Kate Swann

Managing Director
Argos

Agenda for Growth

Key initiatives

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

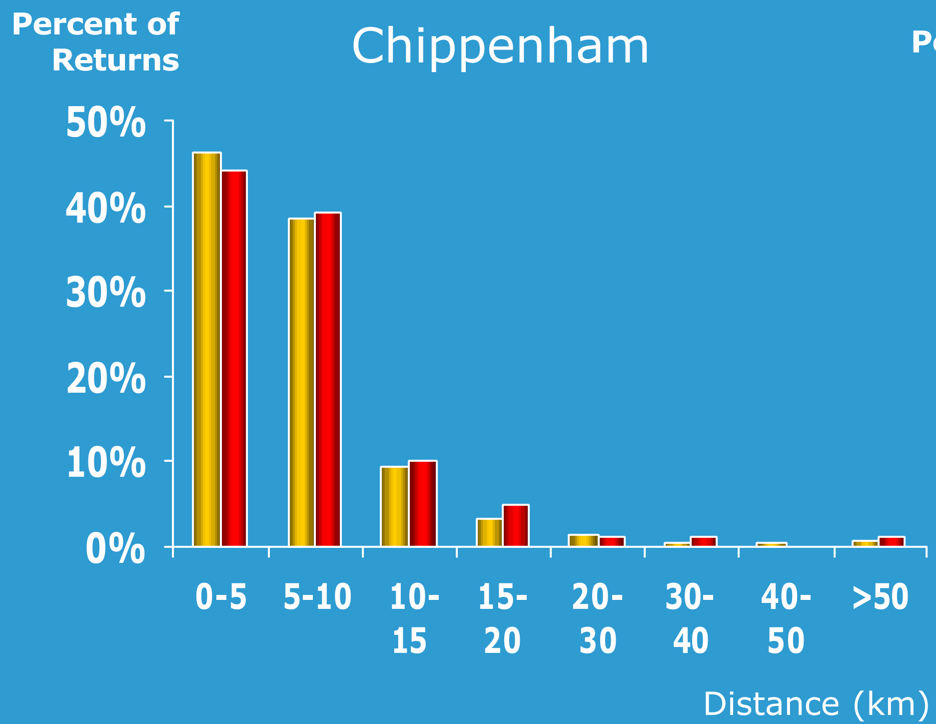
Agenda for Growth – New Stores

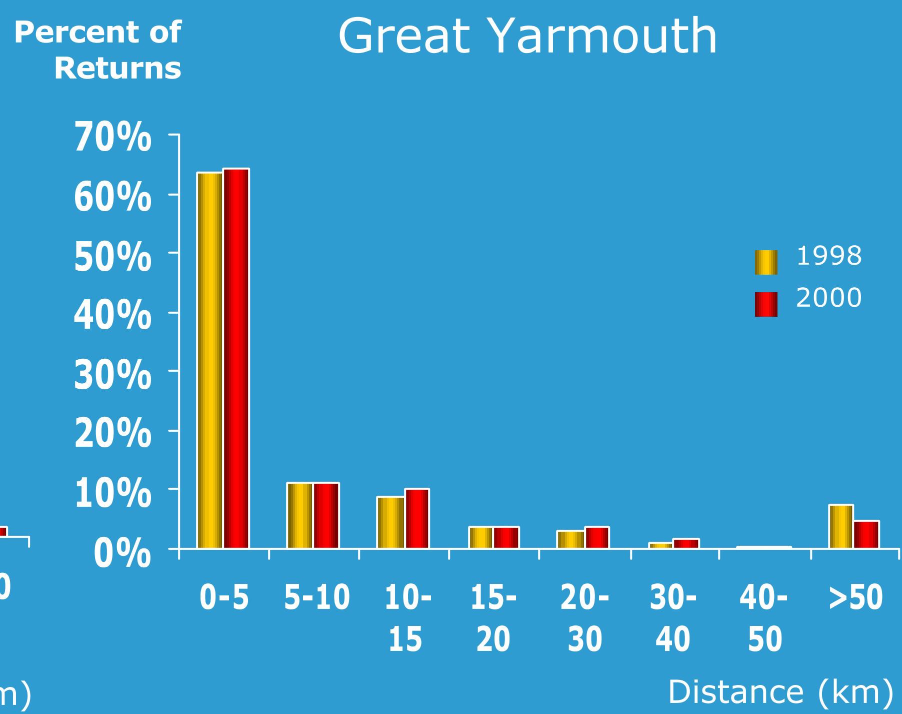
Increase roll-out rate of new stores

- All existing Argos stores trade profitably
- Recent store openings performing well ahead of forecast
- Extra ranges deepened penetration of existing catchments
- Suggesting denser store network enhances profit
- Store accessibility is a key influencer of convenience

Agenda for Growth – New Stores

Argos catchments within five miles





Catchment distribution before and after single catalogue
(from returns postcode data)

Source: Argos Marketing Dept

Agenda for Growth – New Stores

Invest to roll out about 35 stores a year

Agenda for Growth – Convenience Enhancements

Improved convenience and in-store experience

- Top 150 stores refurbished so far
- Sales increases in line with expectations, 3-4% uplift
- Post refurbishment, consumer perceptions improved
- Lower cost refit planned

Agenda for Growth – Convenience Enhancements

Refurbish all small stores by March 2004

Before

After

Agenda for Growth – Convenience Enhancements

Fast track kiosks in store

- Self service till - payment by credit card/debit card
- Fast Track payment for pre-ordered goods
- Offer add-ons, e.g. insurance, warranties
- Reduces queues at till
- Displays current prices/offers

Agenda for Growth – Extra Range

Increase range in store by 1600 SKUs for Autumn/Winter 2002

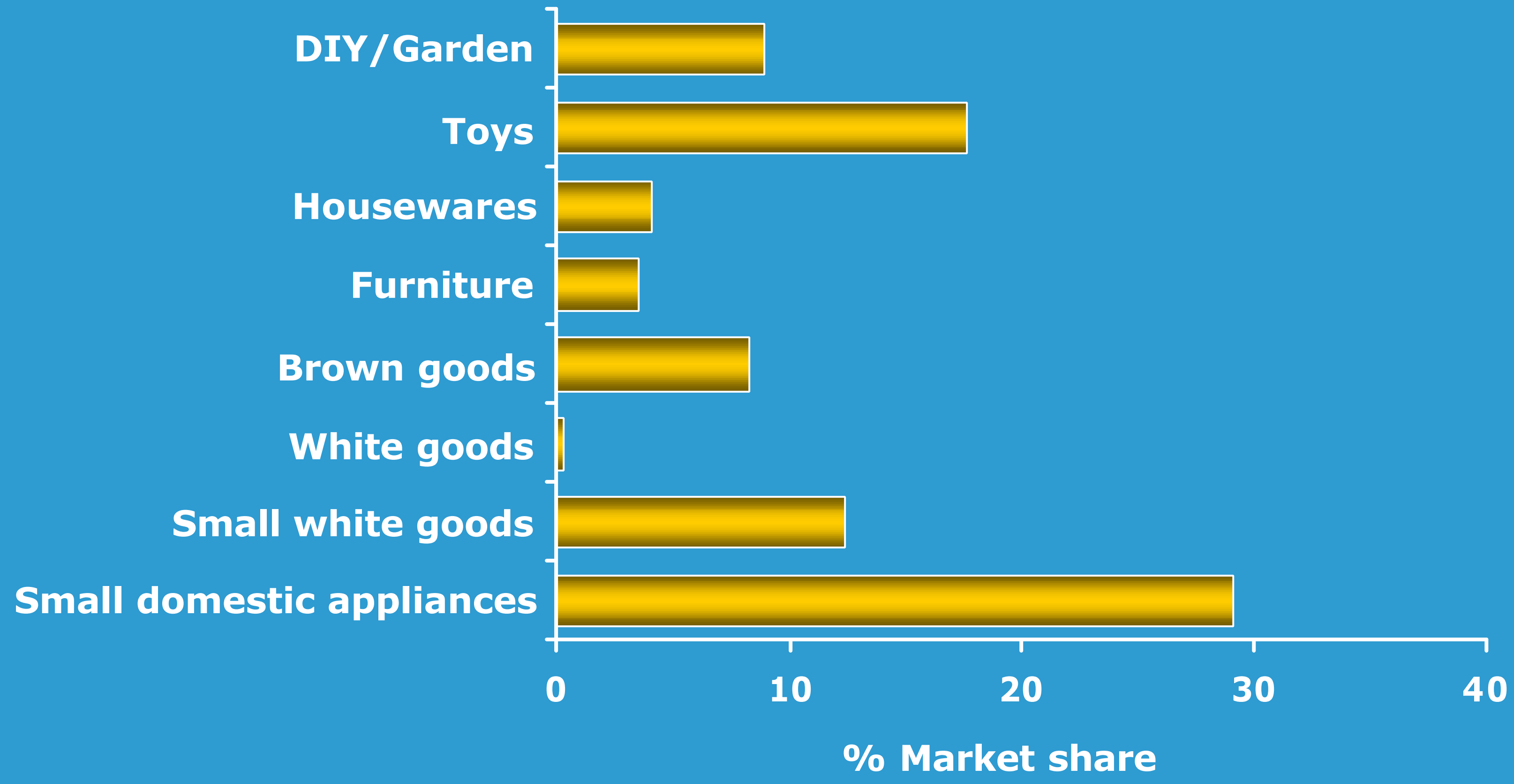
- Extra range drives profitable sales
- Consumers demand more choice
- Market opportunities
- Storeroom space in stores constrained
- Step change required

Agenda for Growth – Extra Range

- Measure profit per unit of space
- Bottom 20% SKUs take 75% of stockroom space
- Either poor cash margin or bulky products or both
- Take out 330 of these poorer performing, often bulky products
- Further 70 to go direct only
- c.1800 new lines stocked in store

Agenda for Growth - Extra Range

Small shares in key categories



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

Summary

- What customers want
  - more choice
  - more convenience, less hassle
  - great value
- Untapped potential
  - market shares
  - related services
  - stores
  - channels
  - infrastructure
- Competitive advantage
  - multi channel, multi product
  - value heritage
  - low cost operator
  - scale advantage
  - multi channel infrastructure