



Preliminary Results

15 April 2008





David Reid

Chairman



Highlights

- Sales increased by 11.1% to £51.8bn
- Group profit before tax up 15.3%*
- Underlying profit up 11.8% to £2,846m
- Underlying diluted earnings per share up 13.1% (normal tax rate)
- Full year dividend up 13.1%

* excluding last year's exceptionals; mainly Pensions
A-Day credit



International



UK



TESCO | *Every little helps*

Non-food



Retailing services

- Tesco Personal Finance
- Telecoms
- Dot com



Strategy

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



Community

Labelling
roll-out



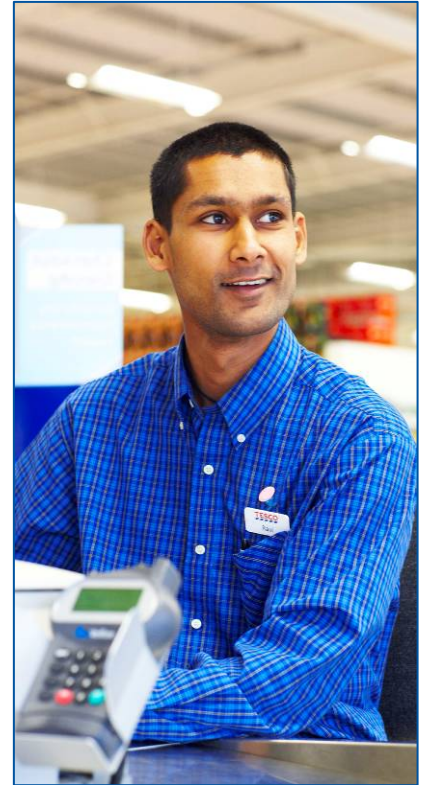
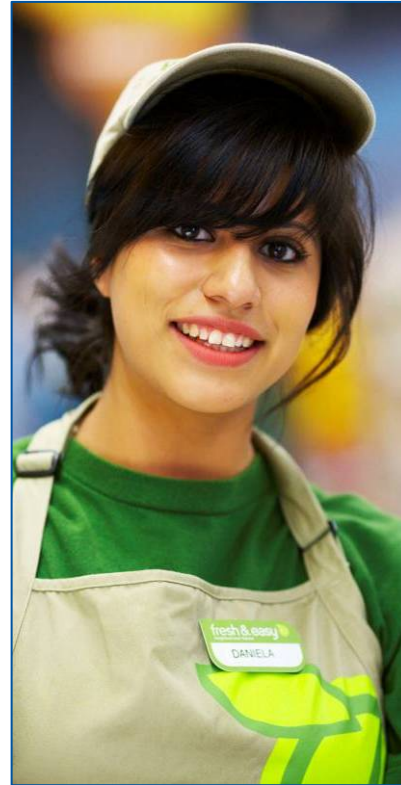
£4.4
million
raised



Property



Our people





Andrew Higginson

Finance and Strategy Director



Results headlines

- Strong growth in sales, profits and earnings
- Returns are rising
- Increasing investment in new growth
- Programme to release value from property progressing well
- Shareholders continue to benefit

Group performance

- Sales £51.8bn, up 11.1%
- Trading profit rose 11.0% to £2,751m
- Start-up costs relating to U.S. and Direct totalled £87m
- Group underlying profit £2,846m, up 11.8%



Property profits

£m	07/08	06/07
UK	186	98
International	2	(6)
	<hr/> 188	<hr/> 92
J.V.'s	0	47
	<hr/> 188	<hr/> 139

Property



Group performance

- Group operating profit up 5.4% and Group pre-tax profit up 5.7%
- Last year credit from Pensions A-day

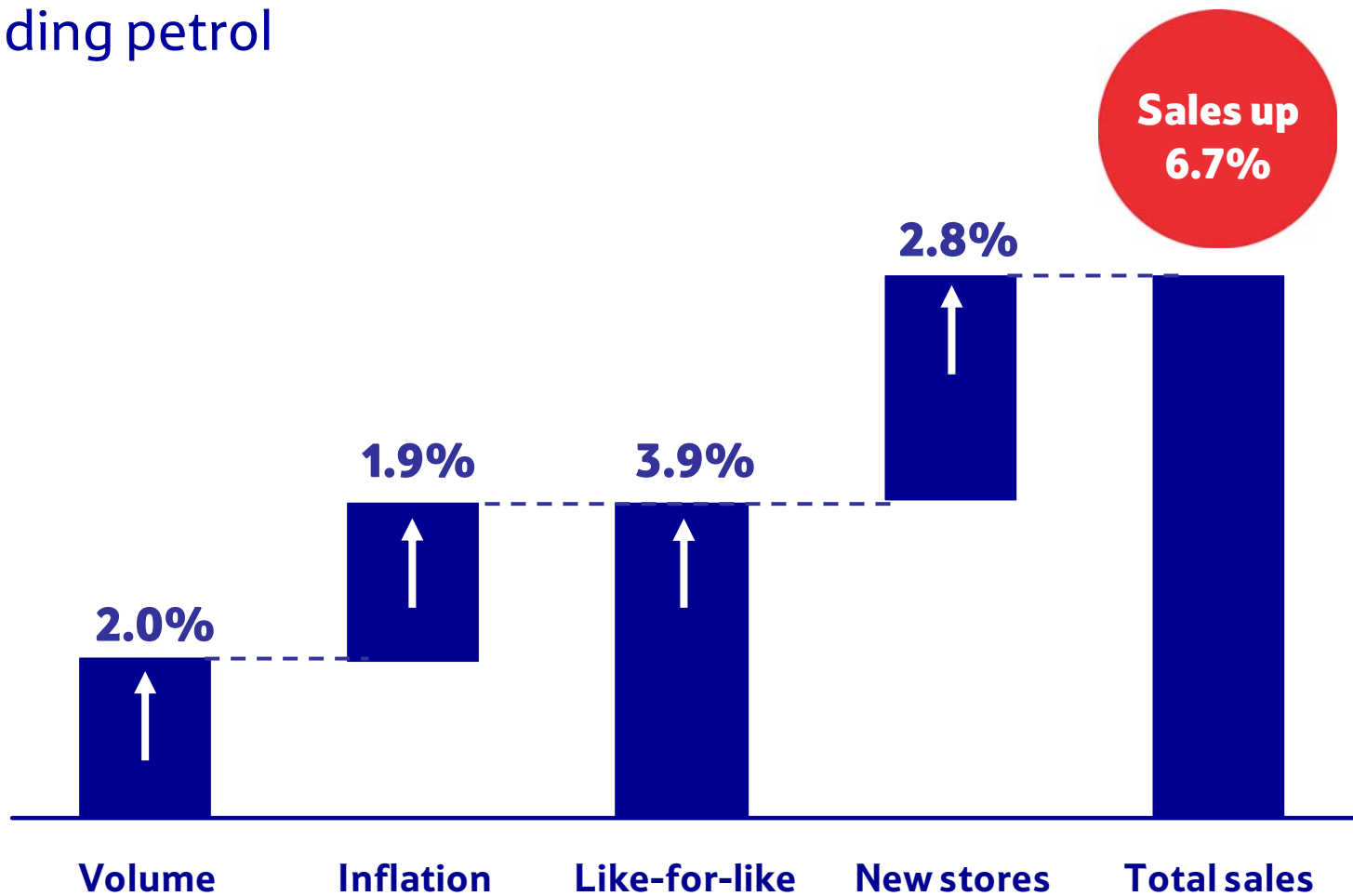


Returns to shareholders

- Underlying diluted earnings per share up 20.8% to 27.02p
- Using a normalised tax rate, underlying diluted earnings per share up 13.1%
- Bought and cancelled 150 million shares
- Proposed final dividend is 7.70p, up 12.7%
- Full year dividend of 10.90p, up 13.1%

UK sales growth

including petrol



UK trading profit

- UK trading profit £2,050m, up 7.1%, after start-up costs on U.S. and Direct
- UK trading margin was 6.1%*, up on last year

* Excluding start-up costs on U.S. and Direct



US reporting

- Sales and start-up losses reported in UK segment
- US segmental reporting in current year – beginning with Interim Results
- Expect trading losses to rise this year to around £100m



International

- Sales £13.8bn, up 25.3% at actual rates
- Trading profits £701m, up 24.3% at actual rates
- Trading margins rose by 15 basis points before including China
- A quarter of Group sales and profit - delivered more than half of Group growth

Asia

- Sales £6.0bn, up 27.2% at actual rates
- Excluding China, sales up 12.3% at actual rates
- Trading profit £304m, up 23.6% at actual rates
- Margins strong, driven by performances in Korea, Thailand and Malaysia

Europe

- Sales £7.8bn, up 23.9% at actual rates
- Strong sales growth of 22.5% in fourth quarter
- Trading profit £397m, up 24.8% at actual rates



tesco.com

- Sales £1.6bn, up 31%
- Profits up 49%* to £124m (includes international dot com operations)
- UK - over one million regular customers
- 20% growth in new customers

* Before initial operating losses on Direct



Tesco Direct



Telecoms



Tesco Personal Finance

- Delivering excellent returns to the group
- Profits broadly flat on last year, after the £31m cost of household insurance claims
- Our share of the cost of flood liabilities £11m
- Reduced exposure on defaulting accounts
- Underlying bad debts down 15% on last year
- Credit card arrears low and falling

J.V.'s and Associates

- Profits were £75m
- One-off profits on asset sales were £47m last year
- Excluding these, profit up £16m



Finance costs

- Net finance costs down, at £63m
- Reduction reflects favourable movements in the IFRS non-cash elements of finance costs



Tax

- Tax charged at an effective rate of 24.0%
- One-off benefit to deferred tax due to corporation tax change
- Settlement of prior year tax
- Tax rate for the current year to be around 27.5%



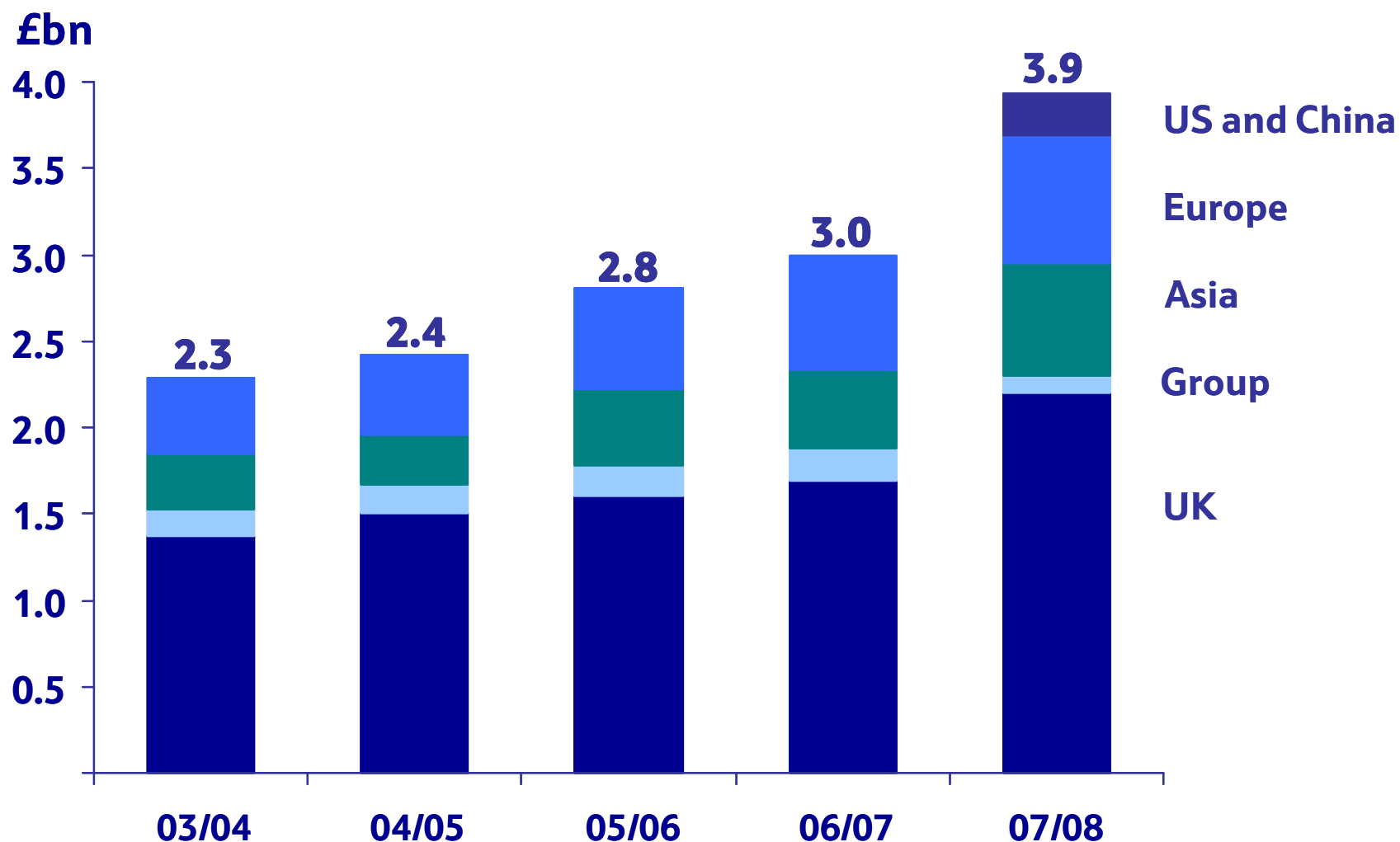
Net debt

- Increased to £6.2bn from £4.9bn at the last year-end
- Due to three factors
 - increase in capex
 - currency movements
 - Dobbies acquisition
- Debt maturity – 70% fixed

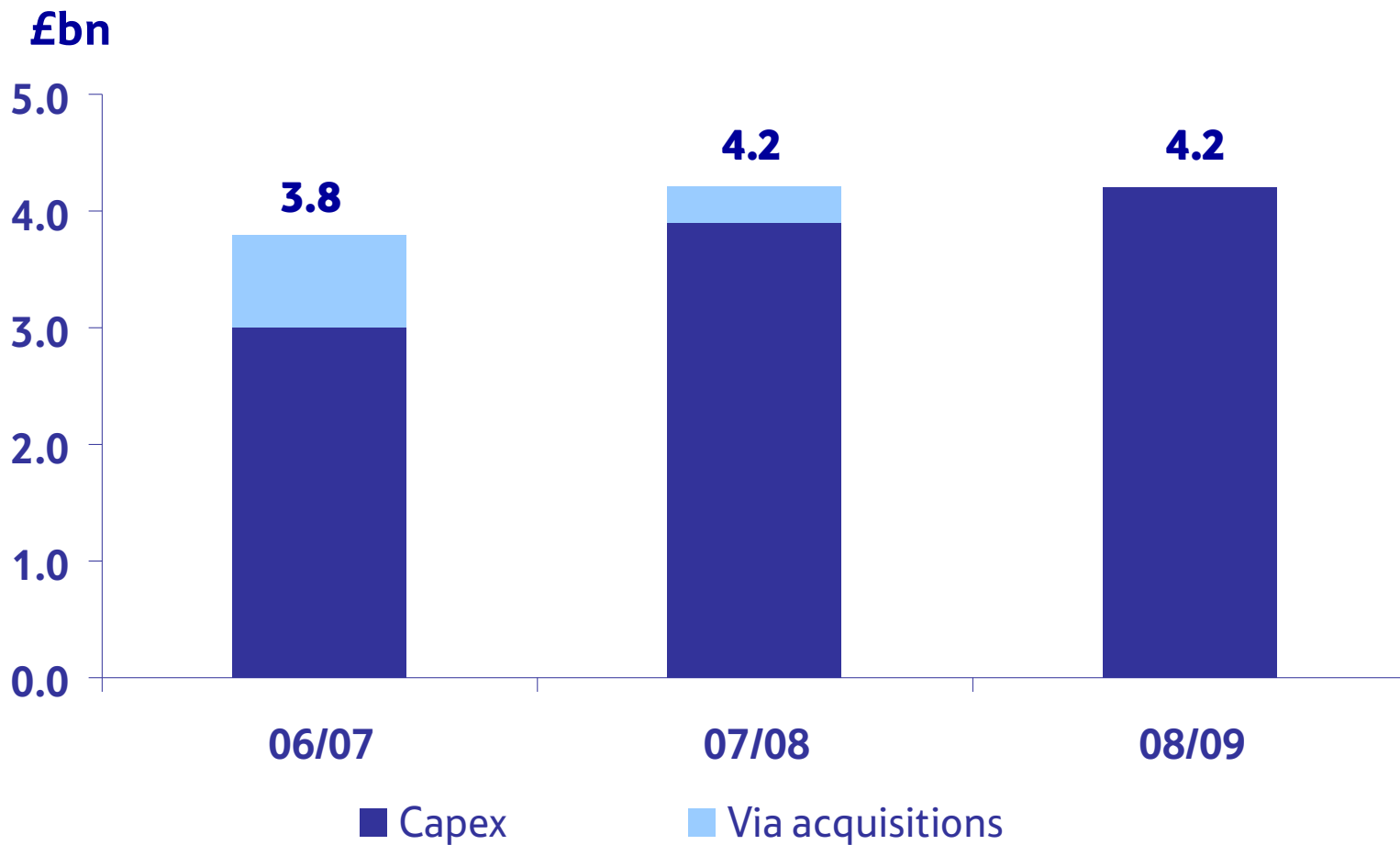
Pensions

- Award-winning defined-benefit pension scheme
- Started triennial valuation
- IFRS deficit decreased by £112m pre-tax
- Post-tax, IFRS pensions deficit now around £600m

Capital expenditure



Capital outlay



Operating cash flow

- Operating cash flow was £4.1bn
- Up from £3.5bn last year and £0.2bn higher than capex



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Terry Leahy

Chief Executive

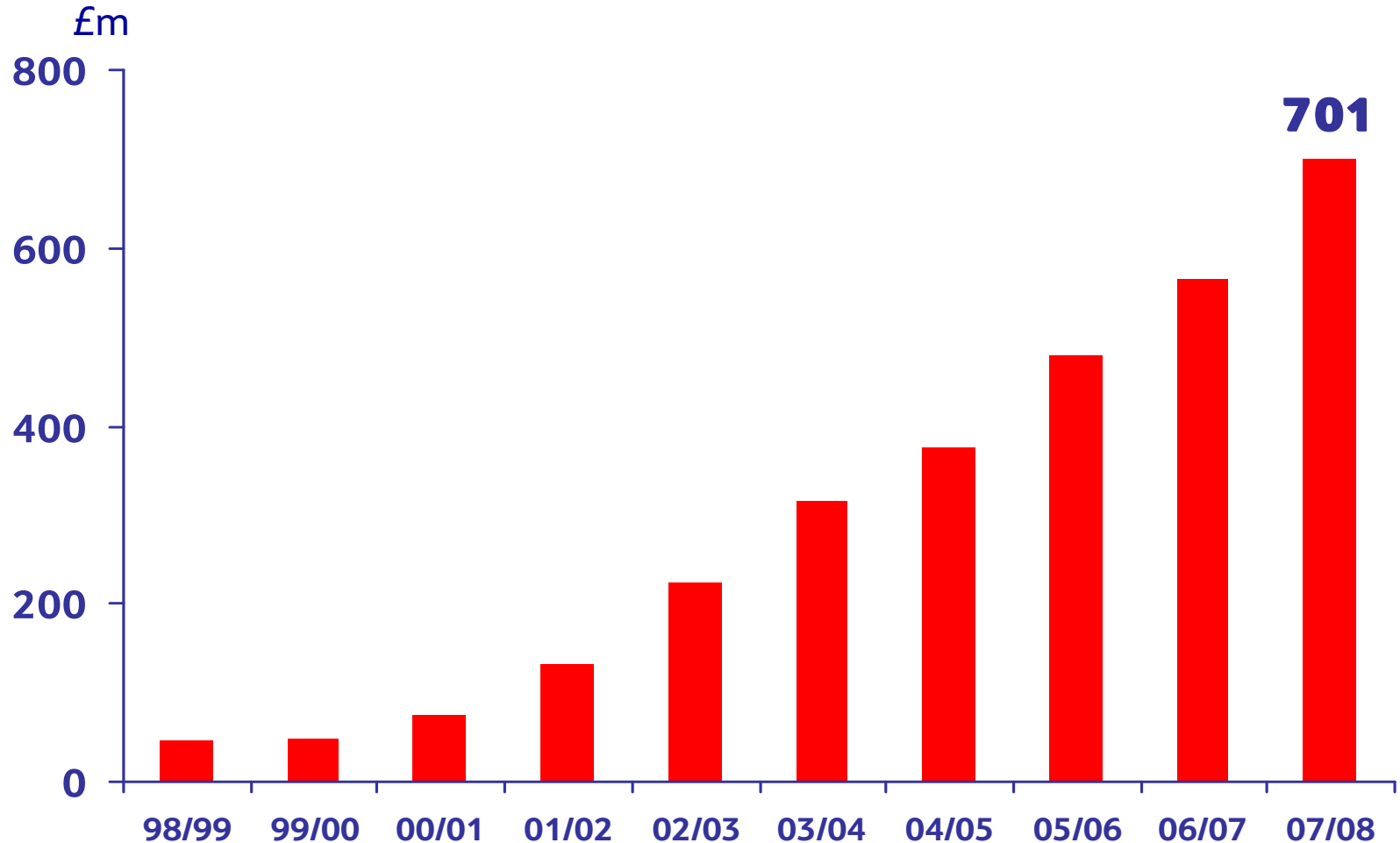


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International

Operating/trading profit



International

- Sales up by more than 25%
- First time contribution from China
- Positive like-for-like growth 2%
- Profits advanced well, up 24%
- Good margin growth
- Returns on track



Central Europe

Poland



Czech Republic



Europe



Hungary



Ireland



Turkey

Asia

Malaysia



Japan



China



International

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



Focus



Brand

Poland



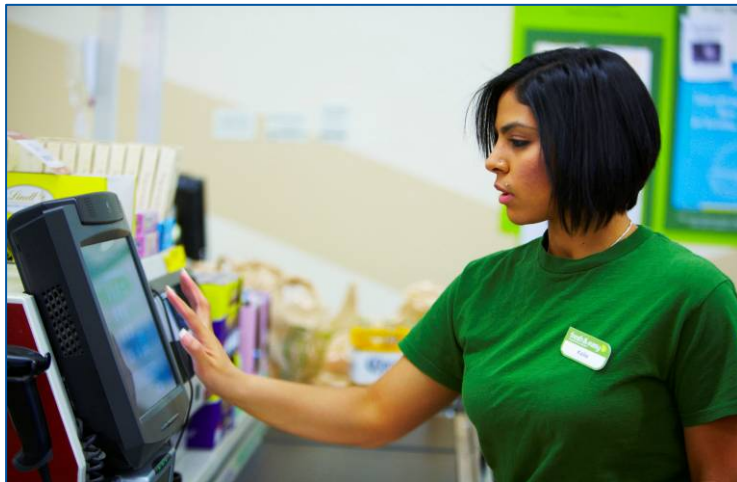
Malaysia



Multi-format



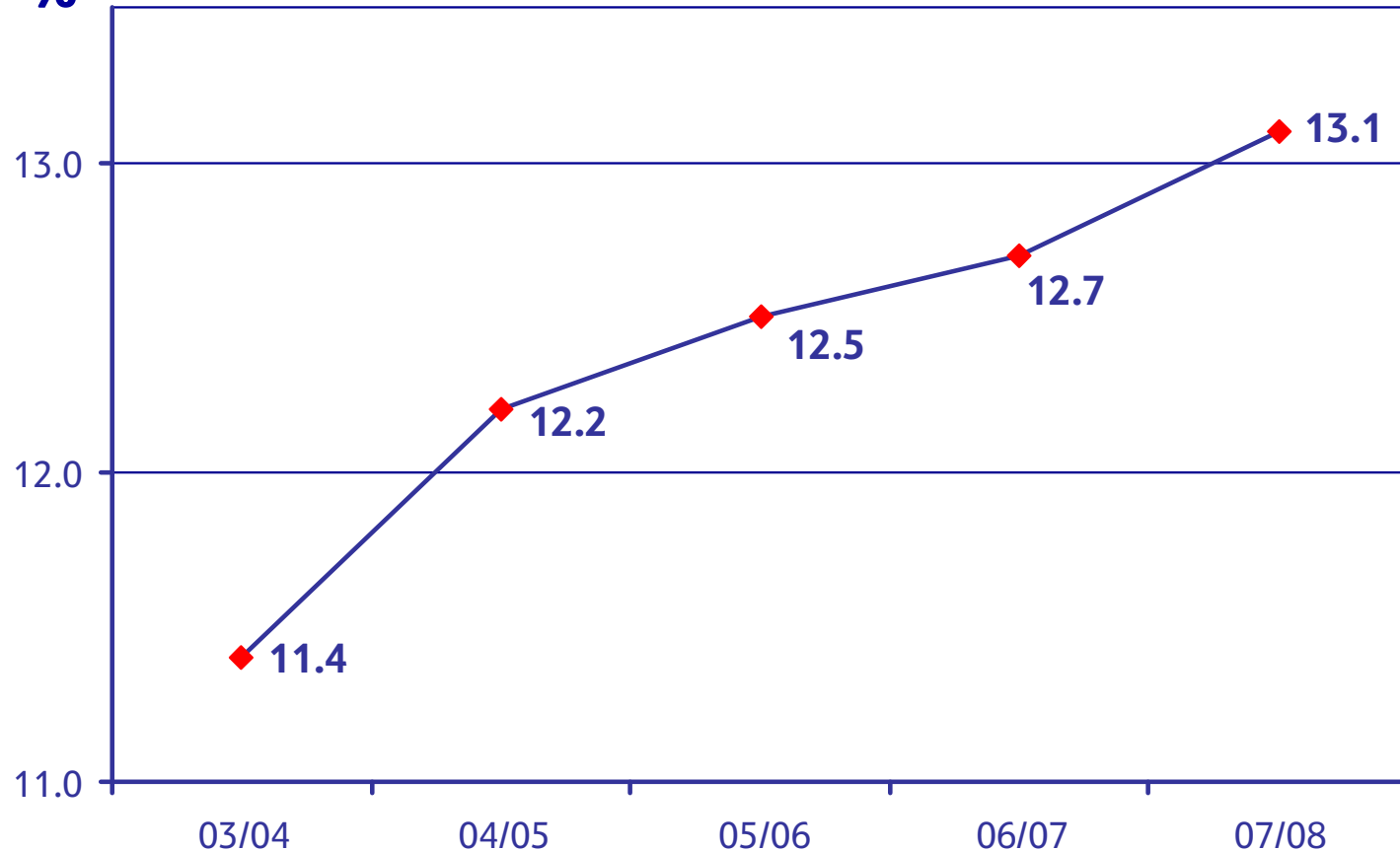
Capability



International returns progress

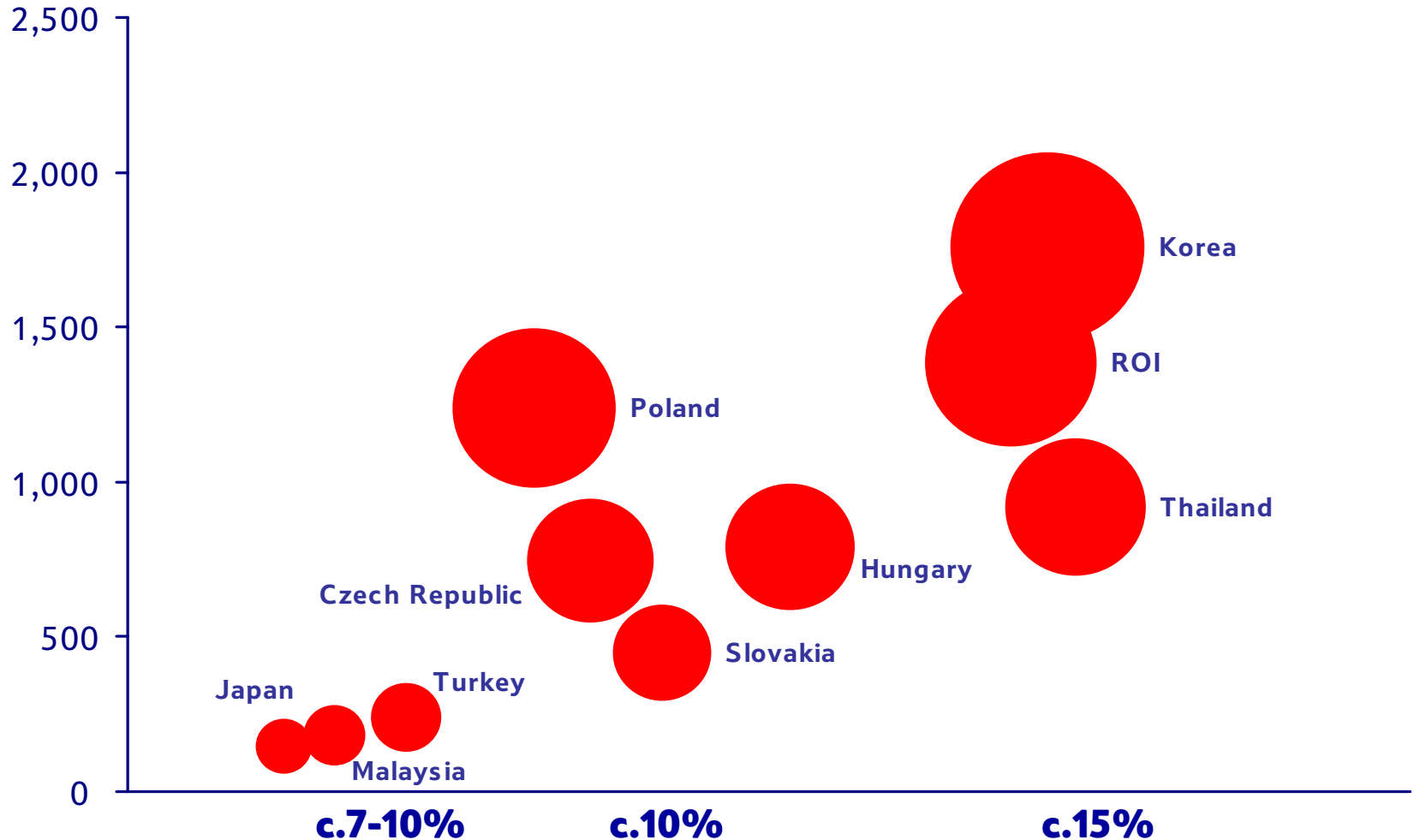
LFL cash return on investment (CROI)*

%



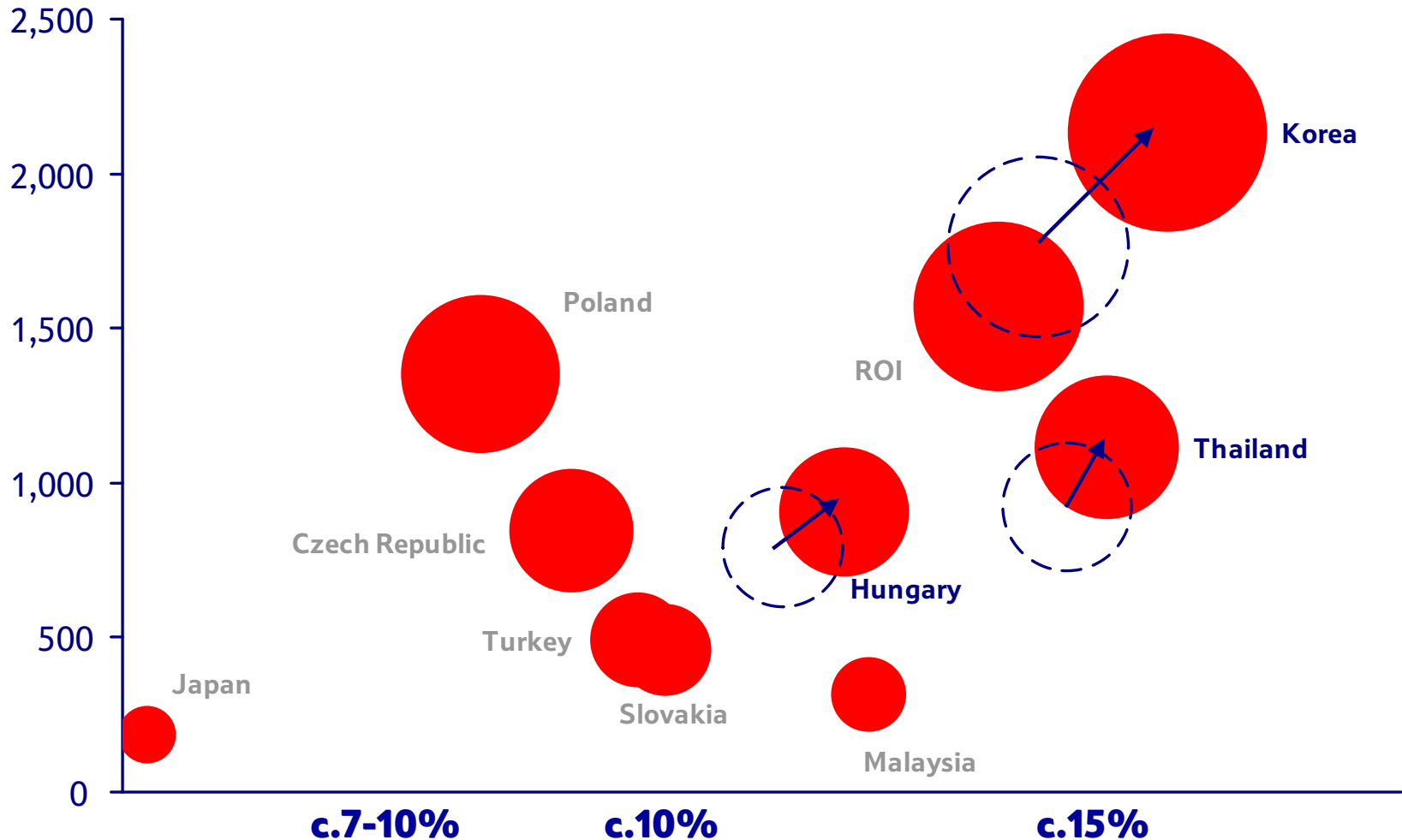
International returns – 2006/07

£m capital invested



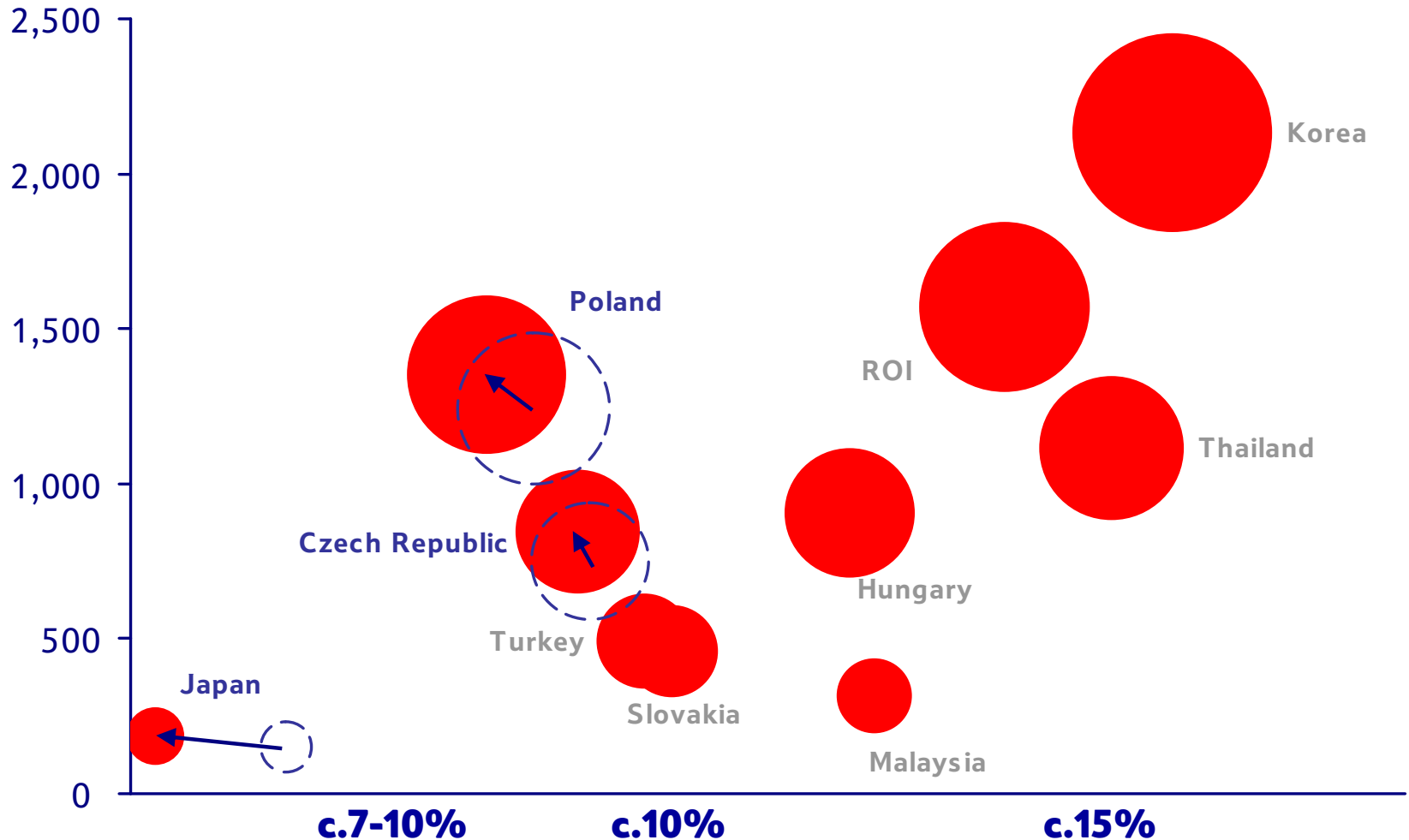
International returns – 2007/08

£m capital invested



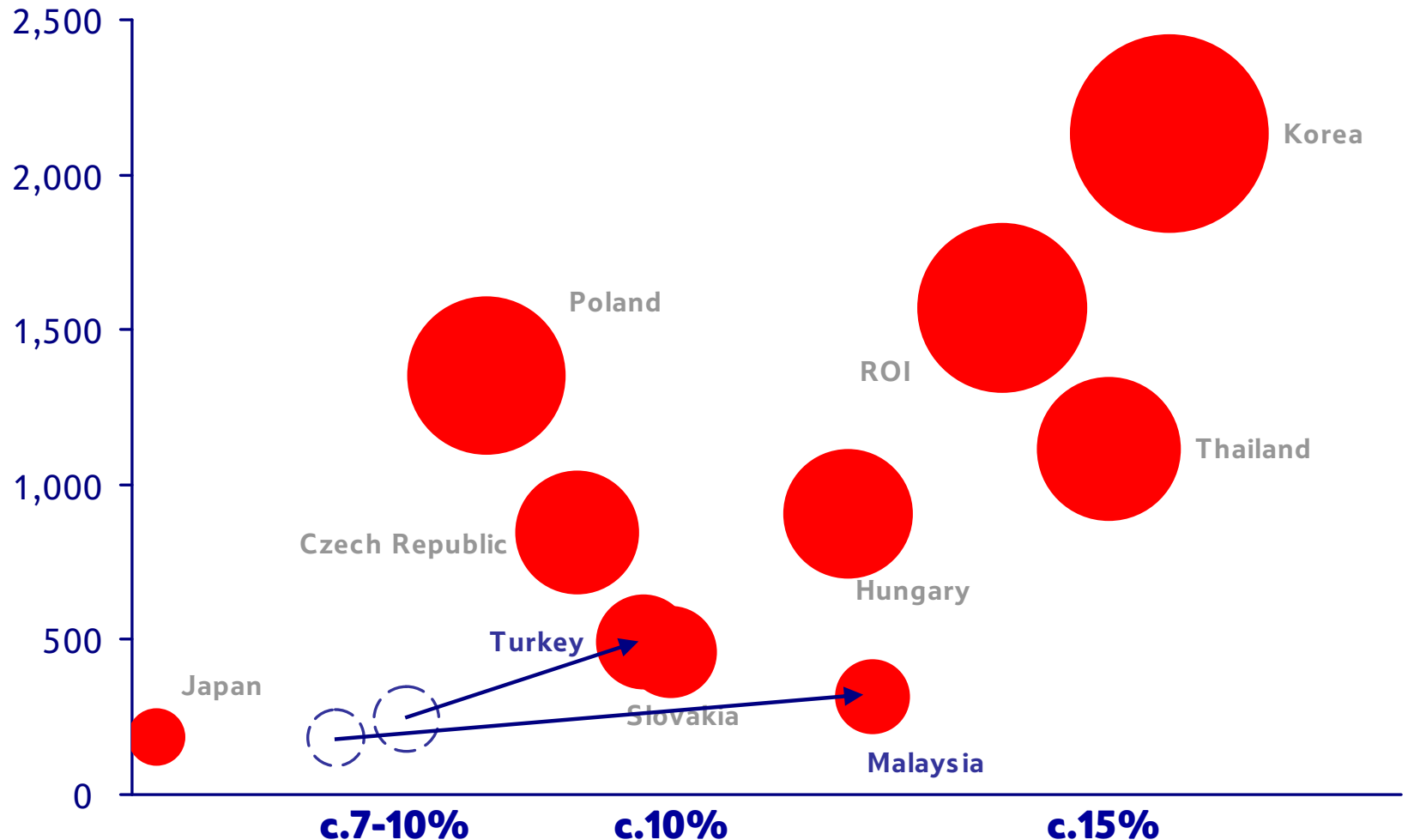
International returns – 2007/08

£m capital invested



International returns – 2007/08

£m capital invested

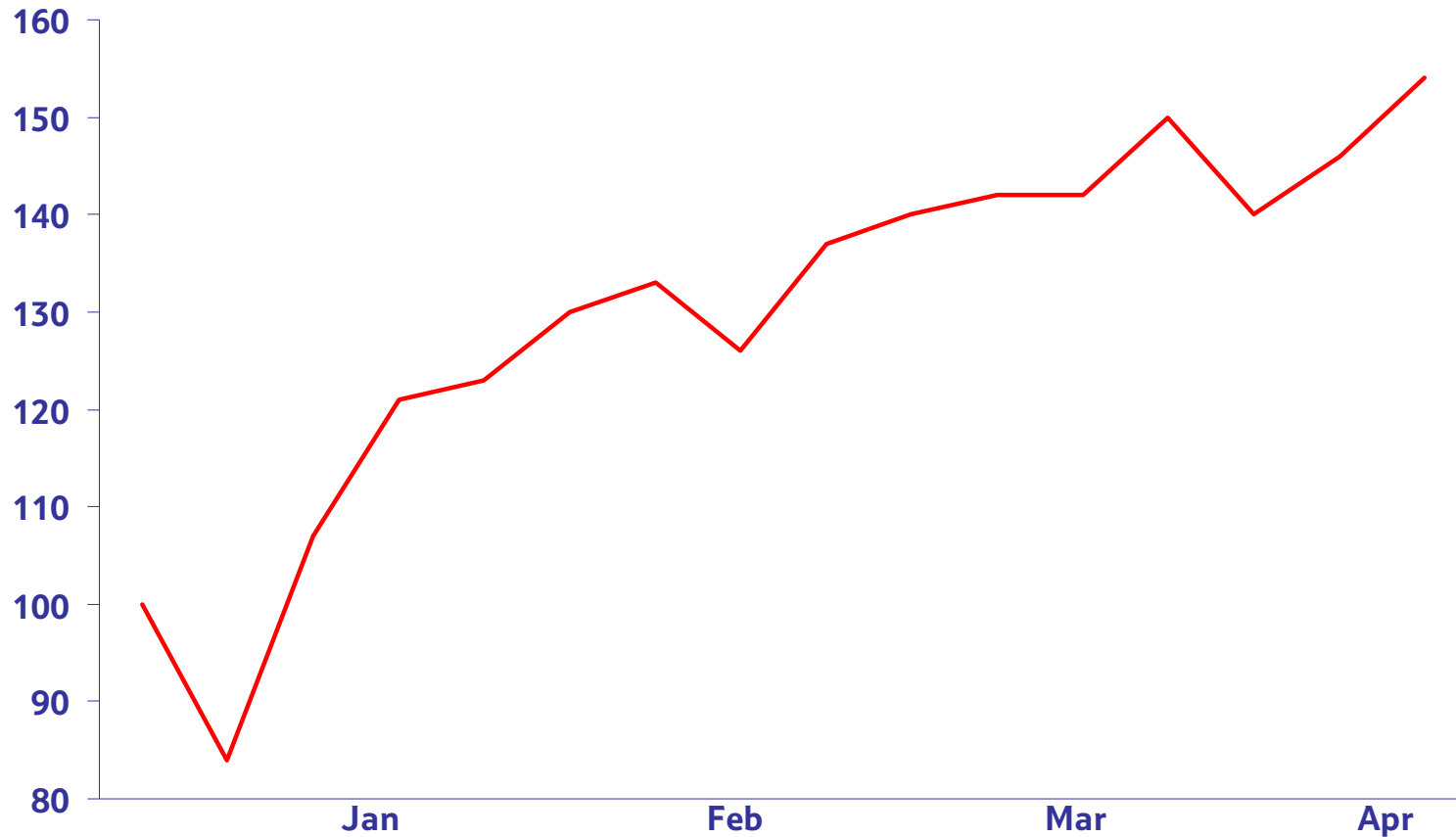


United States



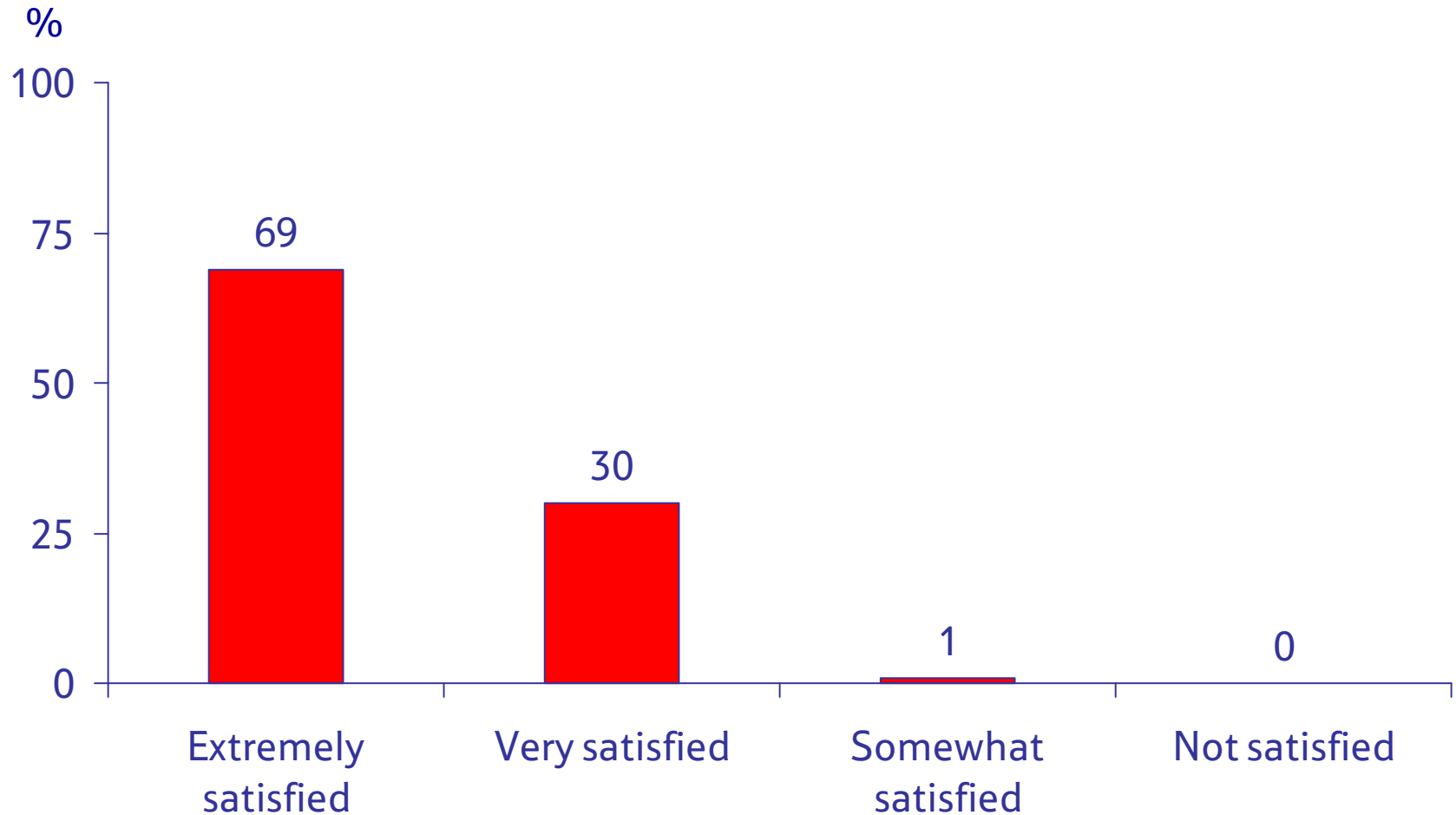
Fresh & Easy - growing sales

index



Customer satisfaction

Asked: How satisfied were you with your shopping experience at Fresh & Easy?



United States



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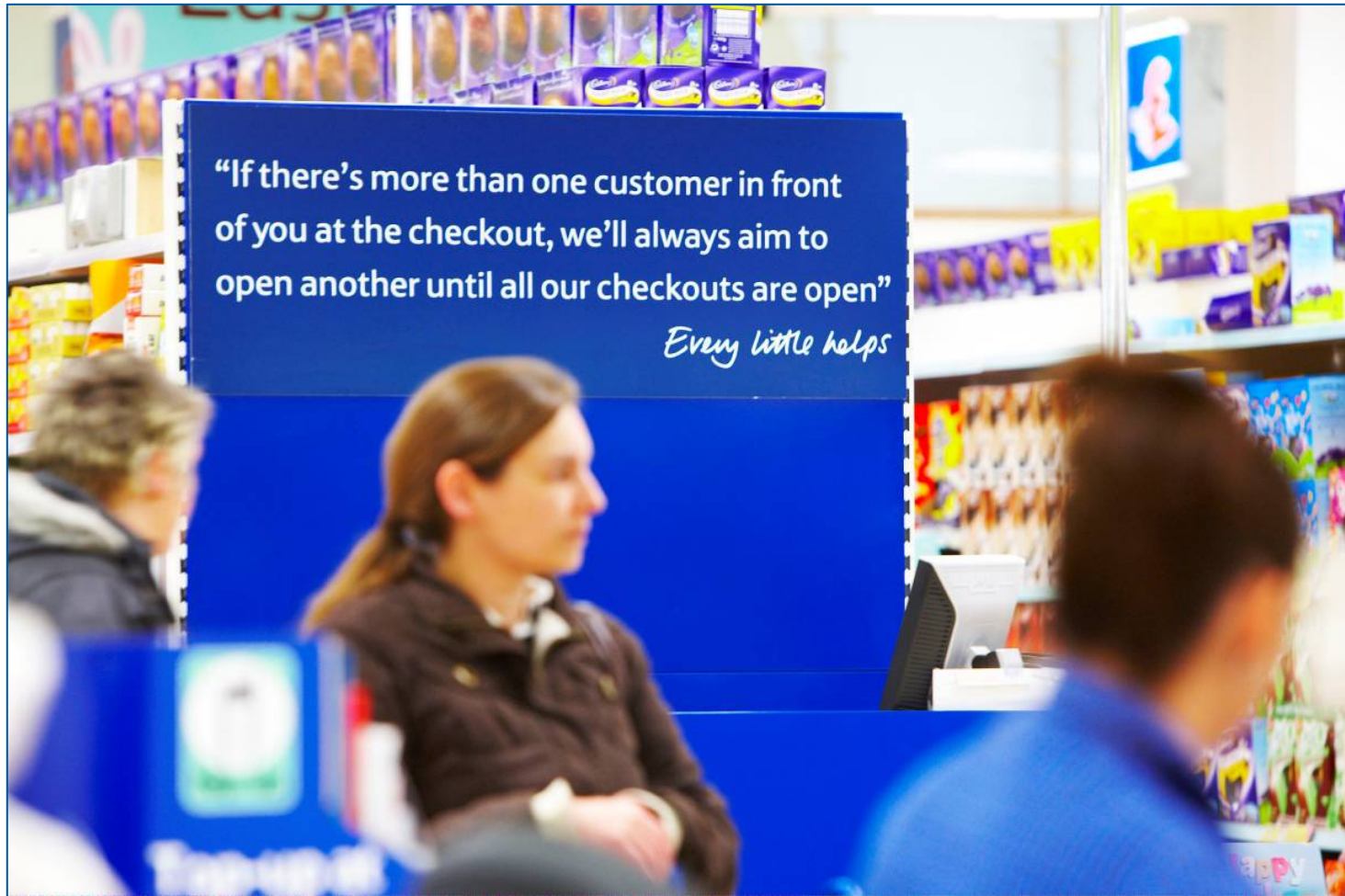
UK



Price



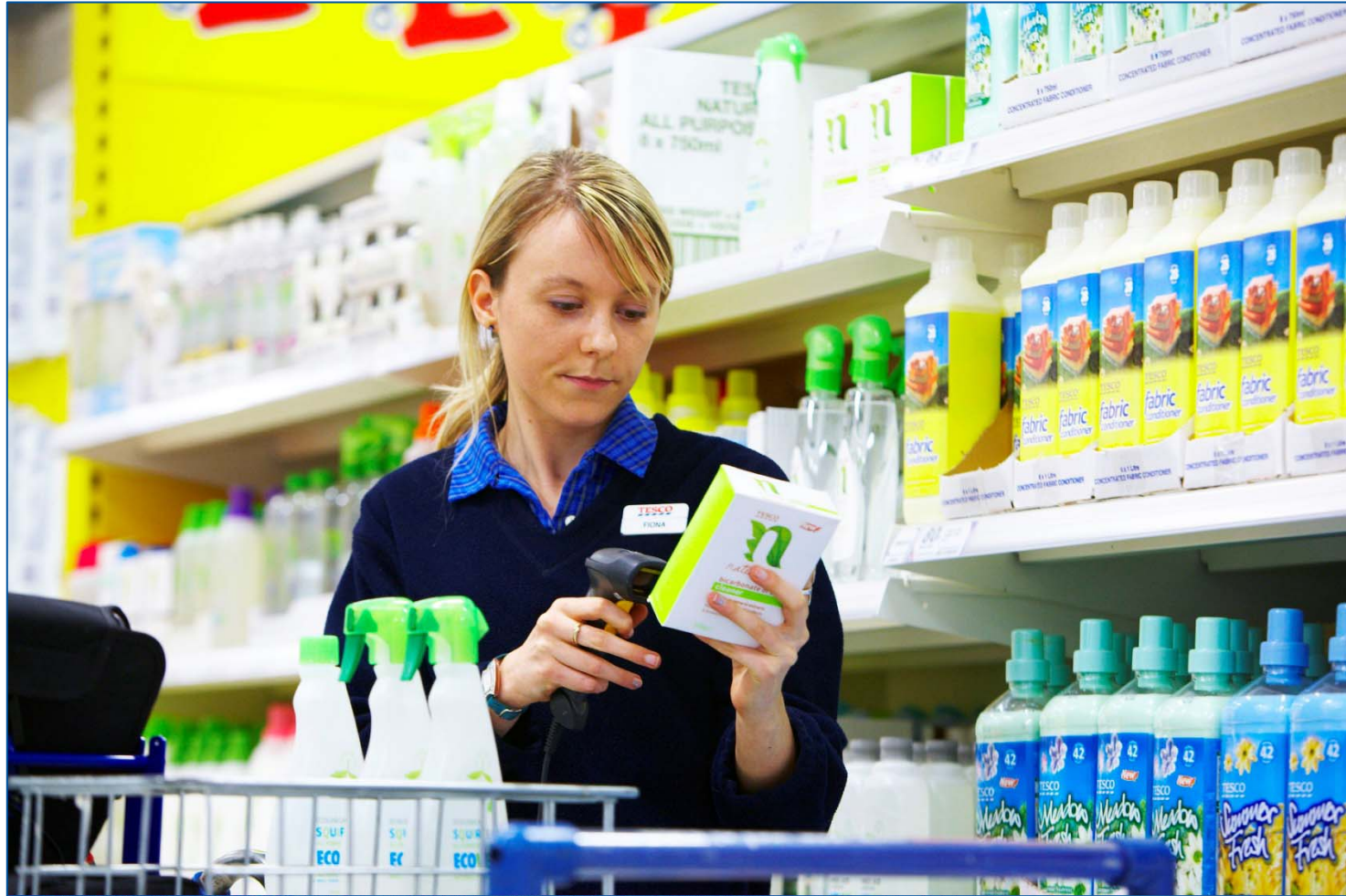
Service



Range



Availability



Step change



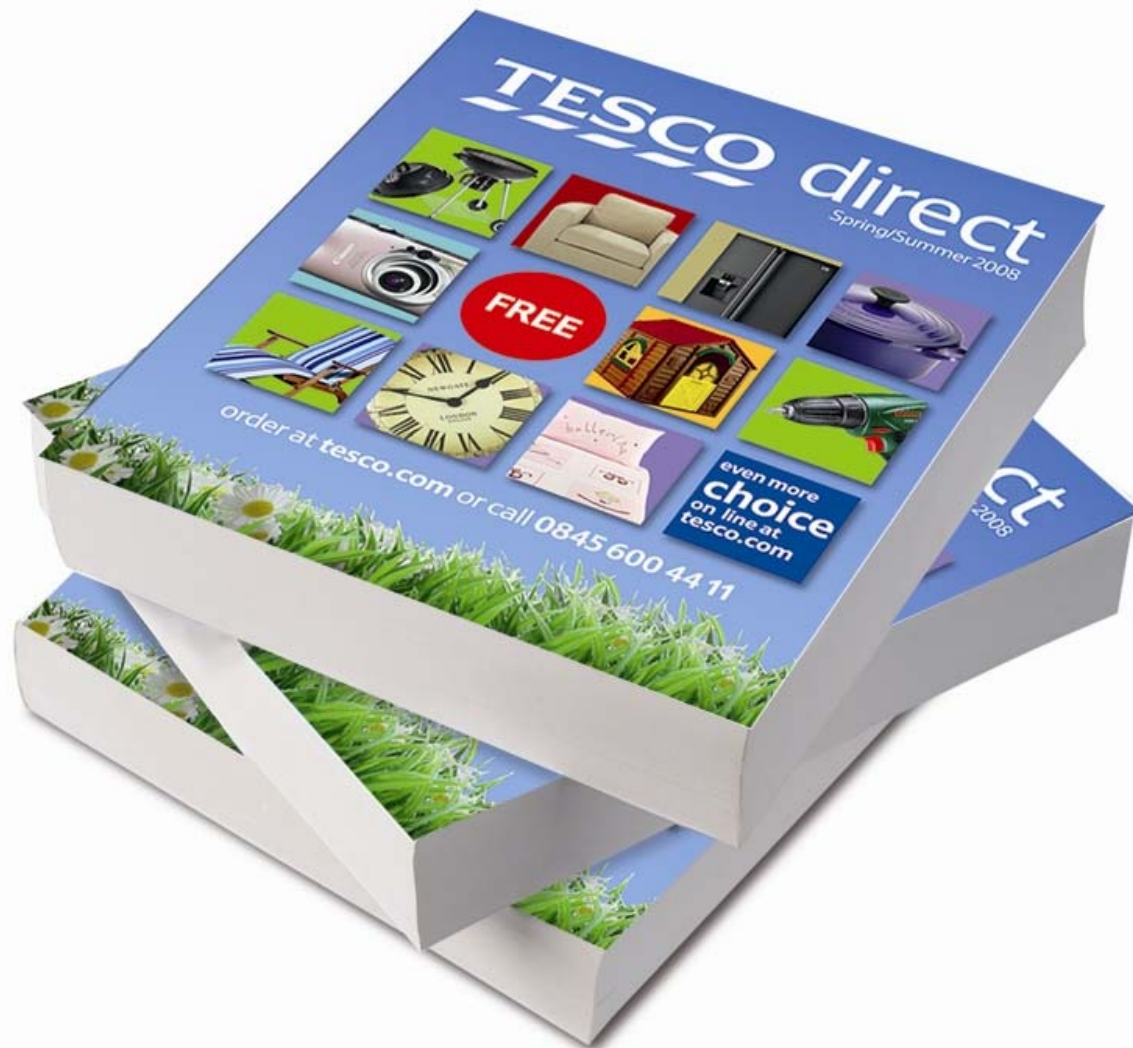
Non-food



Tesco Digital



Tesco Direct



Retailing services

- Dot com
- Tesco Personal Finance
- Telecoms



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Community



Green
Clubcard
points

On track
to save
2 billion



10 million
sold in one
year

Community

Transport
by canal



Green
stores



Summary

- Strong sustainable growth
- Growth is broadly-based
- Investing to drive long-term growth
- Improving returns and benefits for shareholders
- Tackling social and environmental challenges
- A company for all seasons, well placed to meet the challenges ahead

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Q & A





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