



Interim Results

6 October 2009





David Reid

Chairman





Tesco Bank

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Korea

Before



After



Community and Environment

Green
stores



Clubcard

Thailand



Poland



People





Laurie McIlwee

Group Finance Director



Financial headlines

- Performed well in challenging environment
- Robust trading numbers; market share gains
- Step Change helped fund significant customer investment
- Strong opening programme; focus on capital discipline
- Acquisitions giving us momentum
- On-track to reduce net debt by £1bn this year – further reduction next year

Group performance*

- Sales £30.4bn
- Ex-petrol sales up 11.4%
- Trading profit rose 14.0% to £1,551m
- Group underlying profit before tax £1,571m, up 8.6%
- Growth impacted by increased interest charge

* All numbers are shown on a consistent calendar basis and exclude IFRIC13

Property



Group performance

- Group pre-tax profit up 1.5%
- Lower growth rate principally due to non-cash IAS adjustments
 - Bank amortisation of intangibles
 - impairment of goodwill in Japan



Returns to shareholders

- Underlying diluted earnings per share up 9.1% to 14.48p
- Proposed interim dividend 3.89p, up 9.0%, broadly in-line with underlying diluted EPS



UK



UK trading profit*

- UK trading profit £1,155m, up 7.4%
- UK margin up 20 basis points
- Step Change programme on-track to deliver planned savings of £550m

* Excludes Tesco Bank



Asia

- Sales £4.4bn, up 38% at actual rates
- Trading profit rose 21% to £175m
- Acquisition in Korea will deliver strong profit growth in second half
- Strong growth in Thailand
- Worsened retail market conditions in Japan
- Japan goodwill impairment £82m



Europe

- Sales £4.8bn, up 1%
- Performance in Poland and Hungary held up particularly well
- Restructuring operations in Ireland
- Ireland £15m exceptional charge
- Coping with deep recession in Czech Republic, Slovakia and Turkey
- Trading profit £191m



Fresh & Easy



Retailing Services

- Profits £221m, up 11%
- Investor seminar planned for November



Tesco Bank

- Focus on re-platforming systems and infrastructure
- Profits stable at £115m, after £15m integration costs
- Prudent provision for bad debt - experience better than industry
- Maintained balance sheet in net surplus



JVs and Associates

- Profits were £22m principally from property and dunnhumby JVs
- Last year's number includes Tesco Bank as joint venture



Tax

- Tax charged at an effective rate of 27.5%
- Excluding Japan impairment, underlying rate is 26.7%
- Broadly reflects expected position for year



Net debt

- Net debt £9.5bn
- On-track to reduce to £8.5bn by year-end
 - managing capex back to long-term trend rate
 - improving working capital
 - using proceeds from property deals
- Assuming stable Sterling, expect similar net debt reduction next year
- Impact of hedging on net debt less than £100m



Property proceeds

- Proceeds £0.8bn in the half
- Store yields at around 5.2%
- Recent deal of £0.5bn at similar yield
- Freehold mix strong – well above 70%



Net finance costs

- Net finance costs increased to £205m*
- Underlying interest charge increased to £232m, from £112m
- Increase driven principally by two acquisitions
- Interest charge will reduce going forward

* Includes the net return on our pension scheme's assets and liabilities and the impacts of IAS 32 and 39

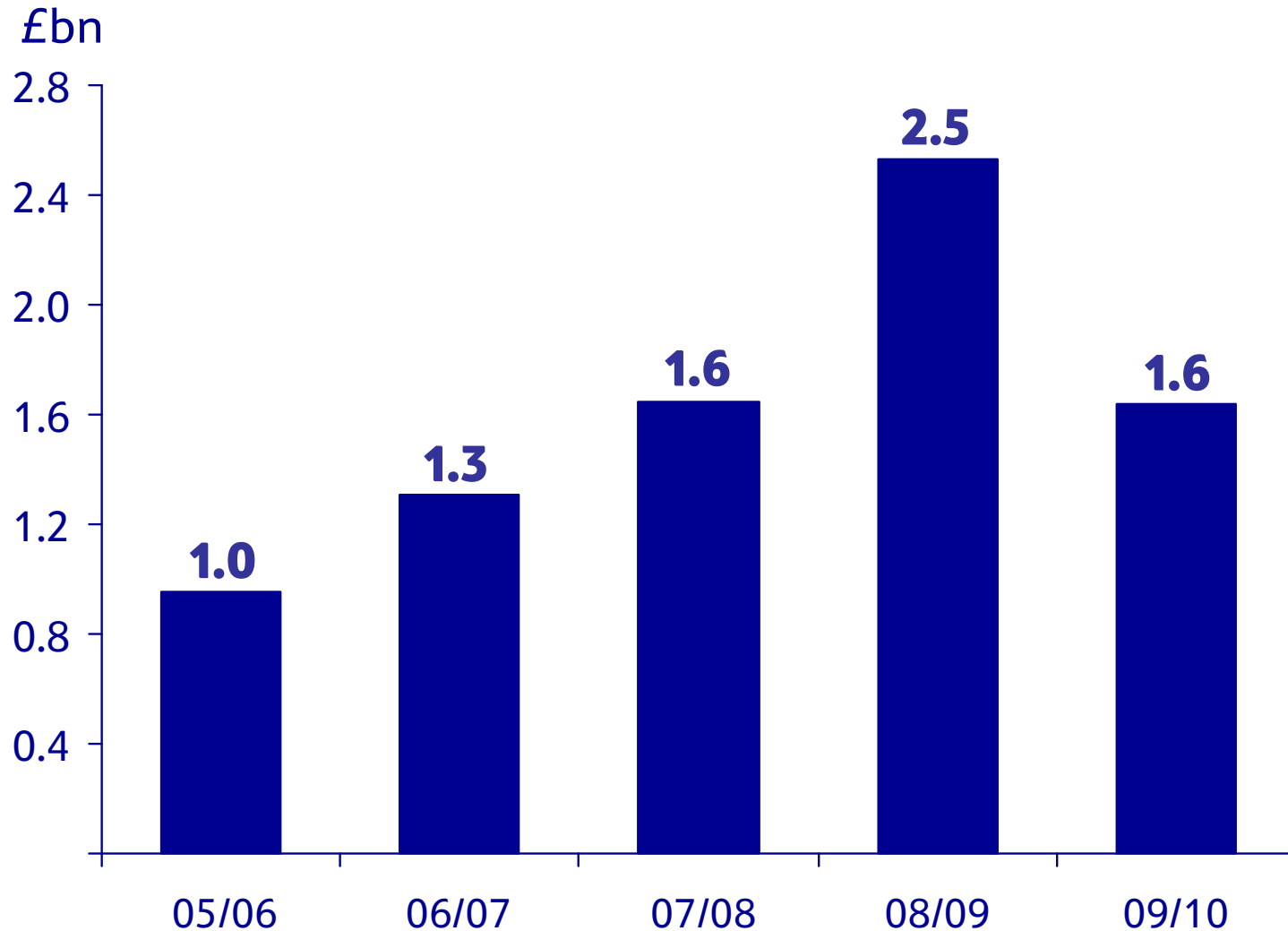


Pensions

- Important driver of staff loyalty
- Corporate bond yields fallen in the half
- IFRS pension deficit £1.4bn post-tax
- IFRS deficit currently £1.1bn post-tax
- Small and manageable actuarial deficit



Capital expenditure – H1



Operating cash flow

- Retail operating cash flow of £2.3bn, £0.7bn higher than capex
- Started stock reduction programme
- Larger cash improvement in second half







Terry Leahy

Chief Executive





International



International

- Sales up 17%
- Good contribution from new space
- Profits grew slightly
- Over 90% of profits from countries in which we have No. 1 or No. 2 market position
- Market share gains in Europe and Asia

Sharing best practice

Clubcard



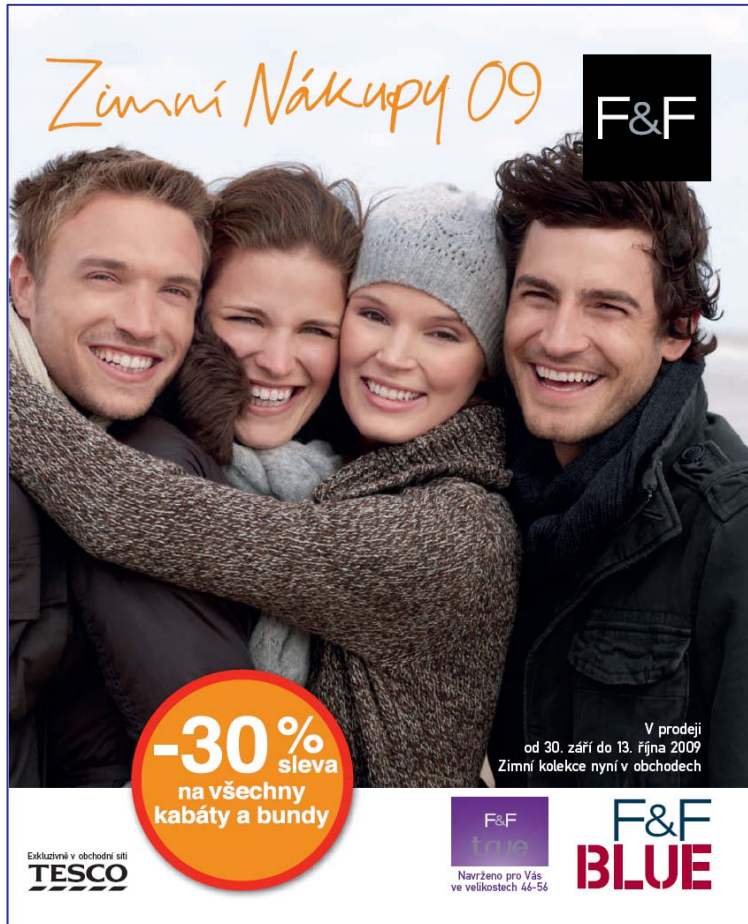
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Brands



Global clothing

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F&F BLUE



F&F BLUE

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Strong market share performance

	H1 08/09	H1 09/10
Hungary	15.1	16.4
Slovakia	14.9	15.4
Czech Republic	7.7	8.2
Poland	5.1	5.1

Source: GFK

Central Europe

Hungary



Poland



Central Europe

Czech
Republic



Slovakia



Turkey



Ireland



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Korea



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Discount
Brands



Market
Value



Availability



Fresh food



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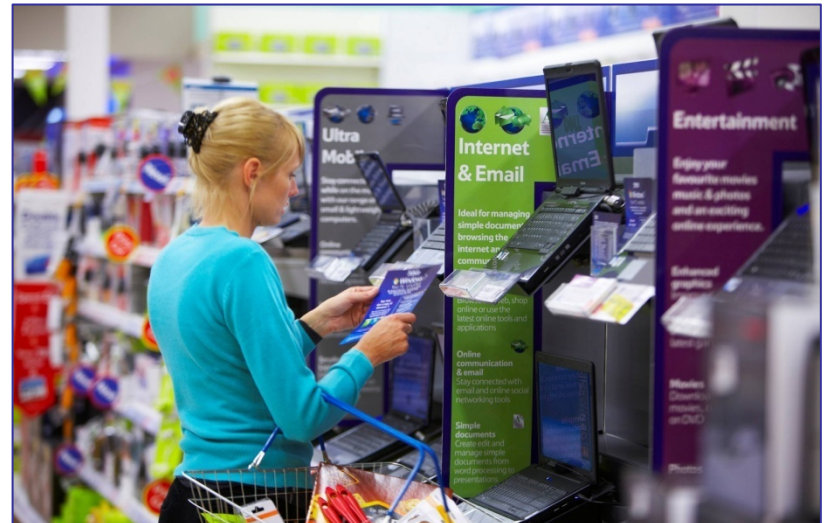
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Carbon
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Community and Environment

Community
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Summary

- Focus on sustainable, long-term growth
- Our business model is resilient and adaptable
- Well-placed in major growth regions
- Prepared for a lower-carbon future
- Well-positioned for the global recovery



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Q & A





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