Preliminary Results

19 April 2011

Philip Clarke

Group Chief Executive

TESCO

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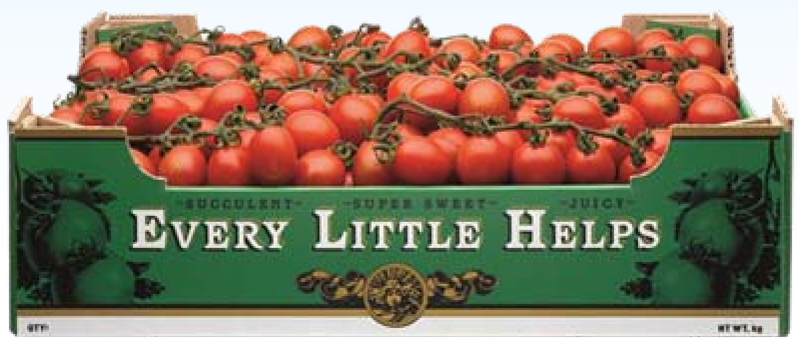
Strong platform

- Business built around customers and staff
- High quality assets
- Multiple opportunities for growth



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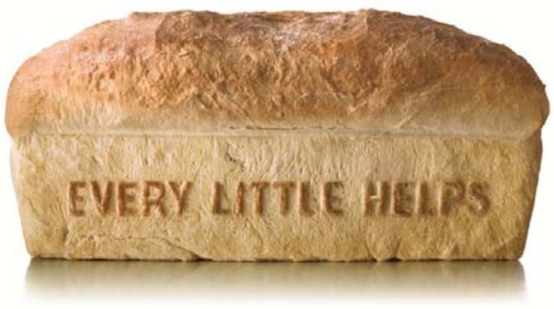
New management structures

- Equipping the Group for global growth
- Big, driving business units – UK, Asia, Europe, US, Services and Property
- Supported by integrating functions
- New executive team brings this together
- New dedicated, experienced UK Board
  - More focus and energy



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Immediate team objectives

Keeping the UK strong and growing

Becoming outstanding internationally, not just successful

Becoming a multi-channel retailer wherever we trade

Delivering on the potential of Retailing Services

Applying Group skill and scale

Delivering higher returns

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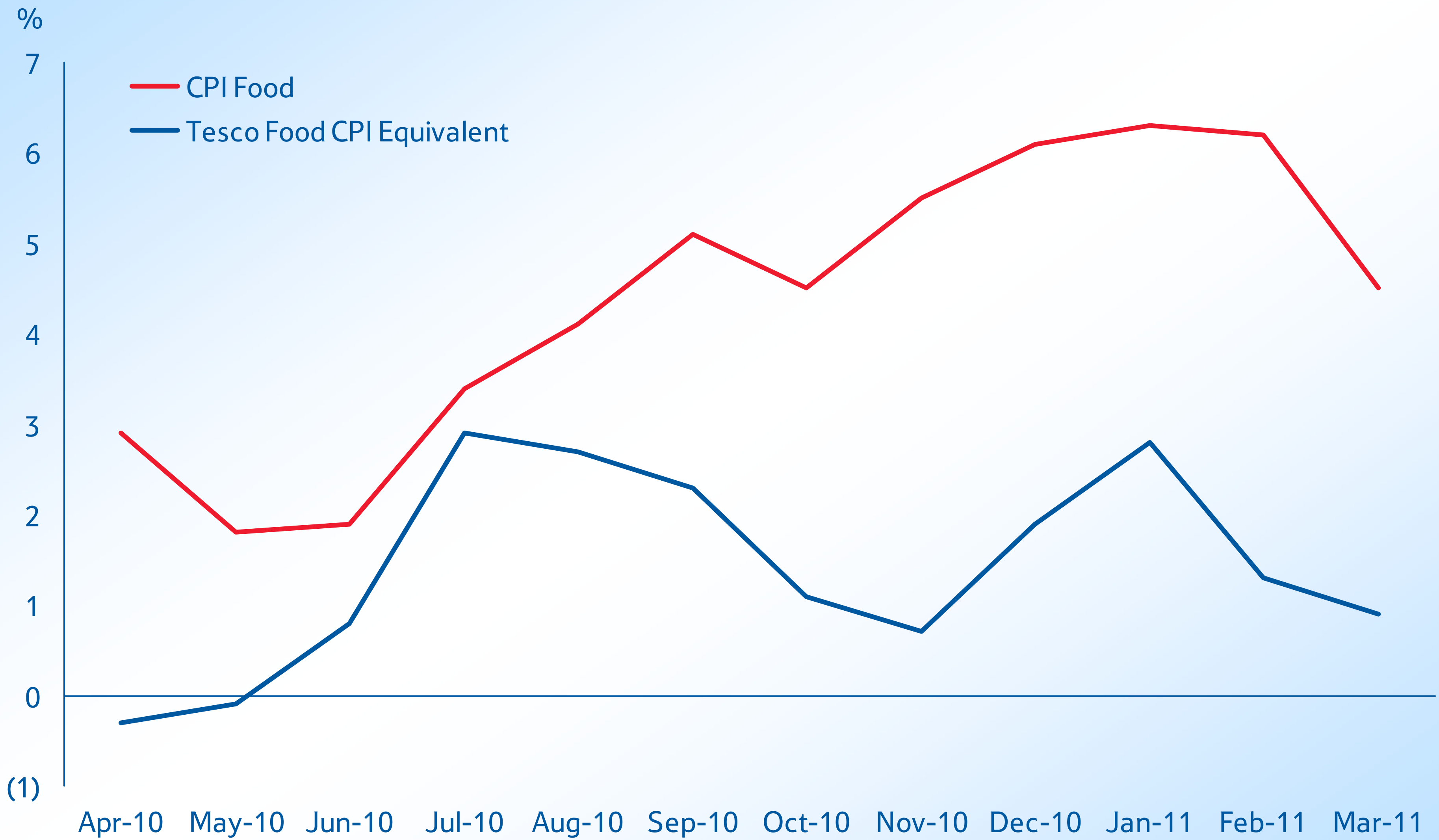
UK environment

- Consumer environment challenging
- Food volumes muted
- Inflation low

Food inflation – CPI vs. Tesco



UK environment

- Consumer environment challenging
- Food volumes muted
- Inflation low
- Trading up continuing

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Finest


SOUTHERN INDIAN
PRAWN BIRYANI
SERVES 1
TESCO Finest
INDIAN
SOUTHERN INDIAN
PRAWN BIRYANI
SERVES 1
TESCO Finest


LIMITED EDITION
Finest
10 YEARS OLD
SELECTED BY TESCO
10 YEARS OLD
WINE OF AUSTRALIA

UK environment

- Consumer environment challenging
- Food volumes muted
- Inflation low
- Trading up continuing
- Non-food more affected
  - Demand faltered since November
  - High ticket and non-essential
  - Not uniform

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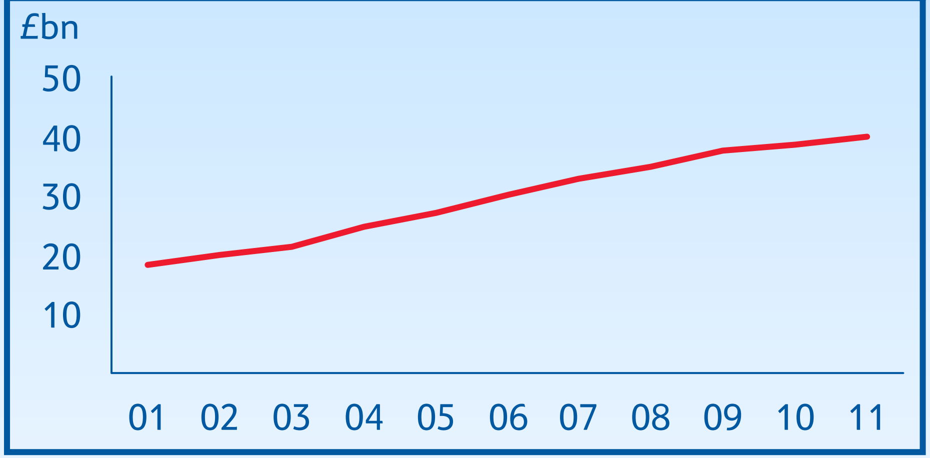
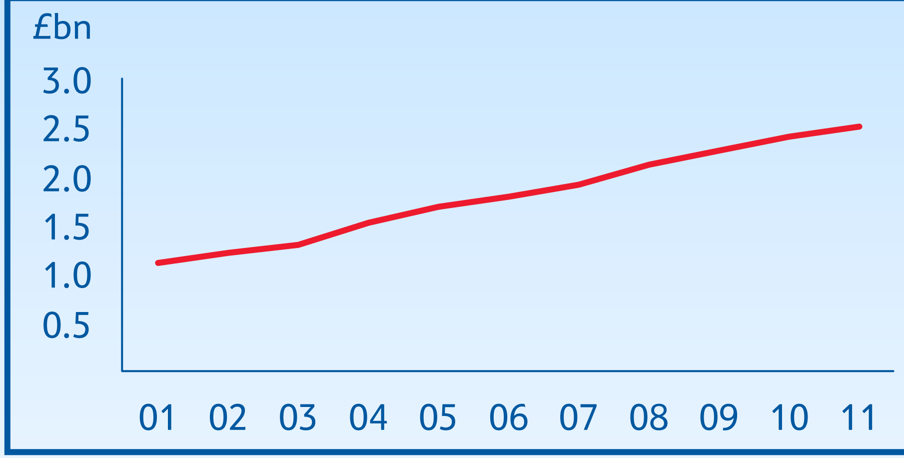
UK – An outstanding business

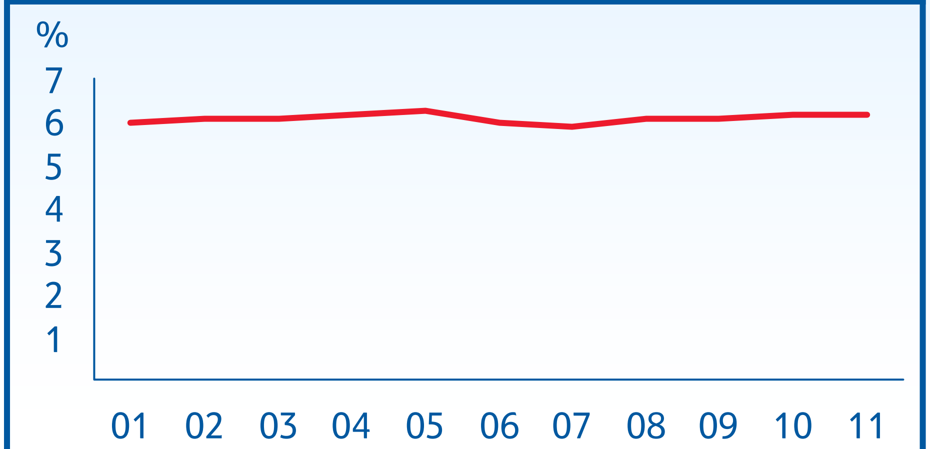
UK revenue+



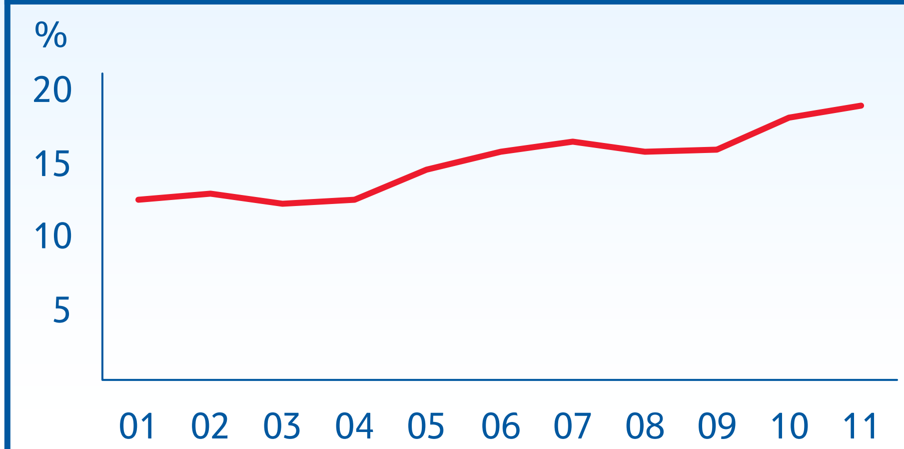
UK trading profit+



UK trading profit margin+



UK ROCE+*



+ Reported under UK GAAP up to 2004/05; * Excluding effect of property divestments

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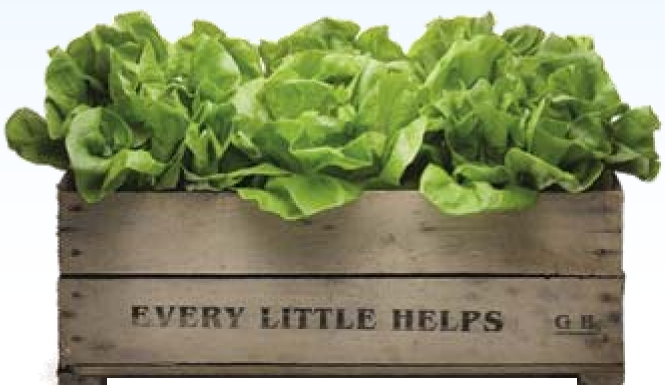
Keeping the UK strong and growing

- Basic operating standards are fine
  - Good shopping trip
  - Prices competitive
- Successes in the year
  - New stores performing strongly
  - Express had outstanding year
  - Clubcard driving loyalty



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Keeping the UK strong and growing

- Need to get back to doing things first for customers
- Executing better – particularly non-food
- Faster innovation
- More sharpness in communications to customers

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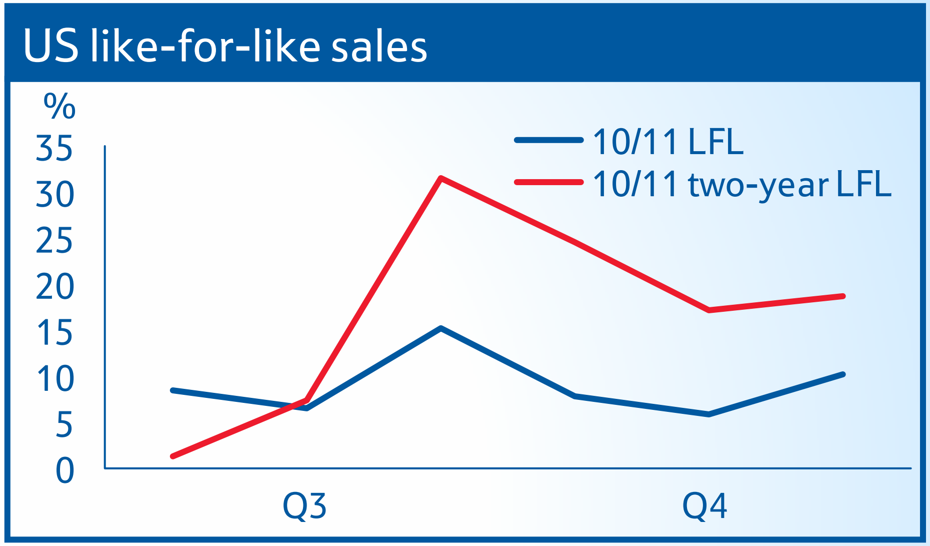
Fresh & Easy

- Increased losses in 2010/11
- Confident of break-even towards end of 2012/13
- Key is shop-door profitability
  - Two-year like-for-like c.20%
  - New stores averaging $13 per foot per week
  - Best stores taking more than $200k per week
  - 30 more stores into profitability 2011/12



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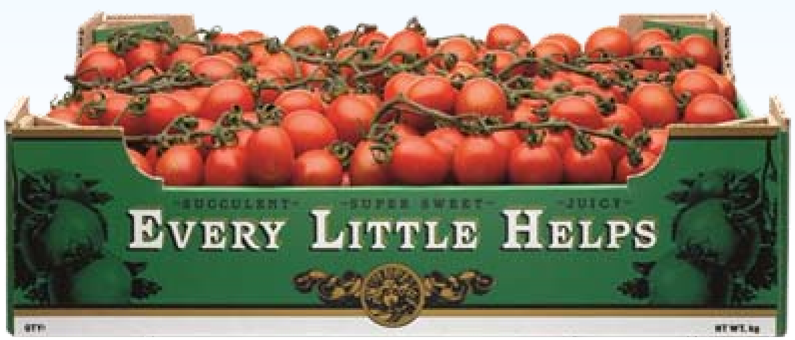
Asia and Europe

- Over two-thirds of Group profit growth
- Like-for-like sales growth strong
- Good market share performance
- Despite Ireland and Hungary headwinds



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Asia

- Strong sales and profits growth
- Slower than expected H2 performance in China
- Good growth in Korea, Thailand and Malaysia
- Retail environment in Japan remains tough

Market Share	Feb 11	Feb 10	Change
China+	2.9%	3.1%	↓ (0.2)%
Malaysia+	10.3%	9.5%	↑ 0.8%
Korea*	4.4%	4.3%	↑ 0.1%
Thailand+	12.6%	11.8%	↑ 0.8%

+ Source: Kantar Panel (12 weeks ending 27 Feb 2011)
* KNSO market share (12 months – 2010)

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Europe

- Strong growth in Poland, Czech Republic and Slovakia
- Hungary: grew well, winning market share
- Extras performing well
- Progress in Ireland

Market Share	Feb 11	Feb 10	Change
Czech Rep.§	10.6%	8.6%	↑ 2.0%
Hungary+	19.2%	17.9%	↑ 1.3%
Poland+	6.5%	6.6%	↓ (0.1)%
Slovakia§	19.4%	17.2%	↑ 2.2%
Turkey*	1.5%	1.6%	↓ (0.1)%
Ireland ±	27.3%	26.5%	↑ 0.8%

§ GfK Panel (12 weeks ending 27 Feb 2011)
+ GfK Panel (12 weeks ending 30 Jan 2011)
* IPSOS Panel (12 weeks ending 27 Feb 2011)
± Kantar Panel (12 weeks ending 20 Feb 2011)

International new space pipeline

- 8.4m sq ft this year
- 12% growth overall
  - 14% in Asia
  - 9% in Europe
  - 26% in United States

Becoming outstanding internationally

- Some businesses already outstanding
  - Strong in their markets
  - Growing well
  - Not reliant on Group to fund expansion
  - Returns ahead of cost of capital
- Way to go in some markets
- Profitable at store level in all but two countries

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Immediate team objectives

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Becoming a multi-channel retailer

- Compelling appeal of store and online combination
- Strategic advantage of existing store network

Non-food

- Going beyond our present range online
  - Move towards more than 100,000 SKUs
  - Equivalent of a marketplace
- Taking our general merchandise, electricals and clothing offer to the next level, both in store and online

Multi-channel – International

- Important steps internationally
  - Dotcom grocery in Prague in next few months and Warsaw early 2012
  - Sizeable online non-food launch planned in Korea

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Tesco Bank

- New IT platforms fully operational
- Migration from RBS to be completed in the next few months
- Launched our first new products
- Tesco Bank customer services centres fully operational

Tesco Bank – Trading performance

- Savings book grown strongly – up by over £500m
- Loan book has grown – with improved margins
- Excellent year in credit cards – transaction value up 20%
- Motor insurance book growing again
- Visibility of good underlying progress will begin to show

Telecoms

- Good progress
- Broaden offer into attractive contract mobile market
  - Customer numbers up 24%
  - Fastest growing network in UK
- Launch of iPhone 4
- Profit held back by initial costs of handset subsidy

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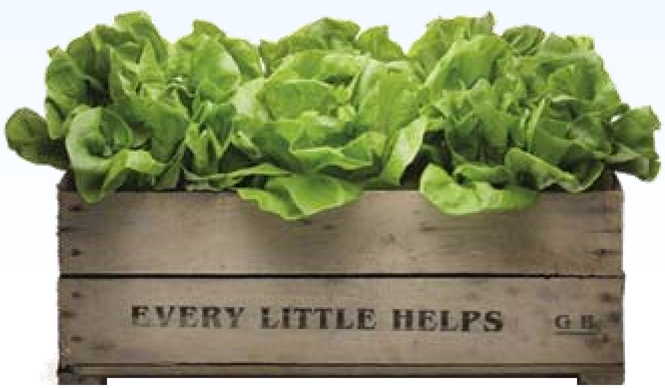
Applying Group skill and scale

- Better buying
  - £2bn of product sourced at cost through sourcing hubs
- Infrastructure sharing
  - 2010/11 saving from Bangalore support centre of £100m
- Operating model
  - Just £0.5m cost to put Clubcard into new market
  - £2m cost to install sales based ordering vs. £100m in UK



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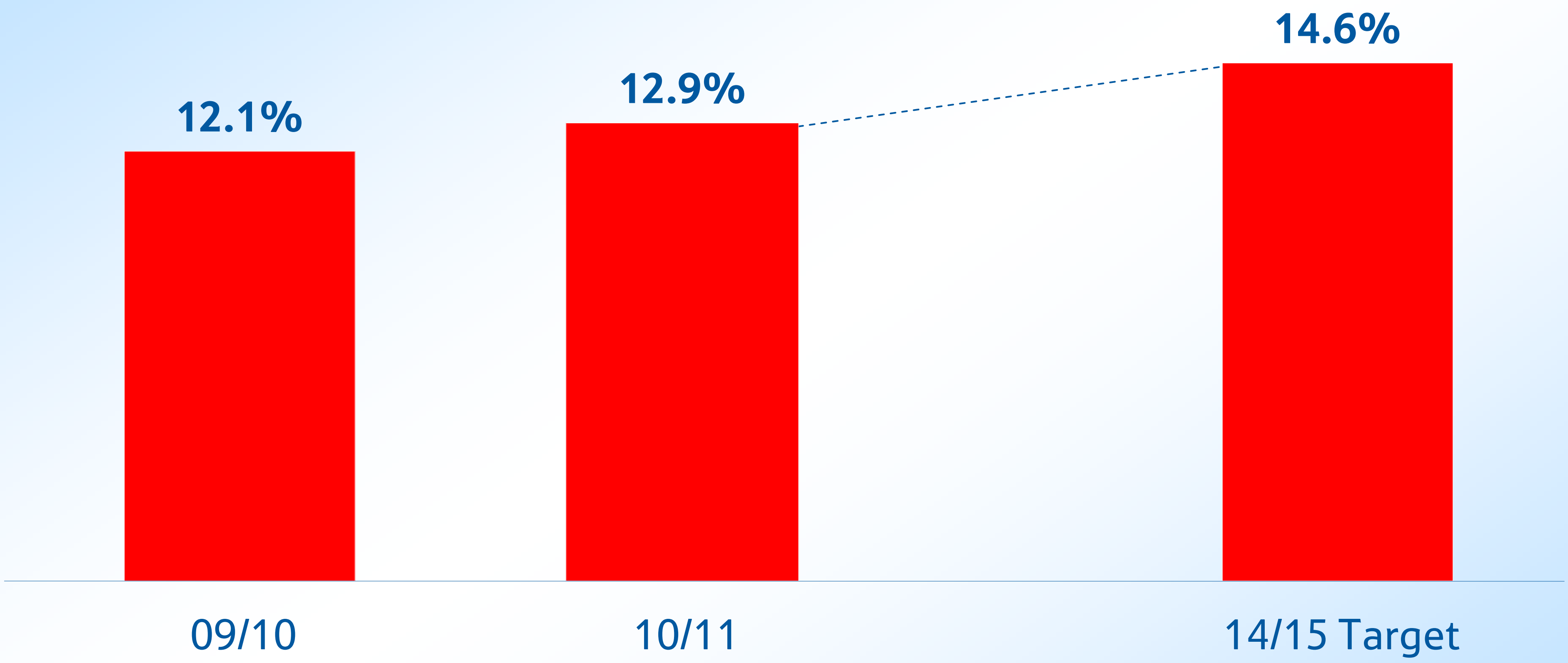
Delivering higher returns for shareholders

Return on capital employed



Target to hit 14.6% ROCE by 2014/15

Immediate team objectives

- Keeping the UK strong and growing
- Becoming outstanding internationally, not just successful
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- Delivering on the potential of Retailing Services
- Applying Group skill and scale
- Delivering higher returns

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What to expect from me

- Focus, energy, intensity
- In the stores – close to customers, close to colleagues
- Willing to engage
- Discuss what's not so good, as well as the many good things
- It's all about performance – that's what we intend to deliver

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Laurie Mcilwee

Chief Financial Officer

TESCO

Group performance

	10/11	vs. 09/10
Group sales*	£67.6bn	↑ 8.1%
Group trading profit	£3.7bn	↑ 7.8%
Underlying profit	£3.8bn	↑ 12.3%
Underlying diluted EPS	35.72p	↑ 10.8%**
Full-year dividend	14.46p	↑ 10.8%
Net debt	£6.8bn	↓ £1.1bn
Return on capital employed	12.9%	↑ 80bp

* Group sales (inc. VAT) exclude the accounting impact of IFRIC13

** Underlying diluted EPS growth calculated on a constant tax rate basis; 12.8% on an actual tax rate basis

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UK

- Sales growth of 5.5%
  - Consumers impacted by high petrol prices and increased taxes
- Margin stable at 6.1%
  - Despite increased rents from sale & leasebacks and additional investment in Clubcard
  - Profits grew by 6.4% excluding the impact of the higher rents

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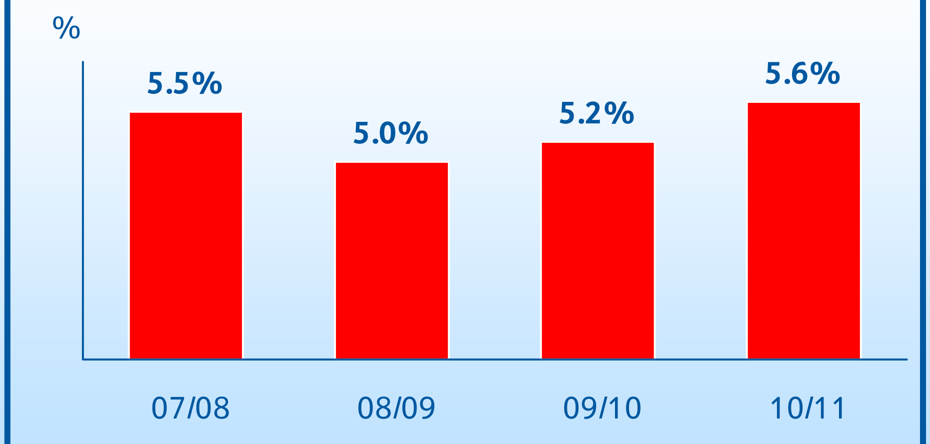
Asia

- Sales growth of 22%
  - Strong like-for-like recovery vs. 2009/10
- Margin up 0.4% to 5.6%
  - Increases in Thailand, Malaysia and Korea
  - Back to pre-recession levels

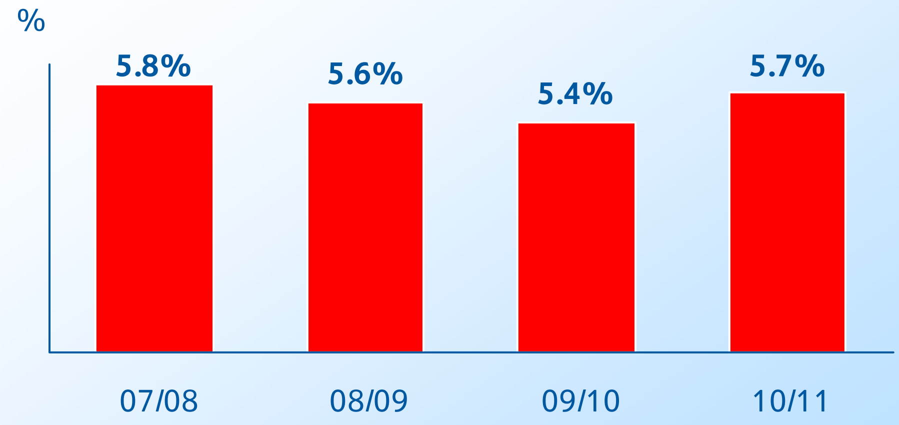
Trading profit margin



Europe

- Sales up 6%
  - Strong like-for-like recovery vs. 2009/10
- Strong market share gains
- Margin up 0.3% to 5.7%

Trading profit margin



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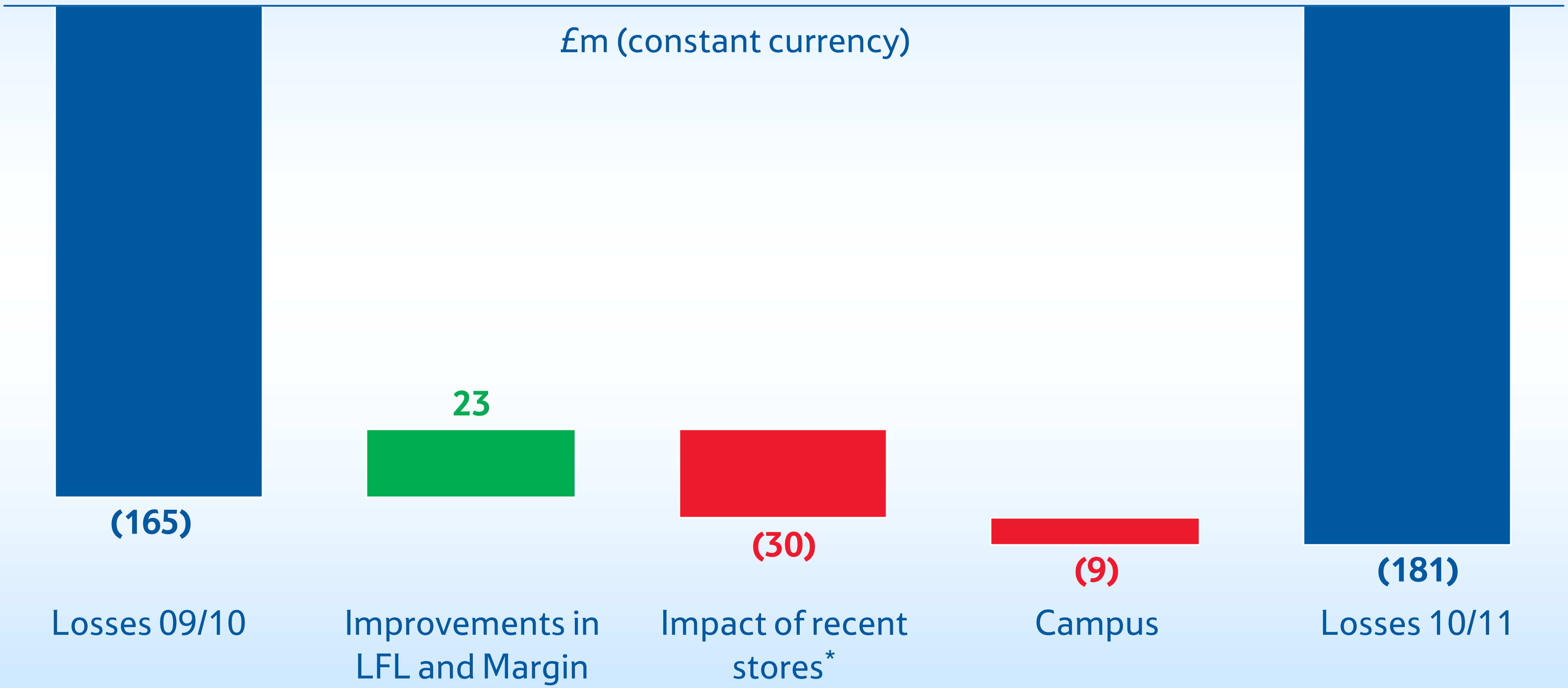
US – Fresh & Easy performance

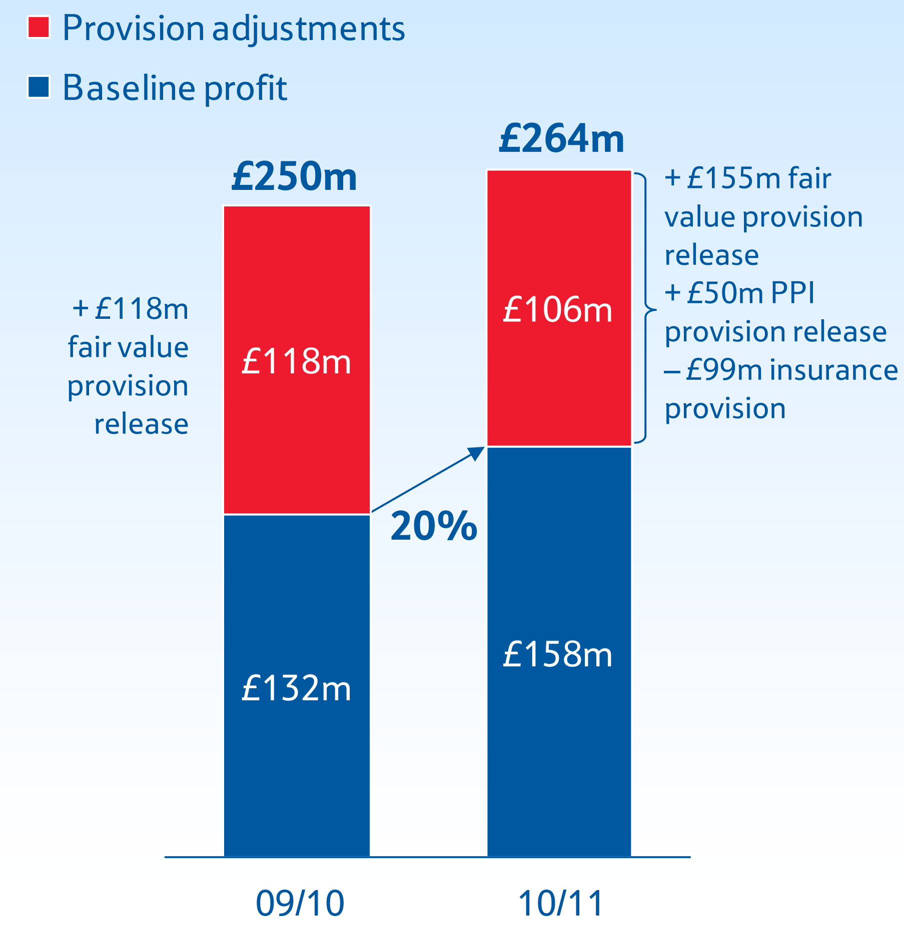


* Stores opened in 09/10 and 10/11

Tesco Bank

- Strong trading performance
- Bad debt charge down 26%
- Good improvement in baseline profitability
- Capital position strengthened
  - Risk asset ratio 13.5%
  - Core Tier 1 ratio 15.9%

Tesco Bank operating profit



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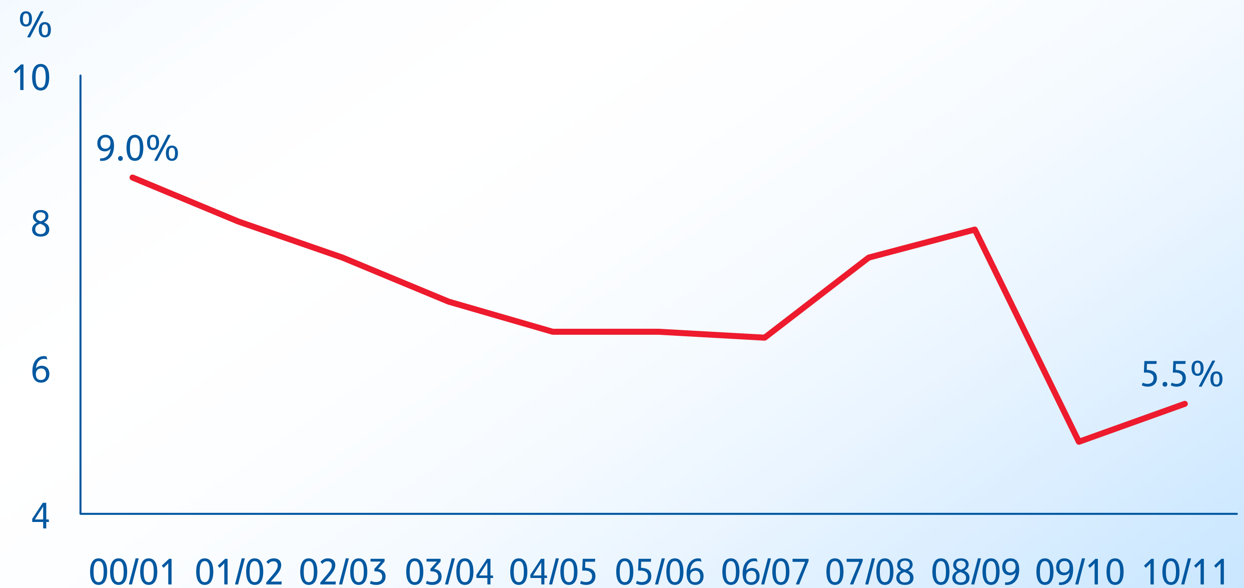
Group balance sheet

- Net debt reduced by £1.1bn to £6.8bn
- Group capex £3.7bn, 5.5% of sales
- Future capex to be 5.0 to 5.5% of sales

Capital expenditure as % of Group sales



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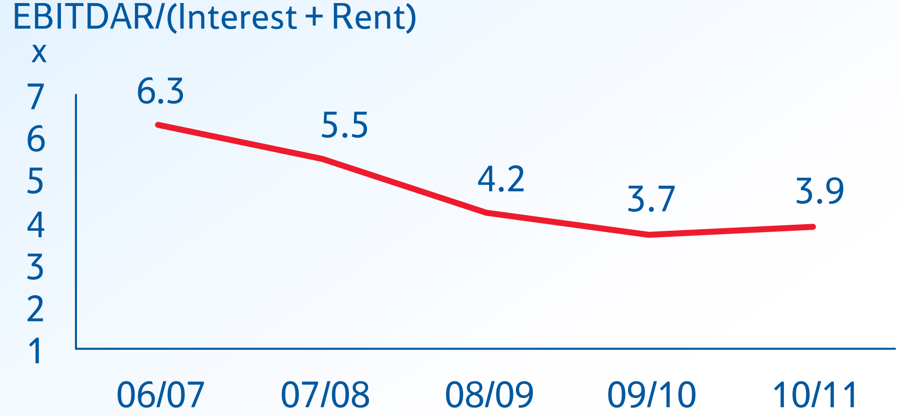
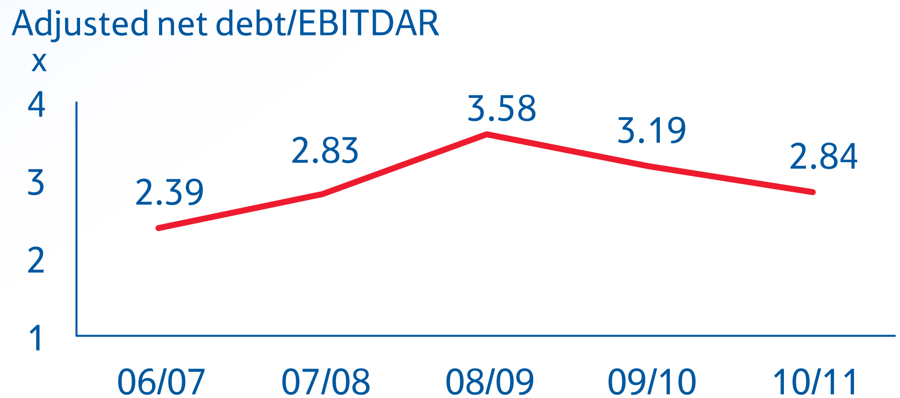
Group balance sheet *(cont.)*

- Statutory Net Debt set to fall further
- More focus on Fixed Charge Cover and Adjusted Net Debt
  - Fixed Charge Cover target of 4.0 to 4.5x
  - Adjusted net debt/EBITDAR target of <2.5x

Fixed Charge Cover



Net Indebtedness



Note: Adjusted net debt = statutory net debt + pension deficit + NPV of lease obligations

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Property is an integral part of our strategy

Objective: to ensure we have the best properties from which to retail

- We also create value developing our own property
- 5-year divestment programme completed on track:
  - > £5bn cumulative proceeds
  - £1.3bn cumulative profits
  - Funded £1.1bn of share buy-backs

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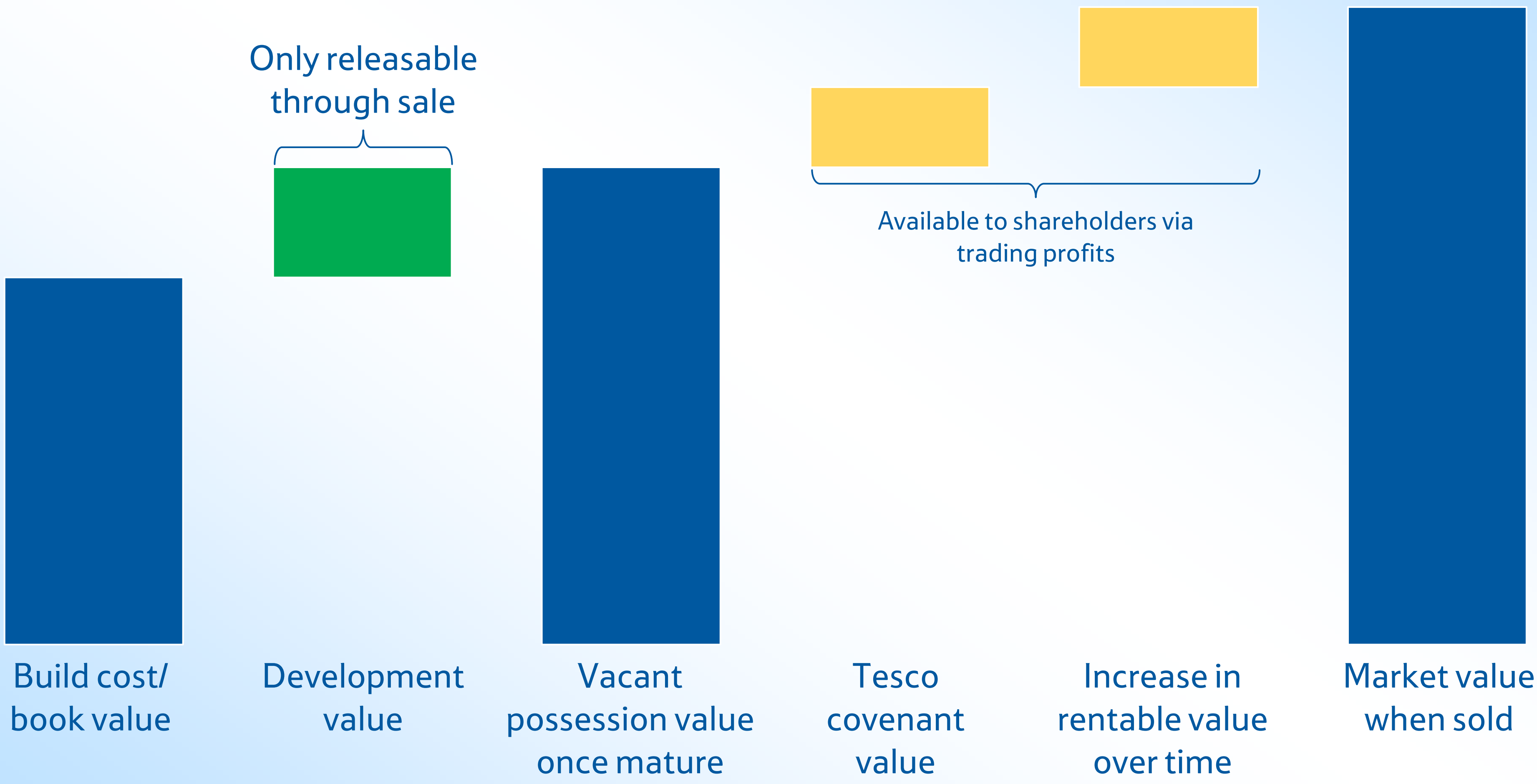
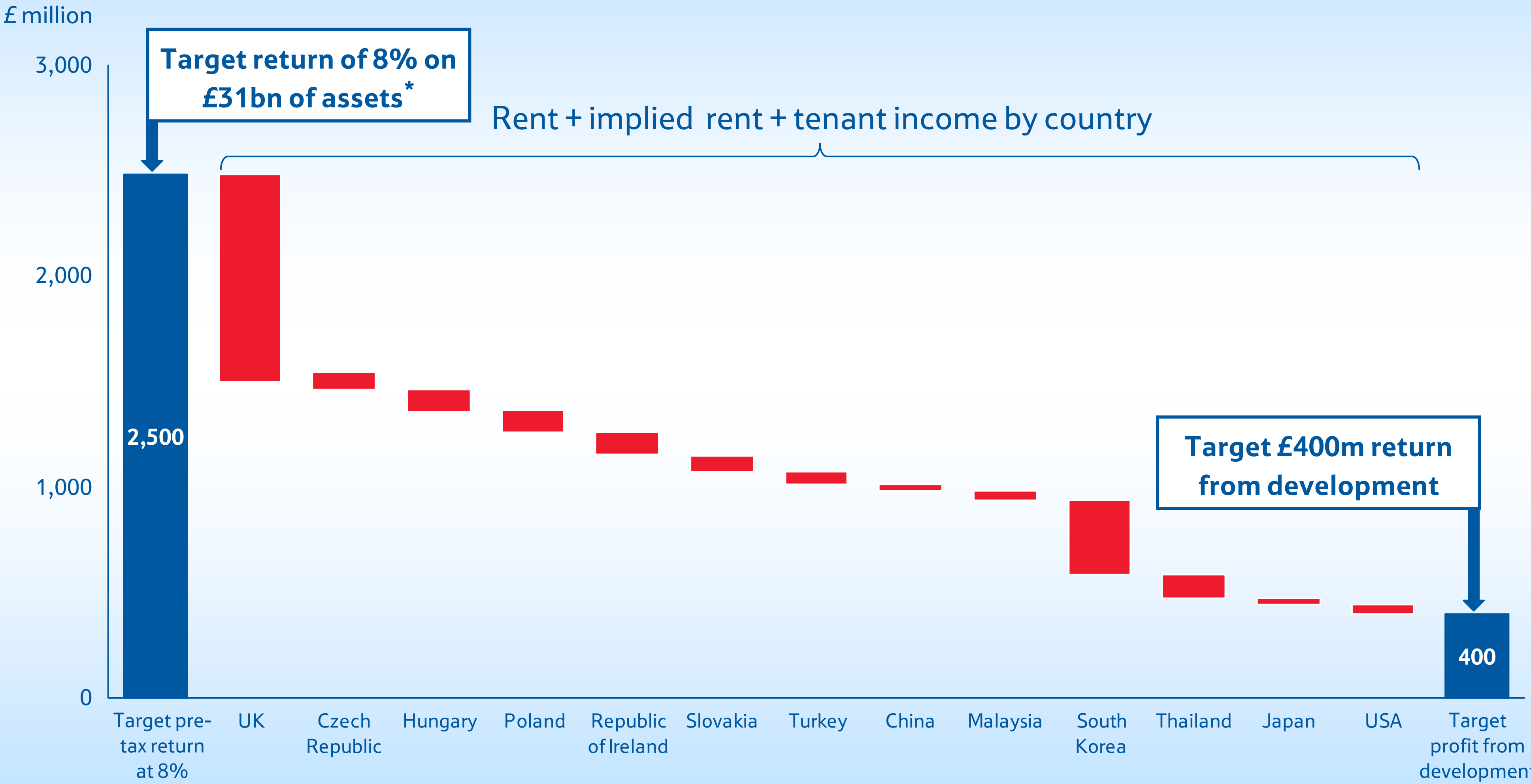
Value creation through property



Tesco's development activities should generate c.£400m per year

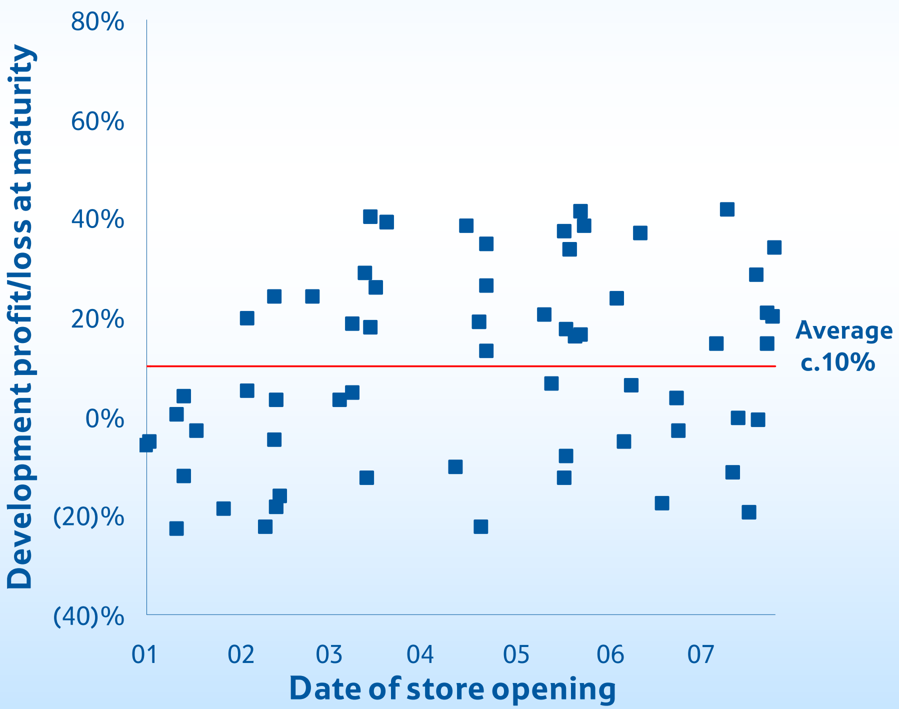


* Assets calculated as total Group assets by market value minus market value of fixtures and fittings in Tesco stores

Experience shows on average we achieve 10-15% uplifts on development projects

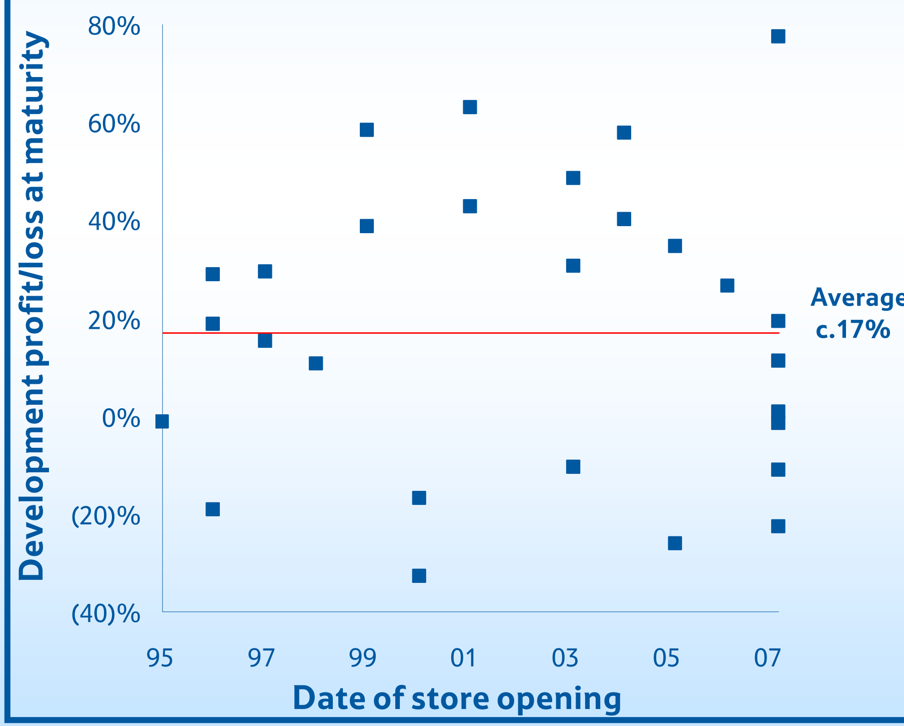
Average 'profit' on a UK development project is c.10% . . .

Analysis of Extras and Superstores in the UK



. . . and in our overseas developments the uplifts can be higher

Analysis of freehold assets in Thailand



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What is a sustainable level of property profits?

Targeting 8% return on assets requires c.£400m from development

10-15% typical development uplift generates £250-400m

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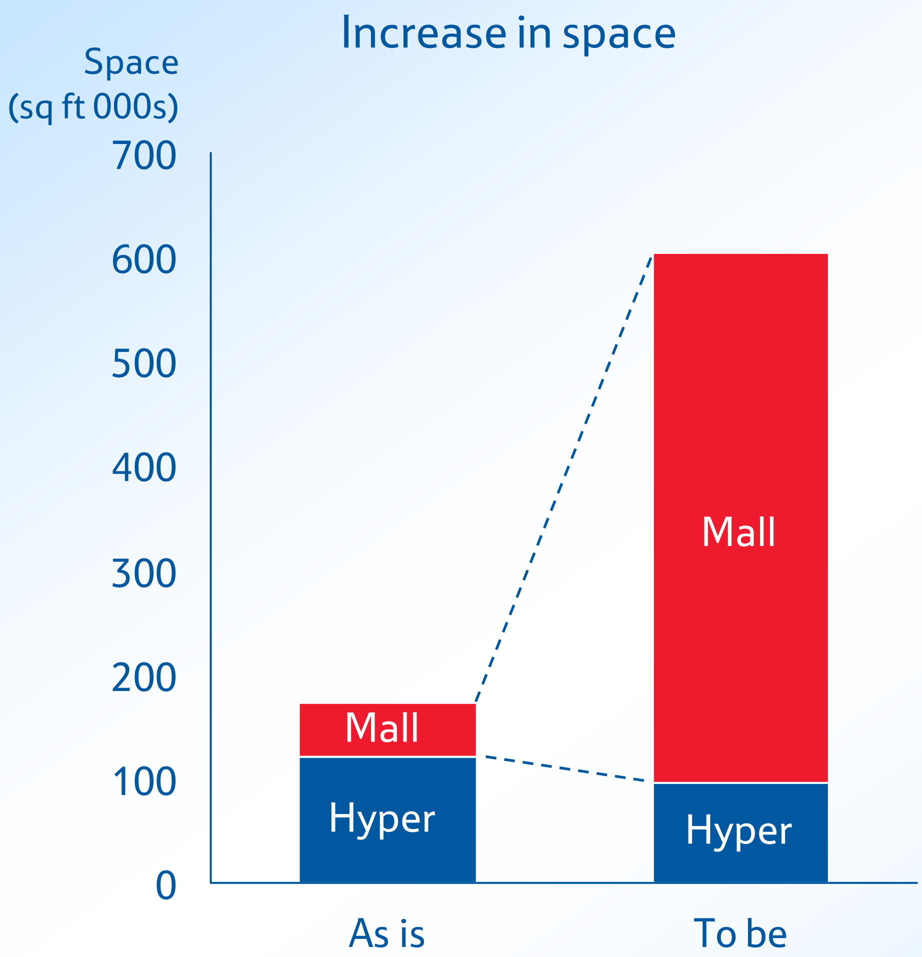
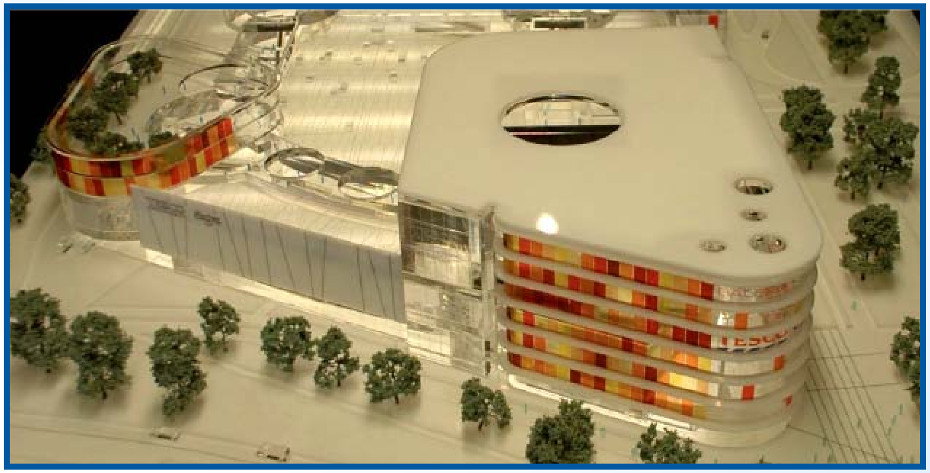
Mall development opportunity in Asia & Europe

Expected financial returns from an example mall re-development

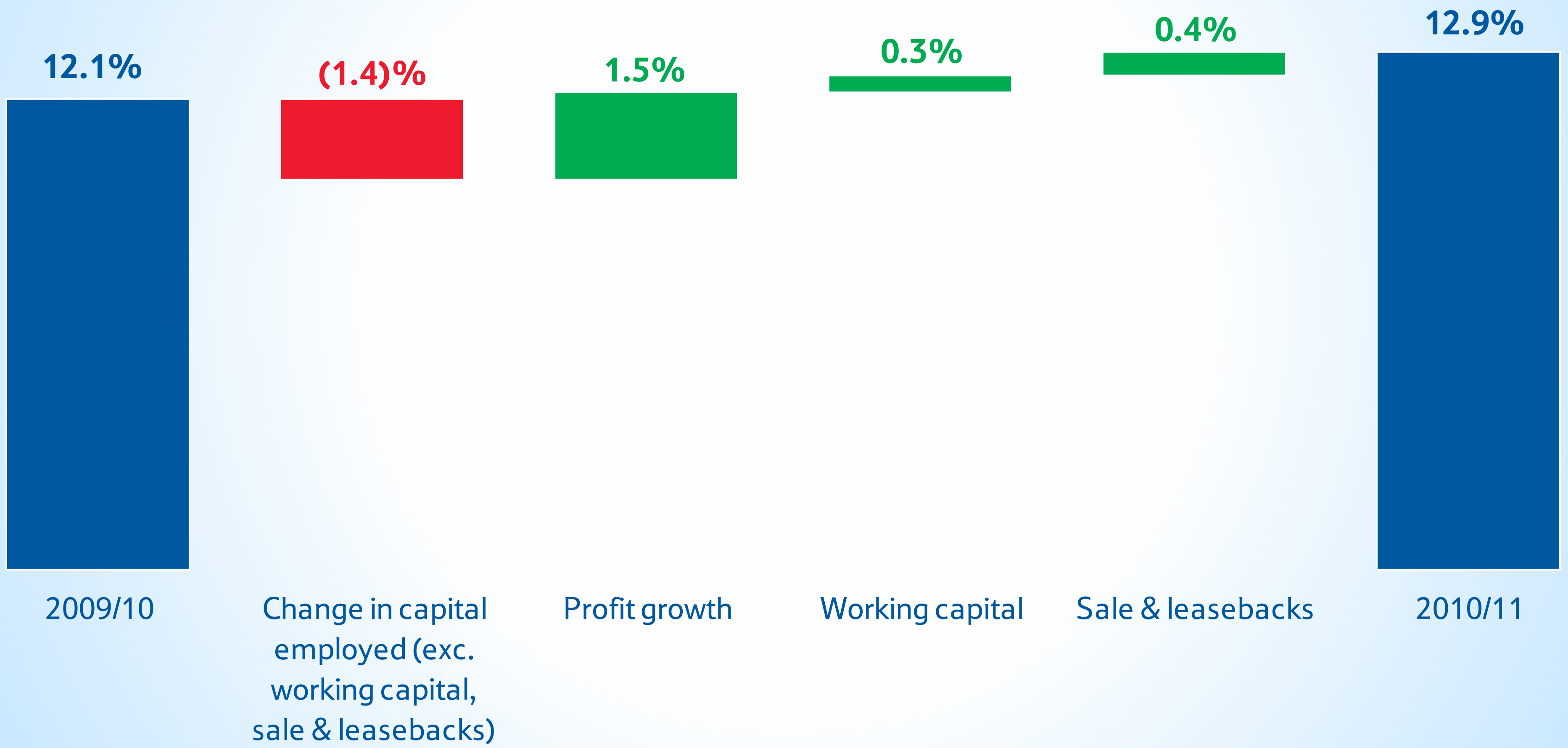




Financials

	£m	£m
Net operating income	2.4	10.7
Market value of property	31	142
Redevelopment capex	–	56
	As is	To be

2010/11 improvement in ROCE



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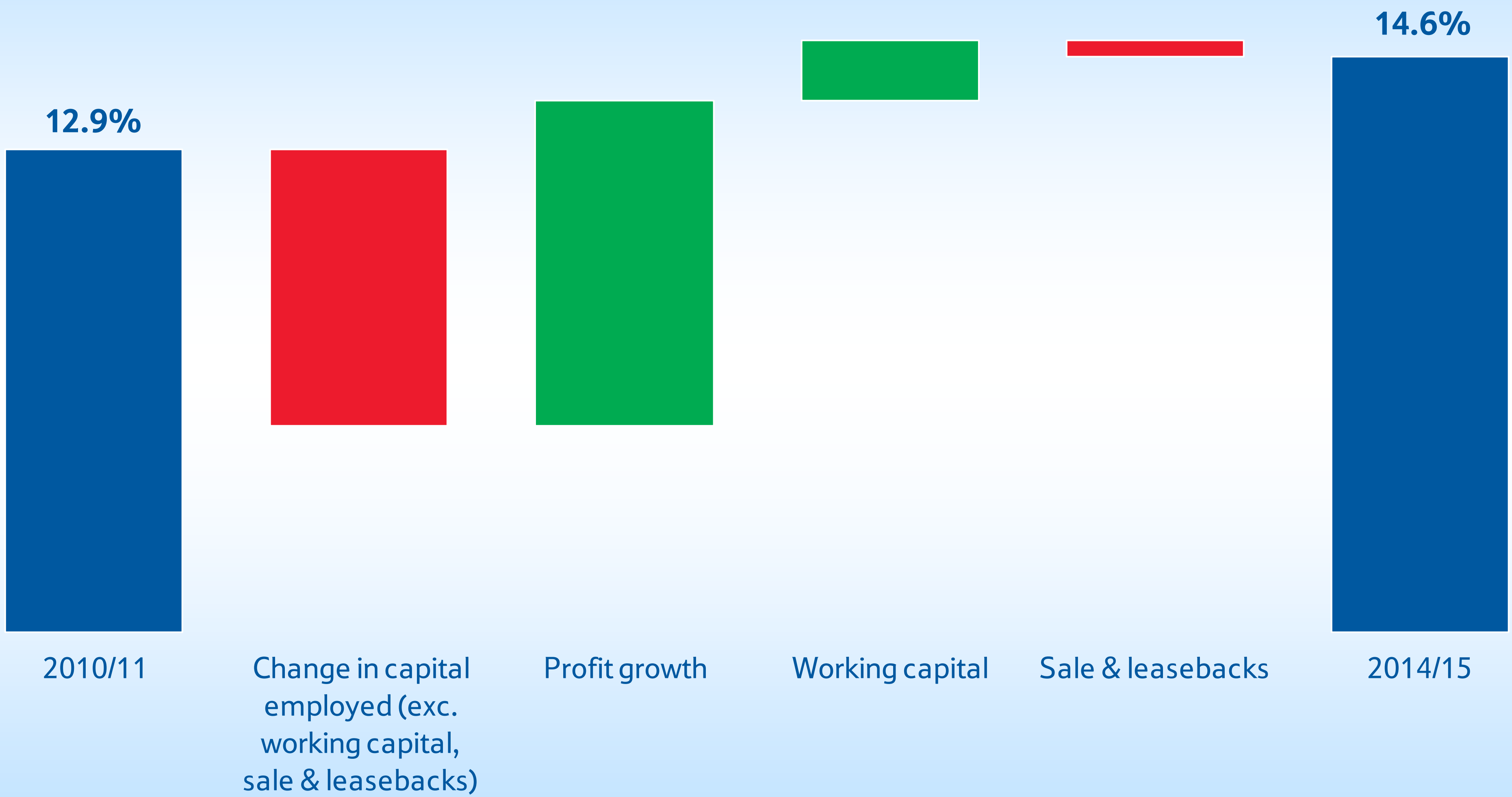
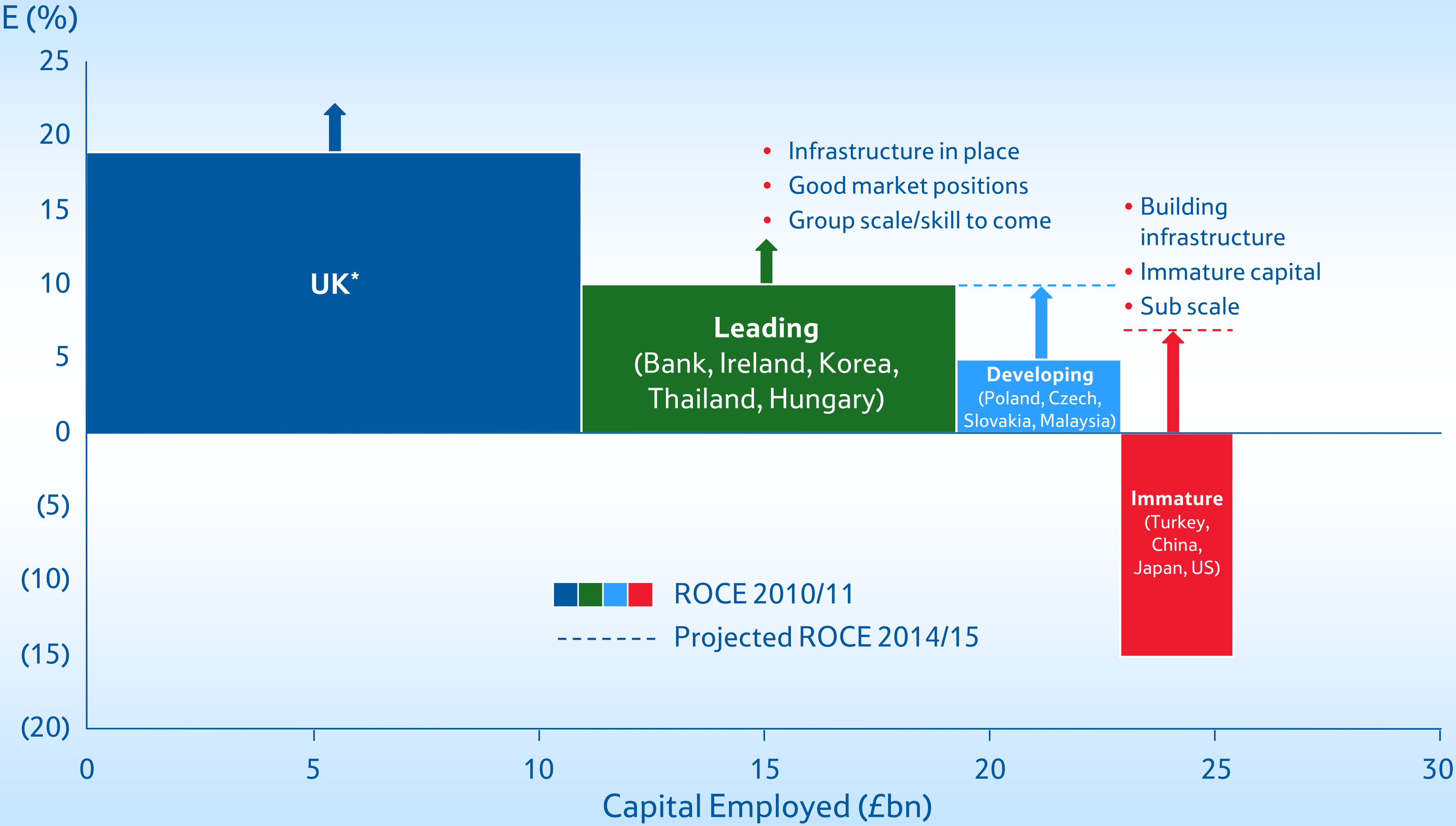
ROCE improvement to 14.6%



Components of Group ROCE*



* Excludes the positive impact of the sale & leaseback programme

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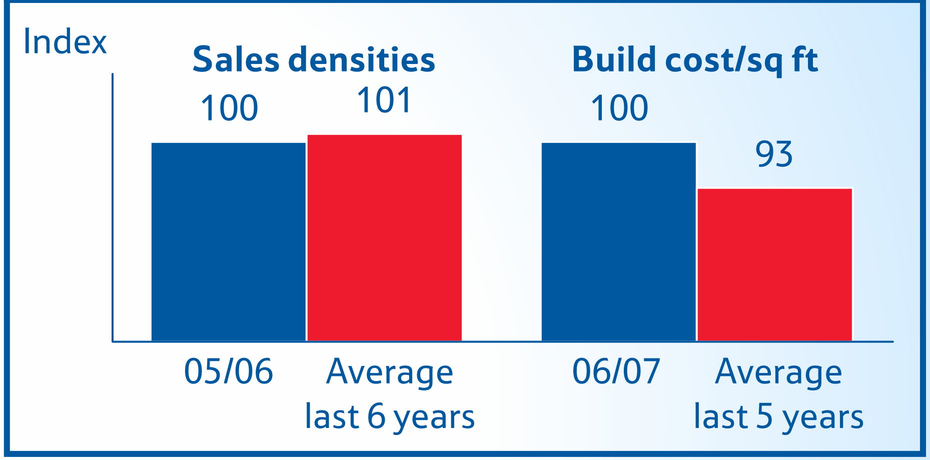
Improving UK return on capital

Key drivers of last 5 years

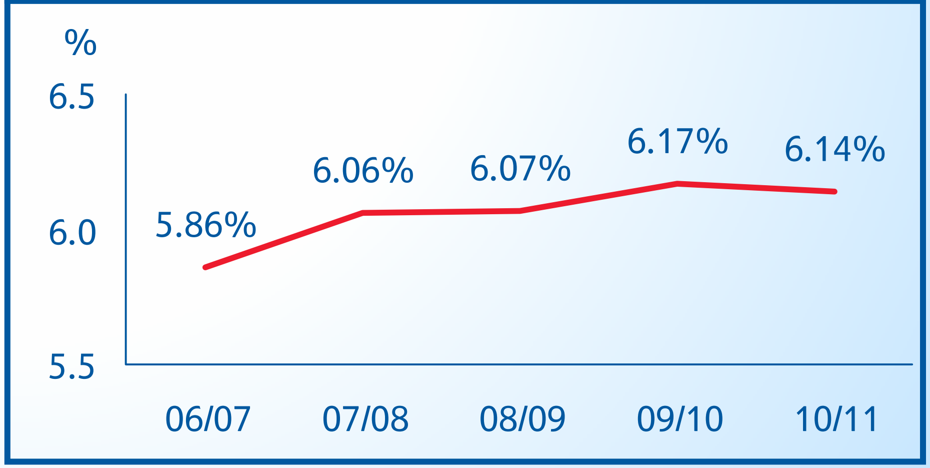
- Asset turnover
  - Sales densities / sq ft stable
  - Lower build cost per square foot
- Margin
  - Leverage, scale benefits
  - Growth in retailing services
  - Productivity, step change

UK ROCE to improve gradually going forward particularly from reduced WIP and growth in retailing services

Asset Turnover



UK trading profit margin



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Conclusion

- Steady profit growth in UK
- Outstanding growth in Asia and Europe
- Progress in China and US, but more to do
- Improving underlying performance of Tesco Bank
- Excellent property portfolio releasing sustainable property profits
- Further strengthening our balance sheet
- Increasing Return on Capital
  - Target of 14.6% ROCE by 2014/15

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Q&A

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Preliminary Results

19 April 2011

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