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Preliminary Results

17 April 2007



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David Reid

Chairman



Results highlights

- Sales have increased by 10.9%
- Profit before tax up by 20.3%
- Underlying profit before tax up 13.2%
- Underlying diluted earnings per share up 11.6%
- Full year dividend up 11.7%



Four part strategy

- Core UK
- International
- Non-food
- Retailing services



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Our people



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Community Plan

- New Initiatives
 - Milk pricing
 - Carbon labelling
 - Regeneration
 - Packaging



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Andrew Higginson

Finance and Strategy Director



Results headlines

- Strong growth in sales, profits and earnings
- Property funding programme increased
- More share buy-backs, reduced dilution, strong dividend growth
- Cash flows strong, returns rising
- Investing in future growth

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Group performance

- Sales up 10.9% to £46.6bn
- Trading profit up 11.1% to £2,478m (up 11.7% pre-integration costs)
- Trading margin stable at 5.8%



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Property

- Group property profits up 81% to net £139m
- Including JV contribution of £47m
- Proceeds of over £1bn from just over 5% of UK space
- 65% premium to book value
- Increased scale of programme

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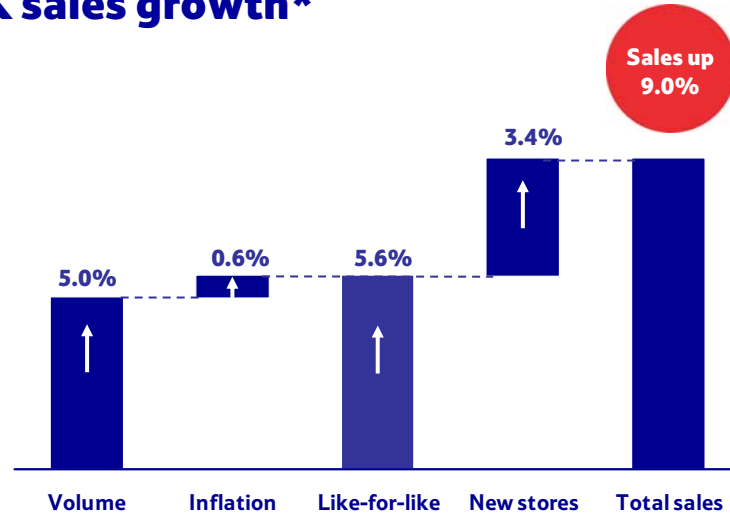
Group performance

- Underlying profit up 13.2% to £2,545m
- Group operating profit* up 17.7% to £2,648m
- Group profit before tax* up 20.3% to £2,653m
- Underlying diluted earnings per share up 11.6%
- Final dividend is 6.83p, up 12.0%
- Full year dividend is 9.64p, up 11.7%

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*include one-off non-cash gain

UK sales growth*



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*sales including petrol

UK sales growth*

	Quarter 4 %	Final 7 wks %
Like for like	5.8	5.8
Net new stores	3.6	4.0
Total	9.4	9.8

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*sales excluding petrol

UK trading profit

- Trading profit up 9.2% to £1,914m
- Trading margin up slightly at 5.9%
- After £42 million start-up costs on U.S. and Tesco Direct



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International

- Sales £11.0bn, up 17.9% at actual rates
- Trading profits £564m, up 18.0% at actual rates
- Trading margin stable (up slightly pre-integration costs)

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Asia

- Sales £4.7bn, up 16.8% at actual rates
- Trading profit £246m, up 18.8% at actual rates
- Margins increased
- Malaysia moved into profit
- Hymall stake raised to 90%

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Europe

- Sales £6.3bn, up 18.7% at actual rates
- Trading profit £318m, up 17.3% at actual rates (up 22.5% pre-integration costs)
- Margins up 30 basis points pre-integration costs

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Tesco.com

- £1.2bn sales, up 29.2%
- Profit up 48.5% to £83m*
- Over 250,000 weekly grocery orders
- Tesco Direct launch



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*pre start-up costs

Telecoms

- Moved into profit
- Voted number one for customer service
- Average revenue per user up by 6%

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Tesco Personal Finance

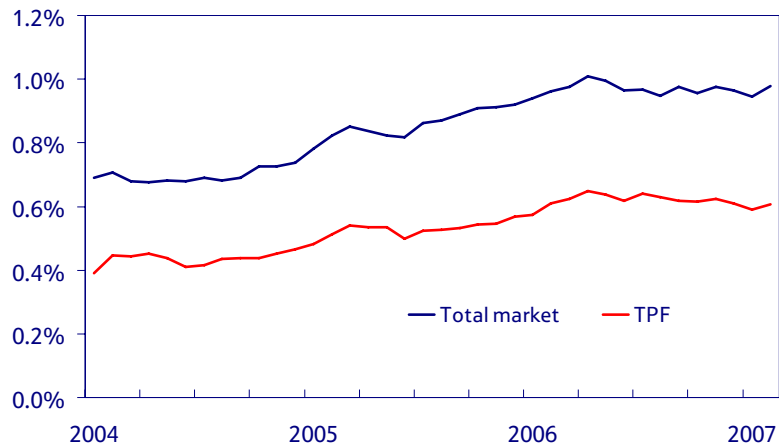
- £65m share of profit
- Increased provision for bad debts
- Actual bad debt experience better than industry average

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Credit card arrears trends

3 month arrears as a % of active balances



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Source: APACS

JV's and Associates

- £106m share of profit
- Includes share of profit of £47m from asset sales



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Finance costs and taxation

- Finance costs £126m (£127m last year)
- Interest cover strengthened to 21 times
- Effective tax rate 29.1% (last year 29.0%)



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Net debt

- Net debt increased to £5.0bn
- Gearing stable at 48%
- 118 million shares bought back, an investment of almost £470m



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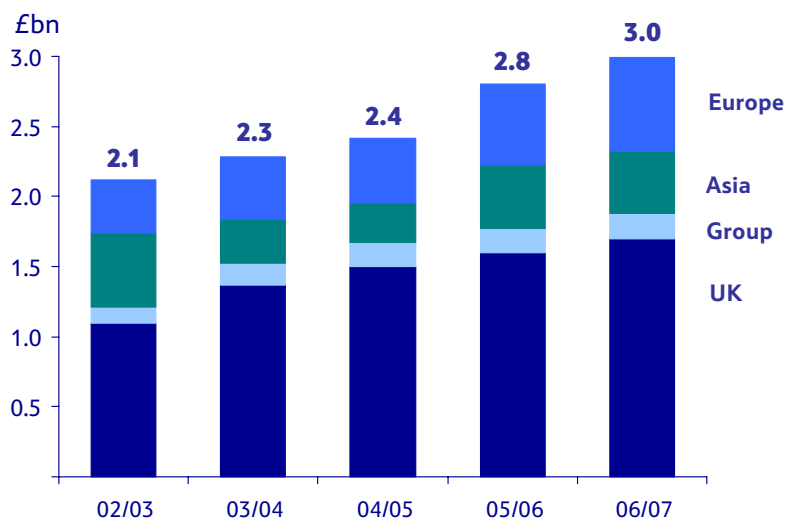
Pensions

- Scheme now fully funded on actuarial valuation
- Finance Act revision – A-Day
- Fall in IFRS deficit to just under £670m post-tax



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Capital expenditure



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Cash flow and returns

- Operating cash flow up to £3.5bn
 - IFRS pensions charge
 - Change to international year-end
- Good progress on returns

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Terry Leahy
Chief Executive



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Why I am a Tesco shareholder

- Strong, sustainable growth
- Disciplined investment
- Good returns for shareholders

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Returns

- ROCE and return of capital
- 200 basis point ROCE target
- ROCE increased in 2006/7
- Up 50 basis points before effect of acquisitions and start-up costs
- On track to hit target

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Property

- Big element of embedded value
- Successful joint ventures
- Integral part of a retail business
- Retain at least 70% freehold
- Buy-back increased to at least £3.0bn

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Communities and environment

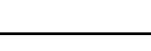
- Being good neighbours
- Behaving responsibly
- Seizing new challenges



International

- Flexible
- Local
- Focus
- Multi-format
- Capability
- Brand

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Focus

- Organic growth, in-market acquisitions
- 8.2m square feet – 4 times new UK space
- 50% more than last year
- Over 7.5m new square feet this year (excluding U.S.)

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Focus - Europe



Czech Republic



Poland

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Focus - Asia



Malaysia



China

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Multi-format



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Express



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United States

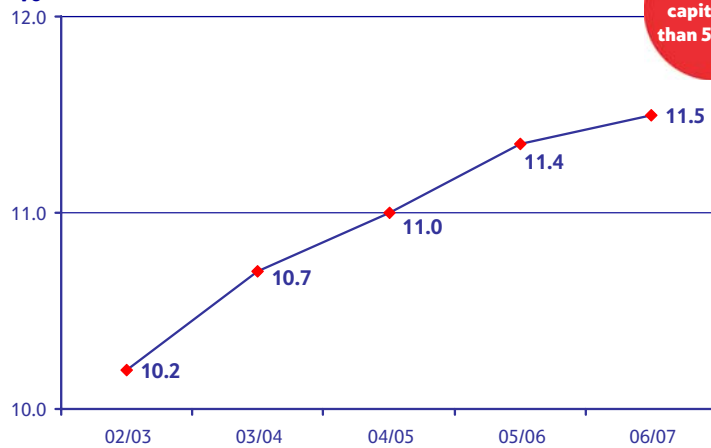


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International returns progress

Cash return on investment
%

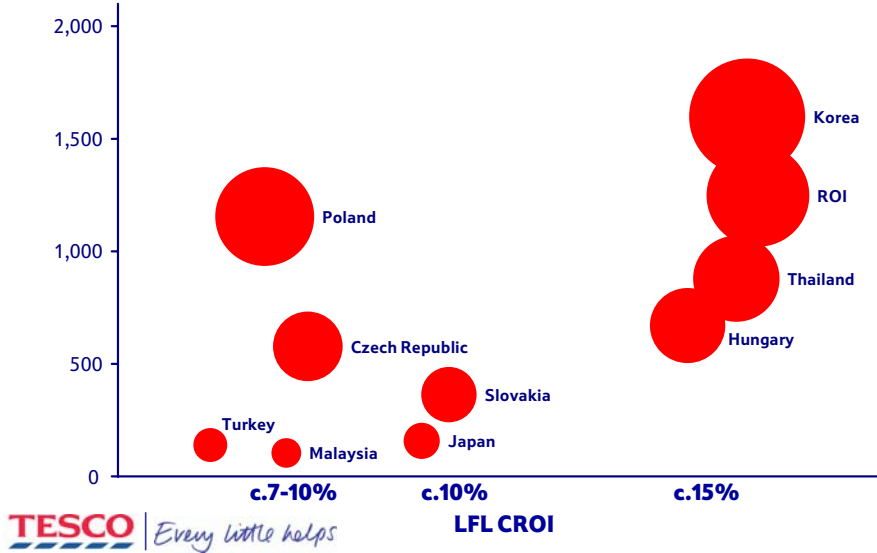


including
over 70%
capital less
than 5 yrs old

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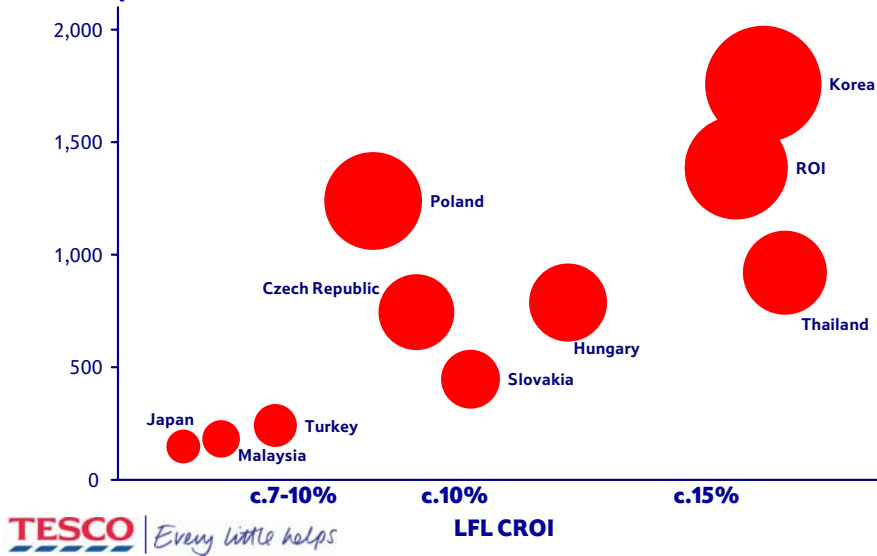
International returns - 2005/6

£m capital invested



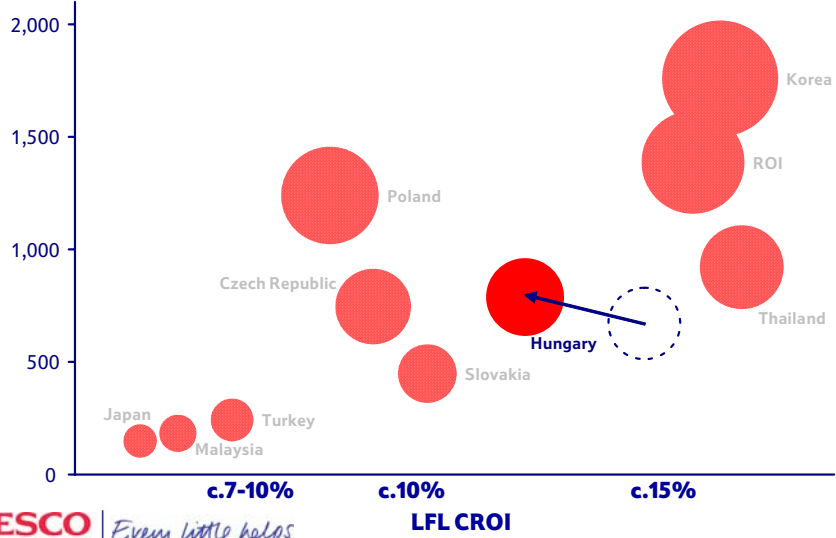
International returns - 2006/7

£m capital invested



International returns - 2006/7

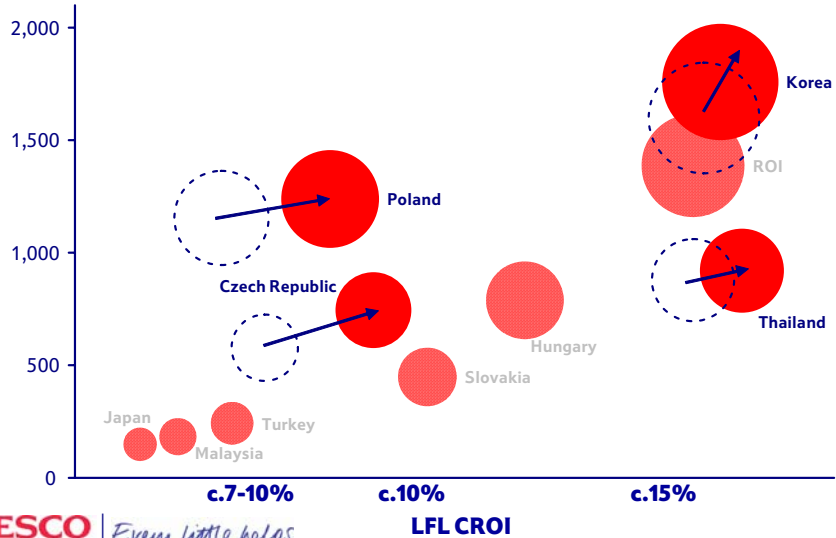
£m capital invested



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International returns - 2006/7

£m capital invested



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Price



Welcome to
TESCO PRICE CHECK

We shop around, so you don't have to...

Every week we check over 10,000 prices in Asda, Sainsbury's and Morrisons stores to guarantee you low prices every day.



See how our products compare on price this week:

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Service



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Range



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Availability



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Consumer priorities



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Organics



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Non-food



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Tesco Direct



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Retailing services

- Tesco.com
- Tesco Personal Finance
- Telecoms



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*pre start-up costs

Tesco

- Sustaining strong growth
- Following the customer
- Improving returns
- Tangible benefits for shareholders
- Tackling social and environmental challenges
- Investing for the future and delivering today

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Q&A



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