



Interim Results

30 September 2008





David Reid

Chairman



TESCO | *Every little helps*



Korea



India



China



United States



Retailing Services



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Our people





Andrew Higginson

Finance and Strategy Director



Headlines

- Good growth in sales, profit, earnings and dividend
- Acquisition of high quality assets
- Disciplined cash and capital management
- Plan to deliver solid net debt number by year-end
- Underlying business will be cash positive in second half



Group performance

- Sales £28.1bn, up 14.1%
- Trading profit rose 9.4% to £1,367m
- Start-up losses relating to U.S. totalled £60m
- Excluding the U.S., trading profit rose 12.7% to £1,427m
- Trading margin stable at 5.6% (pre-U.S.)
- Group underlying profit £1,453m, up 10.3%

Property

- UK property profits £164m
- Four deals completed in the first half
- Average yield 5.0%
- Appetite for Tesco property and covenant has remained strong
- Value realised from property programme totals £2bn to date



Group performance

- Group operating profit up 13.1%
- Group pre-tax profit up 11.3%
- Underlying diluted earnings per share up 11.6% to 13.28p
- Proposed interim dividend is 3.57p, up 11.6%



UK sales growth

- Sales up 9.7%
- Excluding petrol, sales up 6.9%
- Like-for-like sales up 3.7%, excluding petrol
 - Quarter 1 like-for-like sales up 3.5%
 - Quarter 2 like-for-like sales up 4.0%
- Net new stores sales up 3.2%
- Inflation slightly higher in Quarter 2



UK trading profit

- UK trading profit £1,081m, up 8.6%
- UK trading margin stable at 5.9%



International

- Sales £8.0bn, up 26.8%* at actual exchange rates
- Trading profits £286m
- Trading profit up 27.7% at actual exchange rates before U.S. start-up losses
- Trading margins rose by 10 basis points to 4.9% before including the U.S.

* Sales growth reported on a consistent basis (six months versus six months) for China



Asia

- Sales £3.2bn, up 16.0% at actual rates
- Trading profit £145m, up 16.9% at actual rates
- Margins stable at 4.9% after significant investment in China
- Malaysia moved into strong profitability
- Integration costs on Homever c.£16m in 2008/9
- Acquired stores expected to be profitable in the second full year of trading

Europe

- Sales £4.7bn, up 33.0% at actual rates
- Contribution from new space expected to pick-up in the second half
- Trading profit £201m, up 36.7% at actual rates
- Trading margins rose to 4.9%



United States



Retailing Services

- Profit target of £1bn
- Sales £1.7bn, up 16.4%
- Profits £200m, up 26.5%



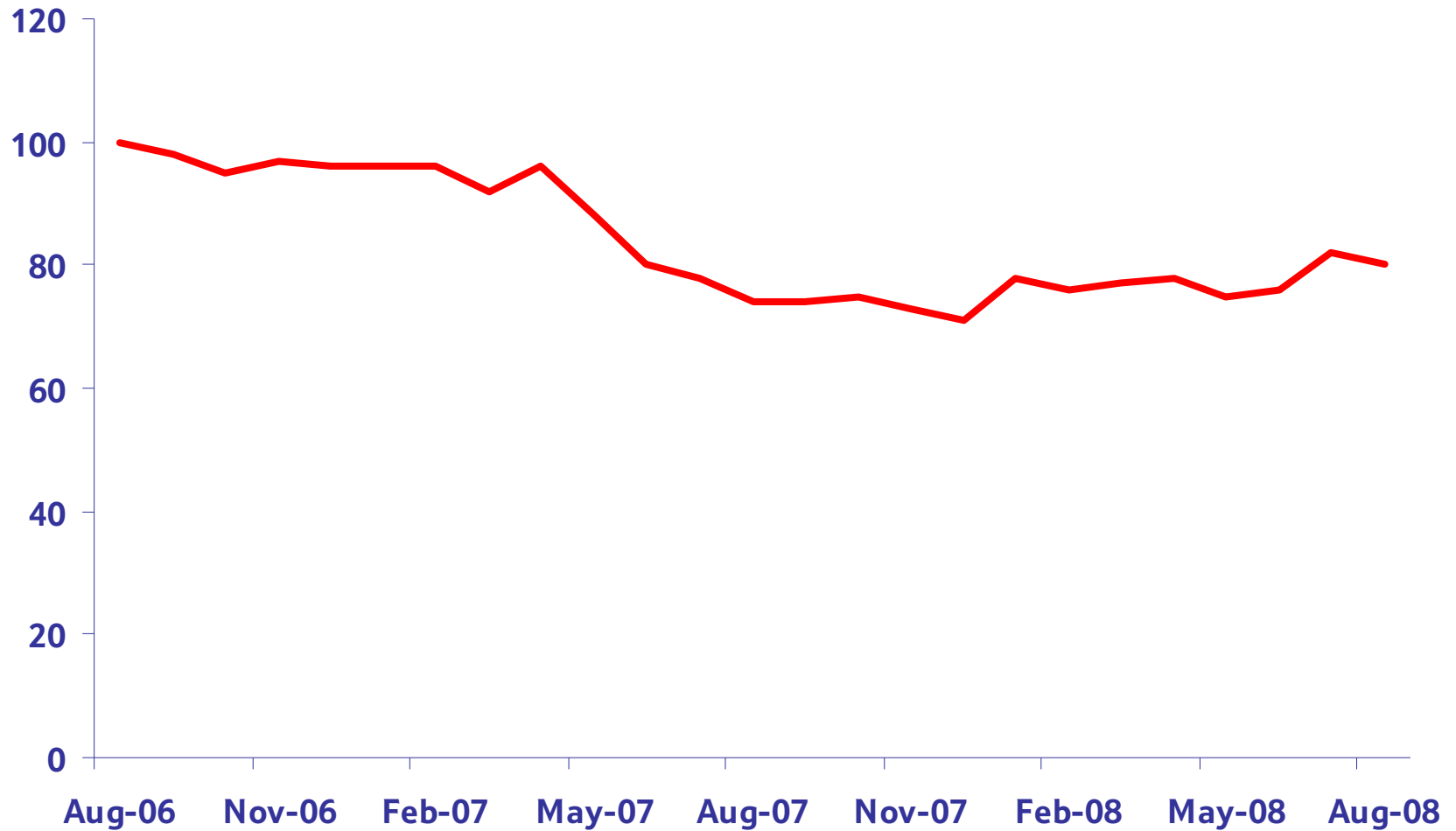
Tesco Personal Finance

- Expect to complete the acquisition shortly
- Our share of profits £35.5m, up 34%
- Solid and stable business mix
- More products launched
- No increase in bad debt



Credit card arrears

index



Note: index of balances three payments in arrears as a percentage of total balances

Tesco.com

- Sales £902m, up over 20%
- Profits £48.4m, up 21%
- Grocery availability and customer satisfaction at highest ever levels
- New customer numbers up 11% (exc. Direct)



Direct

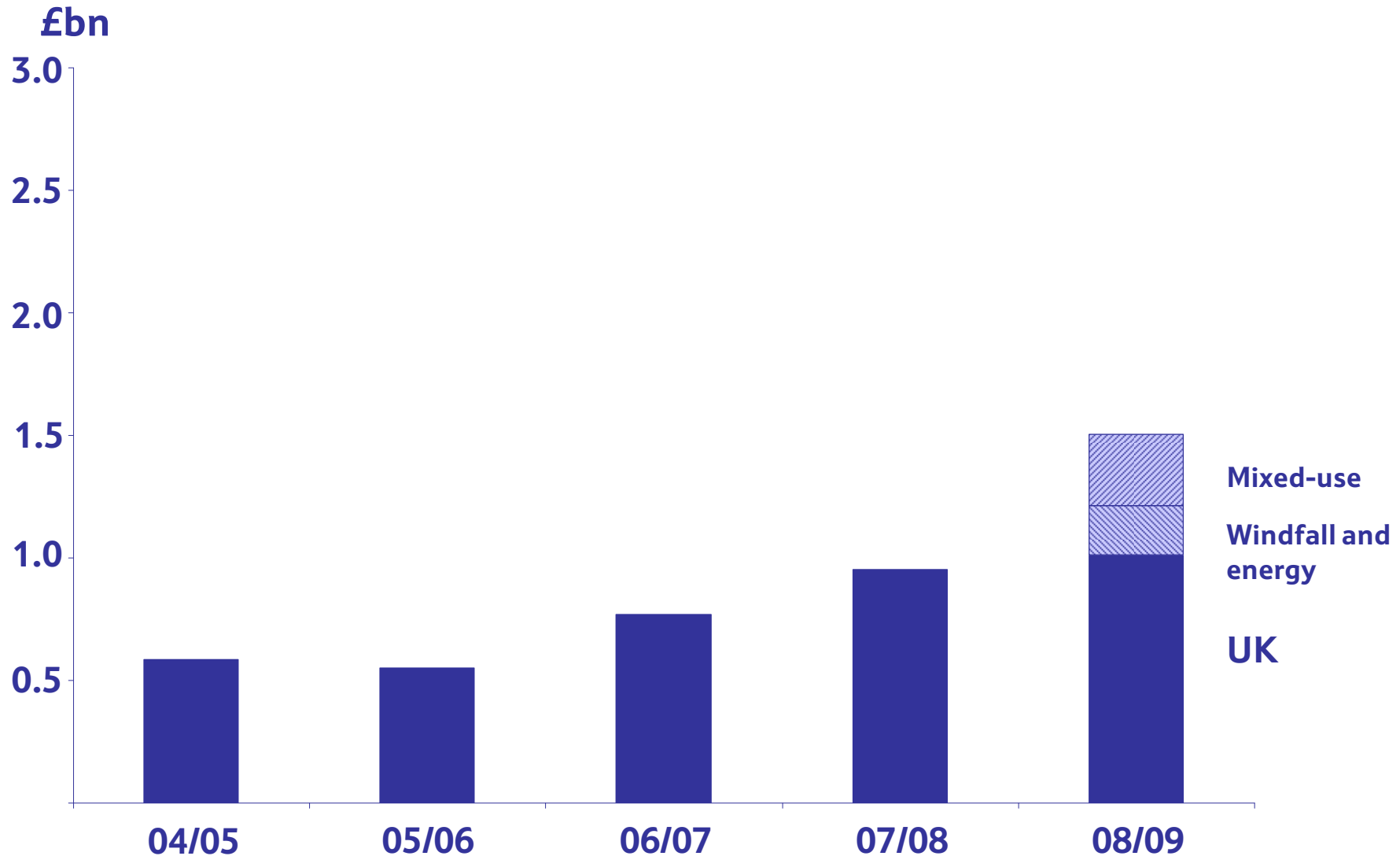


Telecoms

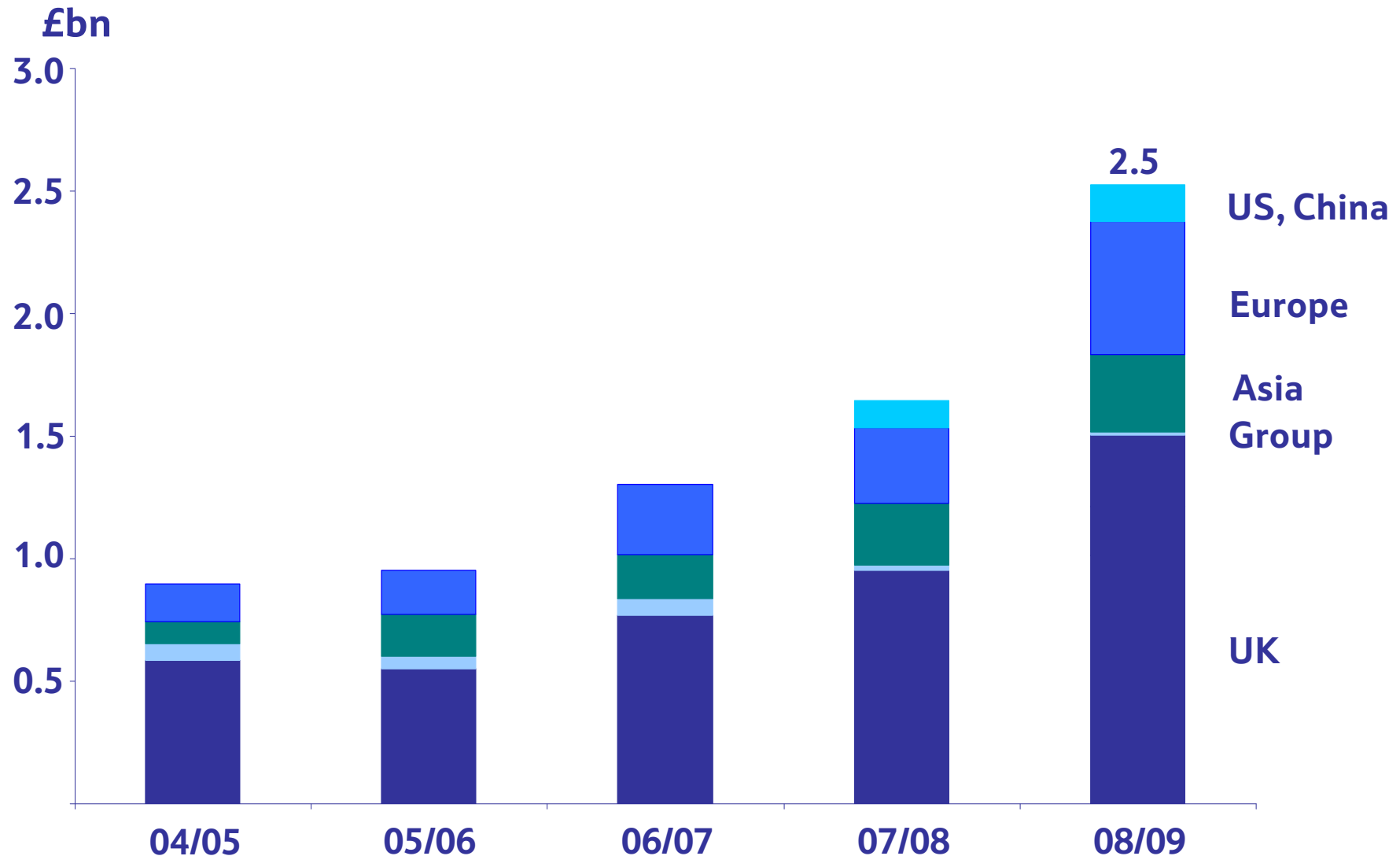
- Profit £29m, up 8%
- Sales £299m
- Tesco mobile remains the number one for customer satisfaction
- Tesco mobile the only major pre-pay provider to grow its customer base



Capital expenditure – H1



Capital expenditure – H1



Operating cash flow

- Operating cash flow was £2.2bn
- Up from £1.9bn last year and £0.3bn lower than capex



J.V.'s and Associates

- Profits were £43m, up 34%
- Driven by strong TPF performance



Tax and finance costs

- Tax charged at an effective rate of 27.5%
- Last year's rate lower due to impact of rule changes on deferred tax
- Net finance costs up, at £88m
- Excluding impact of IFRS non-cash elements, underlying net finance costs up 35%



Net debt

- Increased to £7.4bn from £6.2bn at the year-end
- £0.4bn impact from exchange rates
- Target of £8.0bn for this year-end
- Expect underlying business to be cash positive in second half
 - improvement in working capital
 - disposal of some non-core assets
 - lower capex
 - phasing of share buy-back



Pensions

- IFRS deficit of £1.1bn, up from £0.6bn at year-end
- Current IFRS deficit reduced to £0.7bn
- Triennial valuation underway – due to complete in November
- Relatively small actuarial deficit



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Terry Leahy

Chief Executive



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International

- Sales increased strongly
- Positive like-for-like growth
- Profits advanced well
- International contributed half Group profit growth
- Returns on track



Europe

Hungary



Poland



Europe

Ireland



Turkey



Asia

Thailand



Malaysia



Asia

China



Japan



Strategy

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



Focus

Homeplus



Homever



Flexible

India



India



Multi-format

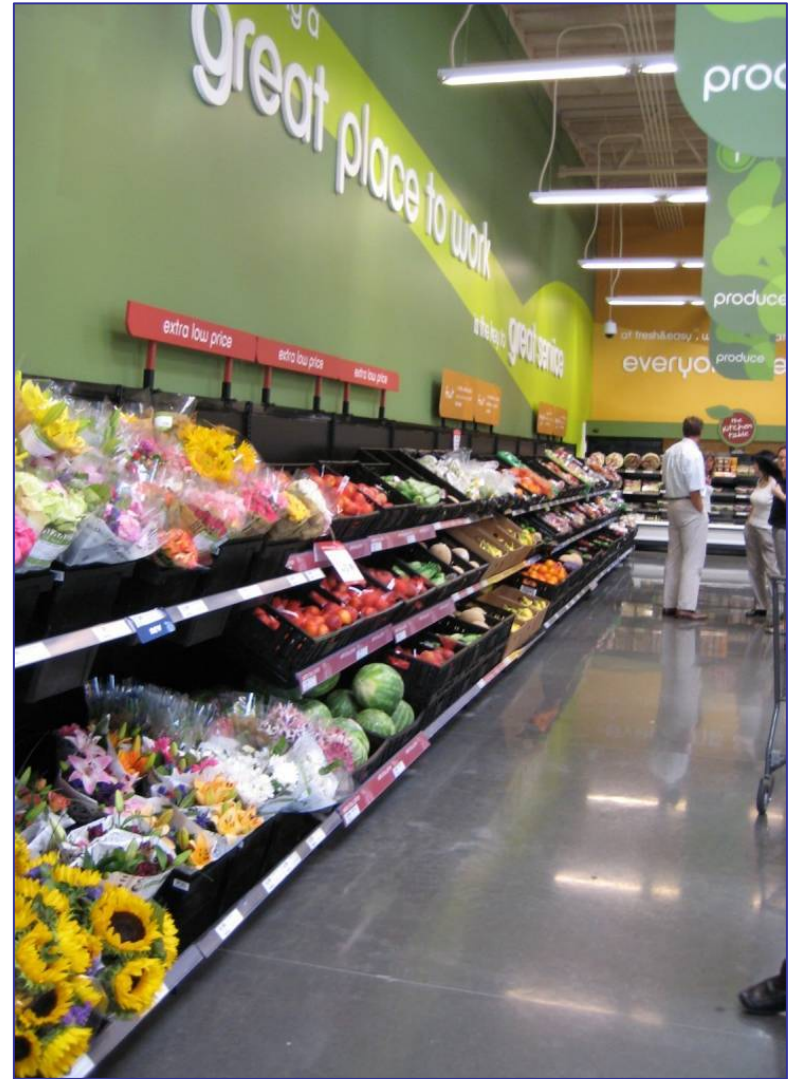
Poland



Turkey

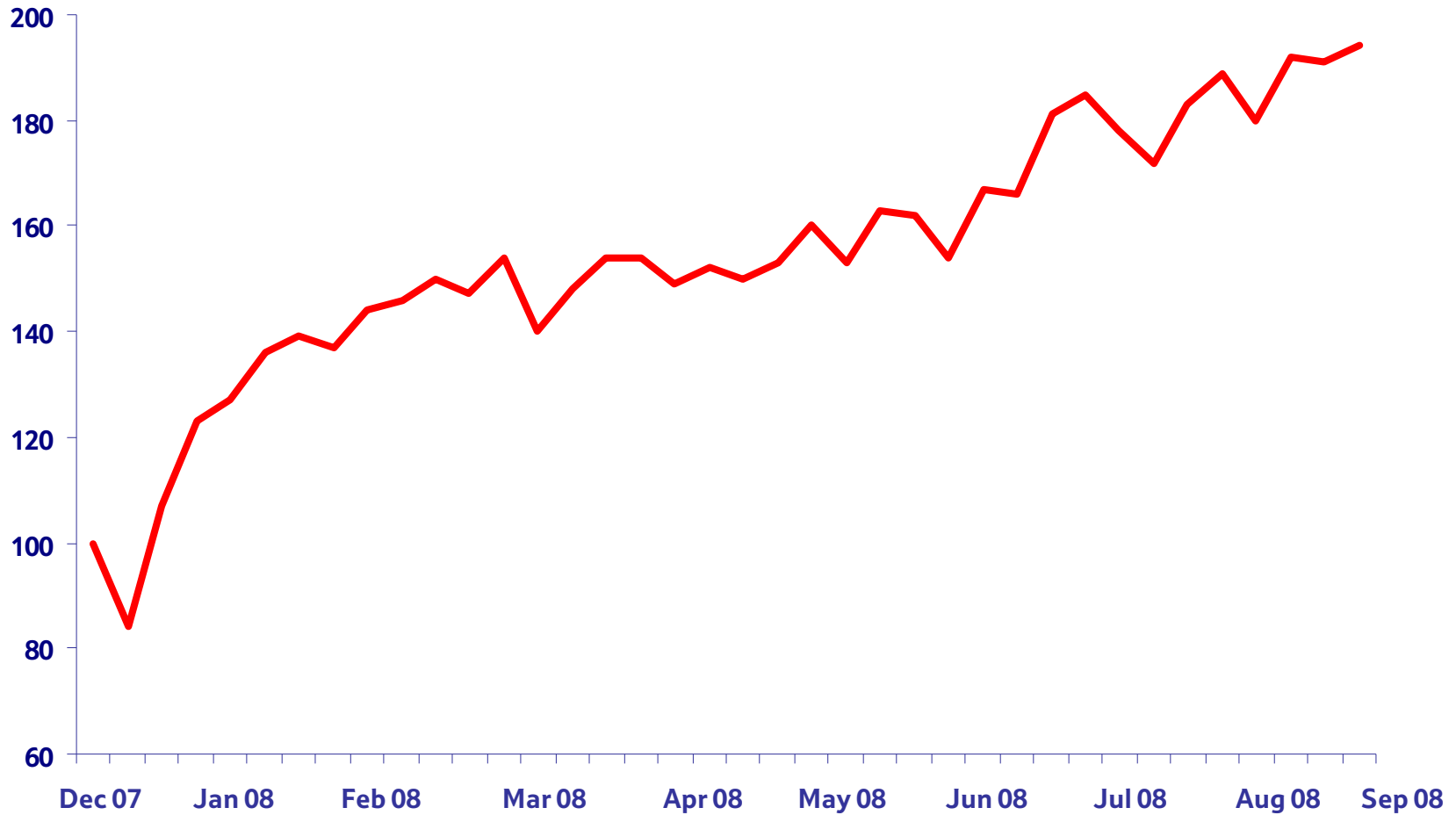


Capability



Fresh & Easy – growing store sales*

index



* Index of average sales per store

Fresh & Easy



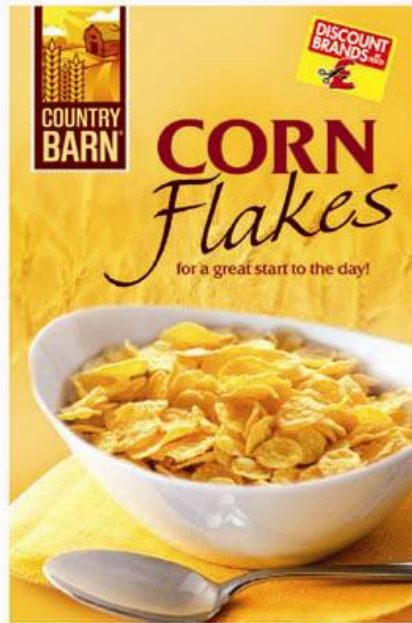
UK



Price



Range



Service



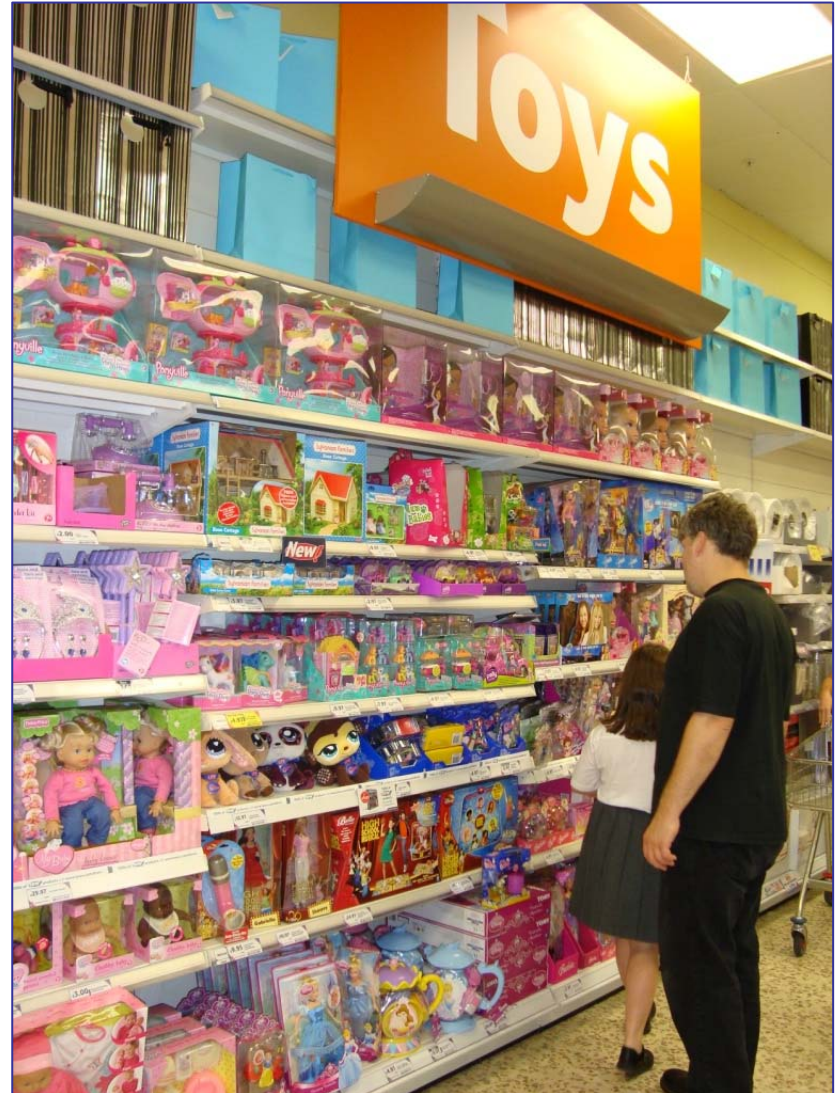
Availability



Step-change



Non-food



Clothing



£15

Stunningly cut prices.

Machine washable suit. **TESCO** | Every little helps



£15

Beautifully cut suits.

Machine washable suit. **TESCO** | Every little helps



20% off clothing

Our clothes come in all shapes and sizes. Unlike our prices... which only come in small.

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Retailing Services



Tesco Personal Finance

TESCO
Compare
The insurance & money comparison site

NEW

Now compare gas & electricity



- Gas & Electricity
- Home insurance
- Mortgages
- Car insurance
- Motorbike insurance

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Helping you find the best deal

Every little helps

TESCO
Prepaid Travel Money Card

0% commission

NEW!

The smarter, safer way to take your currency abroad



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Every little helps

TESCO
Health insurance

NEW
Child Health Plan

Helping the medicine go down



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Telecoms



Community



Community



Community

Over
40%
fewer bags



Summary

- Strong growth from across the Group
- Staying close to customers
- Keeping costs low to stay competitive
- Delivering for all stakeholders
- Well-placed to cope with challenges
- Investing in our strategy



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Q&A





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