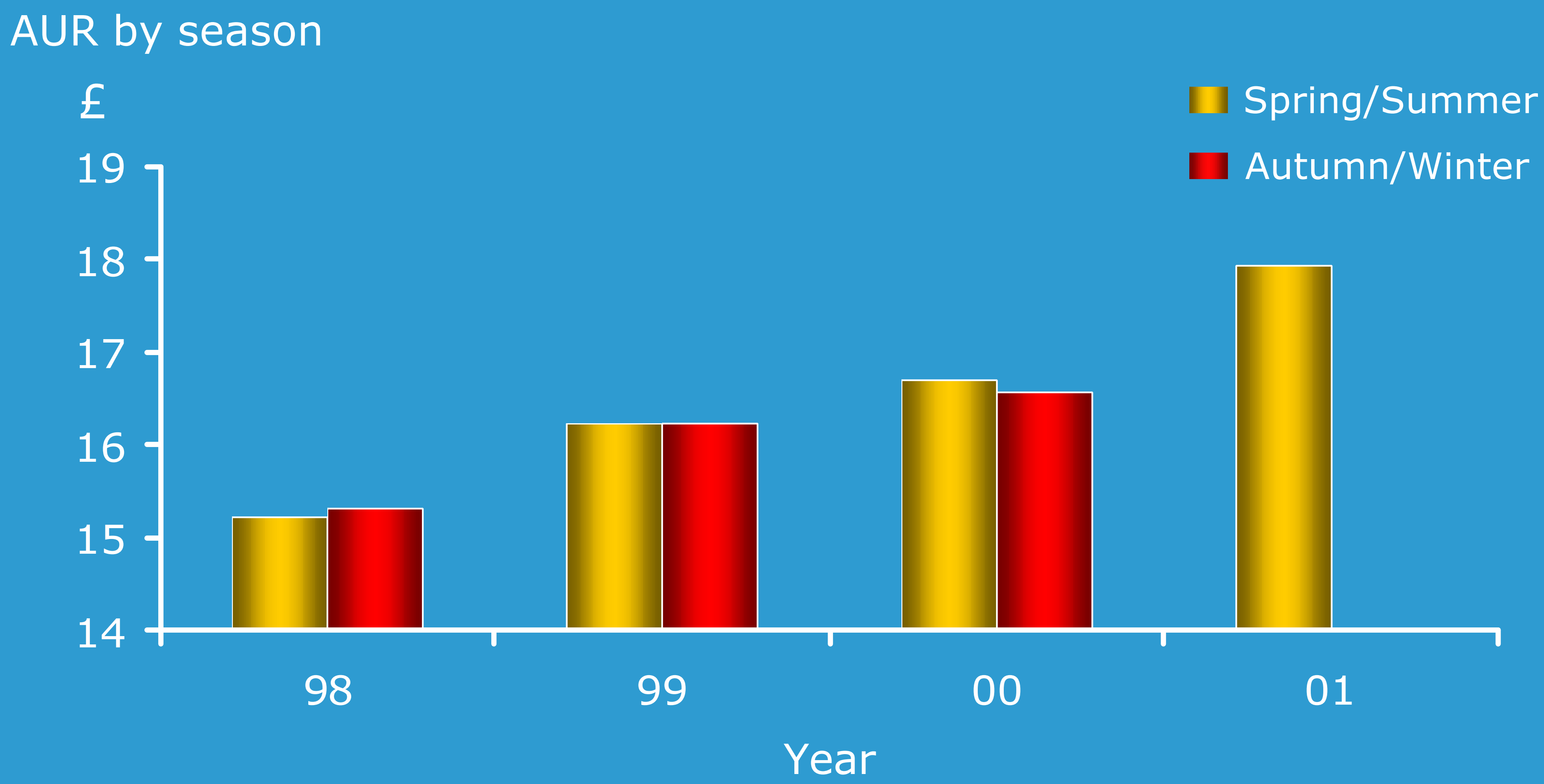
Customers respond to increased range



Includes products and services

Drivers of Growth

Increased ranges have also driven higher Average Unit Realisation (AUR)



Drivers of Growth

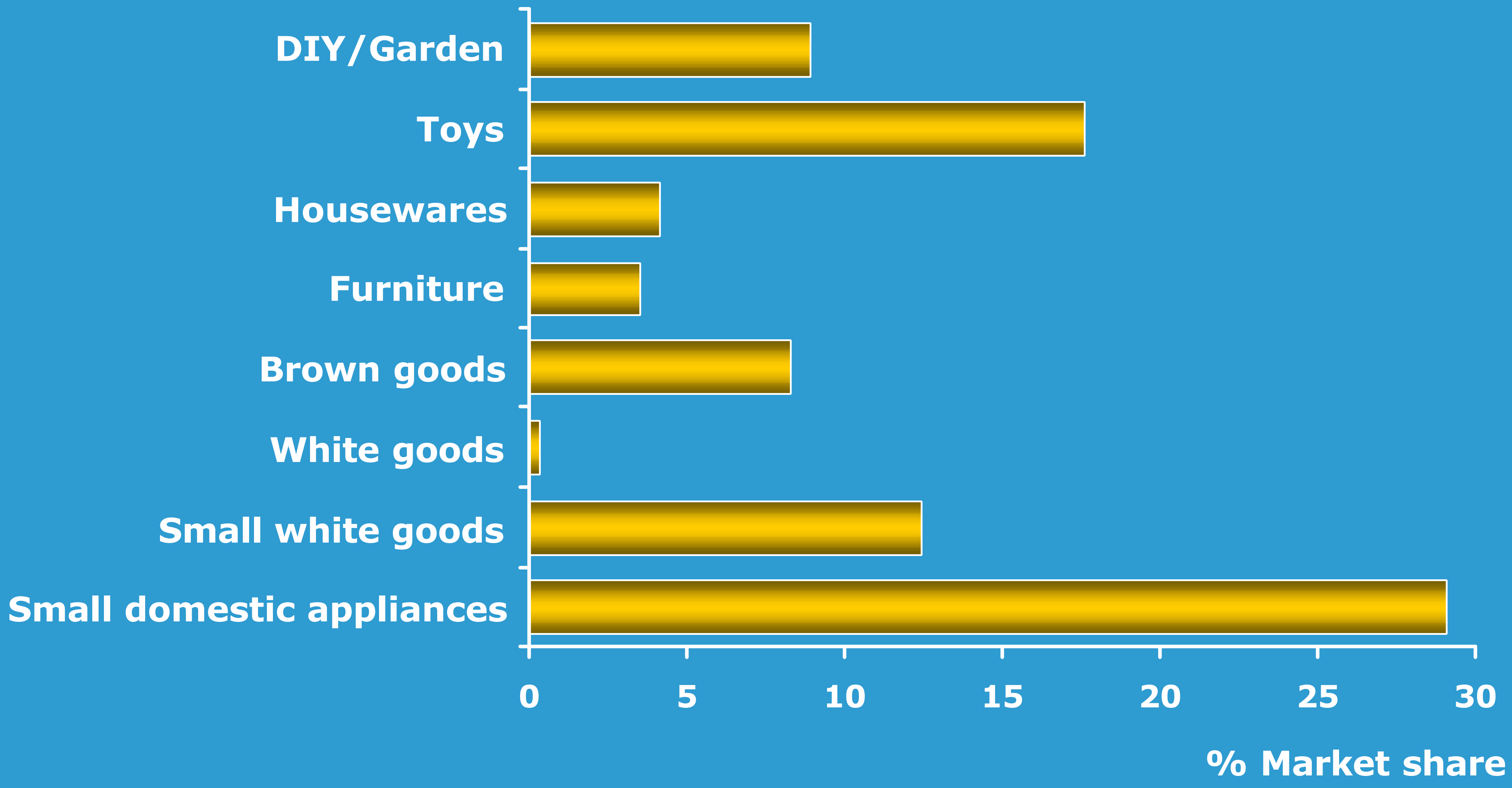
Market leader in key categories

	Market share position	
	Value	**Volume**
Small kitchen appliances	1	1
Beds and mattresses	2	1
Watches	1	1
Jewellery	1	1
Portable audio	1	1
Toys	1	2

Source: Market audits year to June 2001 (e.g. GFK, NPD, ESA)
All vs individual retail brands not groups of brands

Drivers of Growth

Small shares in many categories



Source: GFK, ONS, NPD, Argos (Year Ending 2000)

Drivers of Growth

Investment to improve the shopping experience

Drivers of Growth

Improved consumer perception

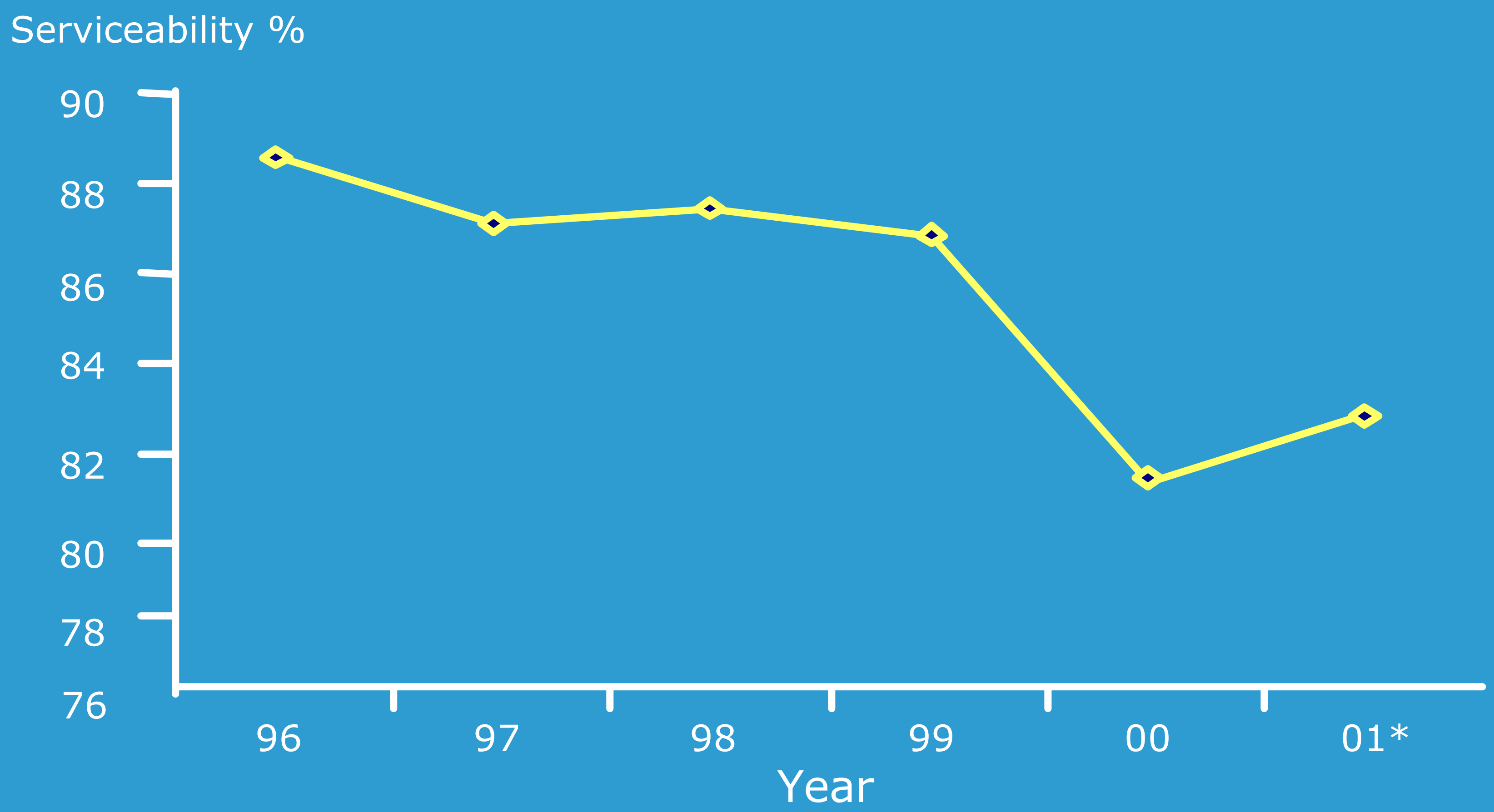
Argos imagery - total agreement (all respondents)

	July 99 - June 00	July 00- June 01	+/-
Modern	77	79	+2
Cares about my needs	52	55	+3
Always has new ideas	50	52	+2
Changing for better	48	51	+3
Exciting	23	24	+1
Dull	15	15	-

Source: Core track October 2001

Drivers of Growth

Serviceability has fallen as demand has risen



Serviceability is defined as value of sales as % of total sales demand

* Estimate

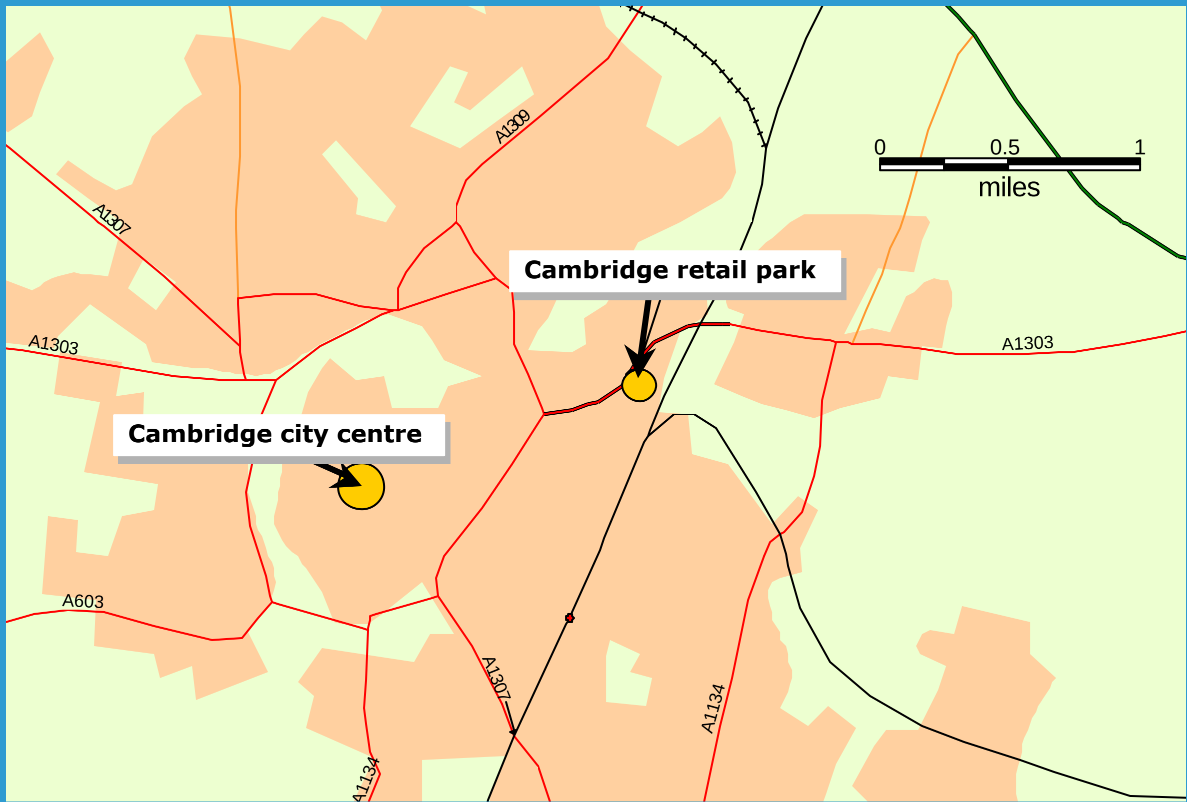
Drivers of Growth

Performance of new stores exceeded expectations

- 13 stores opened in last 12 months
- Easily exceeding IRR targets of 10% post tax
- Stand alone stores and multistore towns have exceeded targets
- Fit out costs of these stores have fallen by over 20%

Drivers of Growth

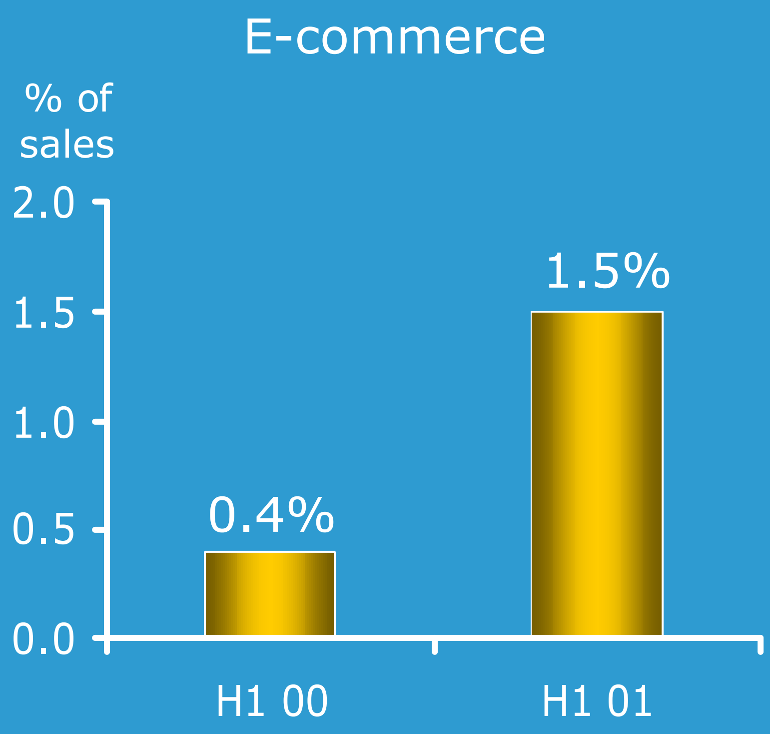
Cambridge multistore town

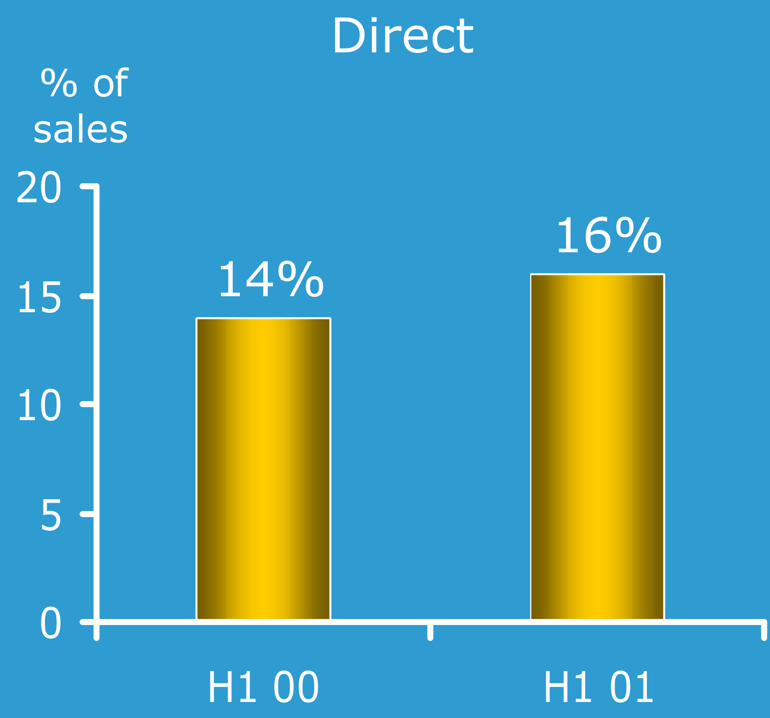


- One mile apart
- One store sales = c.£6m
- Two stores sales = c.£12m

Drivers of Growth

Complementary channels ahead of the market



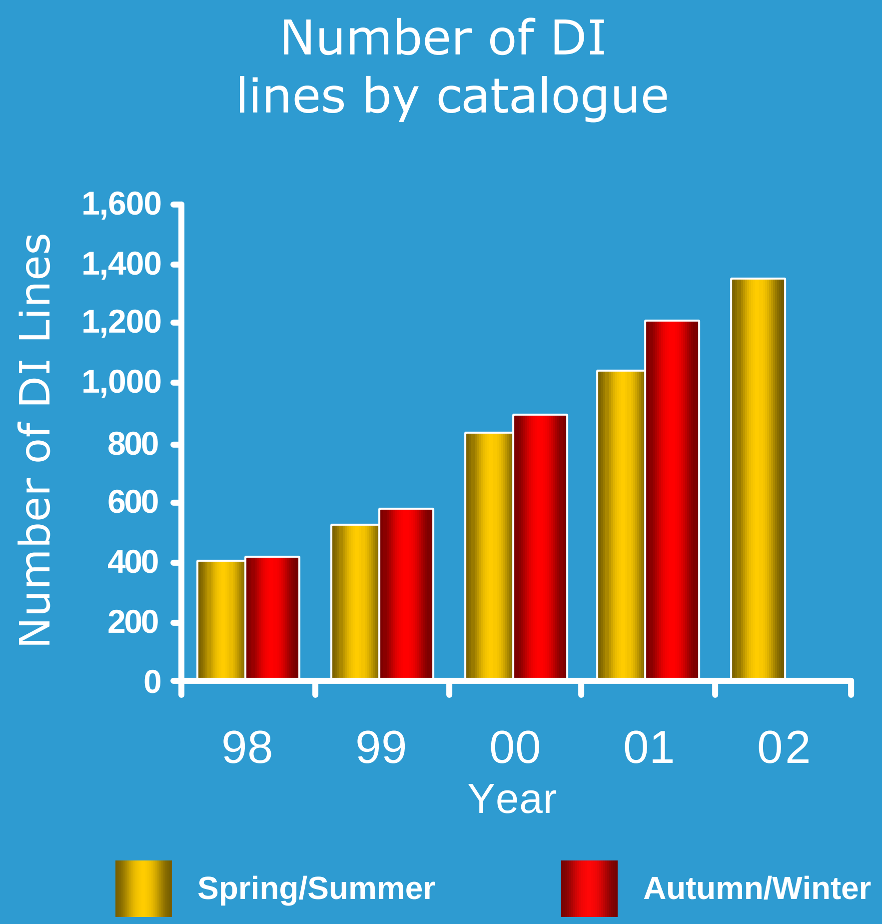


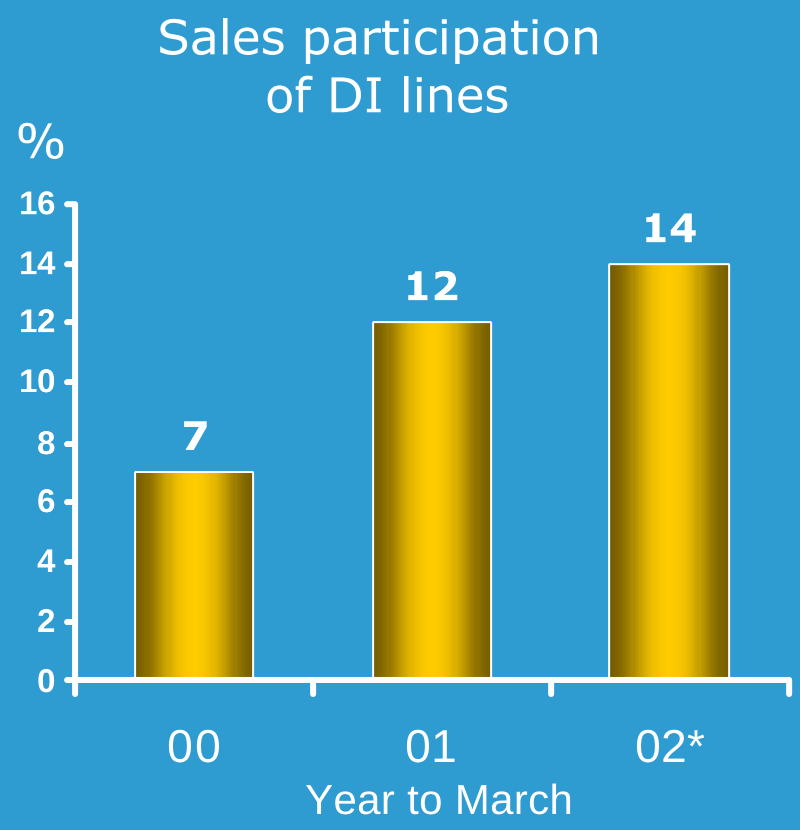
Our site is consistently in the top three most visited retail sites

Half year to September

Drivers of Growth

Gross margin improvements





*estimate

DI is Direct Import

Agenda for Growth

Key opportunities

- Small shares
- More choice
- Invest in infrastructure
- Improve serviceability
- Broaden our franchise
- Enhance store convenience
- Develop convenience based channels
- Maintain strong value perception

Agenda for Growth

Key initiatives

- Stores supply chain
- Argos Direct infrastructure and proposition
- New stores
- Improved in-store experience
- Extra range