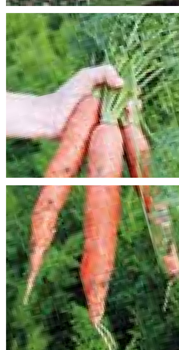
Working to make what matters better, together



TESCO

Tesco PLC Annual Review and Summary Financial Statement 2013

TESCO at a glance

Highlights*

£72.4bn
Group sales

+1.3%
Group sales growth

£2.0bn
Group profit before tax

(14.5)%
Underlying profit before tax**

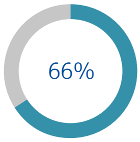
(14.0)%
Underlying diluted earnings per share**†

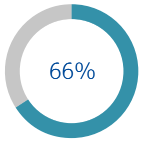
14.76p
Full year dividend per share maintained

UK

£43.6bn
Revenue±

£2,272m
Trading profit





+1.8%
Revenue growth±

(8.3)%
Trading profit growth

313,885
colleagues

1st
market positioning

3,146
stores

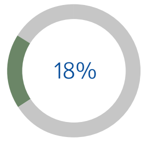
Around 16m
loyalty scheme members

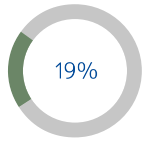
- Plan to 'Build a Better Tesco' on track with improvements made to our offer and more to come in 2013/14
- Year-on-year profit performance reflects UK reinvestment
- Strong progress in our online grocery business with sales growing by 12.8%
- Growing our portfolio of businesses by investing in WE7, Mobcast, Giraffe, Harris + Hoole and Euphorium

Asia

£11.5bn
Revenue±

£661m
Trading profit





+6.0%
Revenue growth±

(10.3)%
Trading profit growth

125,797
colleagues

1st or 2nd
in three markets

2,131
stores

Around 20m
loyalty scheme members

- Regulatory challenges in South Korea held back profit growth
- Successfully launched online grocery businesses in Thailand and Malaysia
- Expanded our convenience store business in Thailand to over 1,115 stores

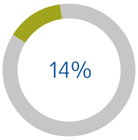
* All highlights reported on a continuing operations basis, excluding the United States and Japan which have been treated as discontinued.
** See glossary on the inside back cover for full accounting definitions.
† Calculated on a constant tax rate basis.
± Excludes the accounting impact of IFRIC 13.

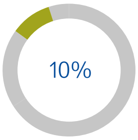
As one of the world's largest retailers, with over 530,000 colleagues, we serve millions of customers a week in our stores and online

Europe

£9.3bn
Revenue±

£329m
Trading profit





(5.5)%
Revenue growth±

(37.8)%
Trading profit growth

94,712
colleagues

1st or 2nd
in five markets

1,507
stores

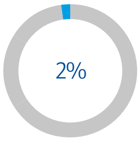
Over 7m
loyalty scheme members

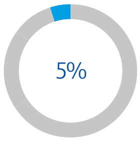
- Customers affected by severe economic conditions
- Slovakia and Hungary proved more resilient
- Successfully launched online grocery businesses, now in all of our Central European markets

Tesco Bank

£1.0bn
Revenue±

£191m
Trading profit





(2.2)%
Revenue growth±

(15.1)%
Trading profit growth

3,390
colleagues

£6.0bn
savings deposits

6.6m
customer accounts

- Successfully transferred all of our customers onto our own platforms
- Launched our first range of mortgage products in August
- Launched ISAs and Junior ISAs in November

Our year in review

Summary financial statement

Find out more online

Go online to find out more, hear from our leadership team and explore our businesses in more detail. You'll find PDF and Excel downloads of our financial statements too. Visit www.tescoplc.com/ar2013.

Chairman's statement

Sir Richard Broadbent Chairman

"It has been a year of addressing long-standing business issues; bedding in management and governance change; and laying the foundations for sustainable future growth. In all these areas I believe the Company has responded with energy, skill and application and we have made progress."

▶ Visit www.tescoplc.com/ar2013 to hear more from Sir Richard Broadbent and other members of the leadership team.

This time last year, I referred to the business going through a transition and said:

"We will continue in 2012/13 to address long-standing business issues in the UK and elsewhere in order to secure future prosperity as well as ensuring that our financial and human resources are developed and deployed where they are able most effectively to generate future growth and returns."

This is what has been done. It has been a year of addressing long-standing business issues; bedding in management and governance change; and laying the foundations for sustainable future growth. In all these areas I believe the Company has responded with energy, skill and application and we have made progress.

Business issues
One of the greatest challenges for a business is to face itself honestly. It is also the mark of a quality business that it can do so, since the capacity to name issues is the essential first step towards addressing them.

The decisions to seek a sale of the US business and to call an end to the UK space race in large stores reflect this. As with the decision last year to reinvest in our UK business, they reflected a long, hard look at where the business needs to devote its energy and resources to create sustainable value; and a willingness to face up to tough decisions to do this.

Some of these decisions had painful short-term consequences. The early signs are that the decision to reinvest in the UK is strengthening the business and we believe the steps we have taken in the US and in respect to UK property will similarly underpin a sustainable, profitable future, notwithstanding the accounting write-downs we have had to take this year as a consequence.

Bedding in management and governance change
The year has also seen a generational transition in management. This is not a surprise when there has been a relatively unchanged management team in place for a substantial time and we are fortunate in Tesco to have a substantial depth of talent to draw on from around the world. It is striking how many of the executives taking on new and enhanced responsibilities bring international as well as extensive UK experience to their roles, reflecting the breadth of Tesco's business.

A largely new Executive Committee has been developed under Philip Clarke's leadership. Many talented, and widely experienced, younger executives are getting to grips with new responsibilities with skill and enthusiasm. Similarly in the UK business, a substantially new leadership team with a wide diversity of experience and skills is in place under a new Managing Director.

Chairman's statement continued

The Board also has been reshaped during the year. We now have a smaller Board, of ten, with a different balance of Executives and Non-executives. Three Executive Directors – Andrew Higginson, Tim Mason and Lucy Neville-Rolfe – have left the Board since our last Annual Report and we are grateful for all that they have contributed to Tesco over many years. The Group Executive Committee rather than the Board is now the focus of operational business oversight, allowing the Board to focus on a more strategic agenda.

We have also seen Karen Cook and Ken Hydon, two long-serving Non-executives, retire after nine years on the Board and we extend our thanks to them for their contributions. Liv Garfield, Chief Executive of BT Openreach, joined the Board as a Non-executive Director on 1 April 2013.

Laying the foundations for future growth

As immediate operational business issues are addressed, our attention can turn increasingly to the strategic judgements that will determine Tesco's prosperity and value for shareholders over the next decade. Our strategic choices are defined by three parameters: the strength of the Tesco brand; the internet and all the associated developments it is driving; and the potential to leverage our skill and scale internationally.

All retailers must decide how to position their businesses relative to the rapid development of the internet which, together with social media, is changing both how consumers choose to shop and what they expect from a retailer that aspires to serve them. This creates both opportunities and challenges which Tesco needs to understand and respond to, both in terms of offering more diverse ways for customers to shop and by forging more personal, customised relationships with its customers.

Internationally, we have the potential to create value for shareholders by leveraging our skill and scale into relatively high-growth economies with less well-developed retail sectors. The key to unlocking this value is discipline in how opportunities are approached and flexibility, drawing on the lessons of experience, in how they are developed.

At the same time, and driven by many of the same factors, brand and reputation will become ever more critical points of differentiation as the internet continues to broaden access and choice for consumers, and as consumers themselves develop expectations about levels of choice, service and, increasingly, behaviours that match their own values and aspirations.

Against this background, the investment choices we make over the next few years as we develop Tesco as an international multichannel retailer with strong brands and a distinctive identity appreciated by customers, are and will continue to be critical judgements for the Board as it seeks to secure long-term returns for shareholders.

We will approach these choices within a framework of rigorous capital discipline. A company like Tesco will often appear to have multiple short-term opportunities to invest, but sustained returns depend on a rigorous judgement about both the quantum and allocation of capital over time. As we made clear in our Preliminary Results announcement in April, this is a discipline that now informs all that we do.

Financial results

The financial results for the year reflected the steps being taken to ensure that we can deliver sustainable and attractive returns and long-term growth for shareholders. Hence, while we continued to see sales growth, of 1.3%, Group trading profit was down (13.0)% on last year and underlying profit before tax down by (14.5)%, reflecting our previously announced investment in the shopping trip for customers in the UK, in addition to the impact of regulatory restrictions on opening hours in South Korea and the effects of deteriorating economic conditions, particularly in Central Europe. Statutory profit before tax fell by (51.5)%, due to the impact of a number of significant but one-off charges related to the important steps we are taking to reshape the business, including a write-down of our UK property following an in-depth review of our forward pipeline, our exit from the US and goodwill impairment of businesses in Poland, Czech Republic, and Turkey.

Return on capital employed ('ROCE') decreased during the year as expected, reflecting the impact of the decline in trading profit as described above. Prior to the impact of one-off charges, Group ROCE was 12.7%. We continued our long record of strong dividend payouts to shareholders, with the full year dividend maintained at 14.76p.

I would like to extend my thanks, on behalf of the Board, to everyone in Tesco who in an exceptional year has, as always, striven to anticipate and meet the needs of our customers while all the time retaining a sense of perspective, sometimes a sense of humour and always a sense of respect for others. They are a great group of people and we are lucky to have them.

Sir Richard Broadbent Chairman

Report from the Chief Executive

Philip Clarke Chief Executive

"I've worked in retailing for nearly 40 years but never in that time has there been a period of such profound and rapid change as I see today. The digital age is transforming not just the way people shop, but also the way they live their lives."

I am pleased to have this opportunity to report on the past year, during which we have taken some significant business decisions and laid down some important building blocks for the future.

I will share my perceptions of the year under the following headings:

- The wider context – adapting to lead the digital future
- The business in 2012/13 – a year of transition
- Setting financial disciplines for the future
- Driving future growth and returns
- Culture
- Management

The wider context – adapting to lead the digital future
It has been clear for some time that we are seeing a seismic shift in our industry and its pace is accelerating. In 2012 global e-commerce activity reached $1 trillion. I've worked in retailing for nearly 40 years but never in that time has there been a period of such profound and rapid change as I see today. The digital age is transforming not just the way people shop, but also the way they live their lives.

The opportunities this is creating are exciting. It provides the potential for Tesco to make customers' lives easier; to enable them to shop in whichever way suits them best; and it enables us to offer them new products and services.

This plays to our strengths. Since Tesco was founded, we have always been pioneers and innovators in retailing. Our central focus, our culture, is and has been to lead in understanding and delivering what customers want, in the way they want it, at the time they want it.

Uniquely among our peers, we have a profitable dotcom grocery business. From drive-through Grocery Click & Collect in the UK to our virtual shopping walls on the subway in South Korea, we are introducing exciting innovations to improve the customer shopping trip. Thanks to Clubcard and dunnhumby we have unique insights into how our customers' behaviour is changing. Our new conversation with customers – through a variety of channels – is about listening to what they want, to how they're living their lives today, and then adapting and building the business accordingly: as we have said for years, 'Every Little Helps'.

▶ Visit www.tescoplc.com/ar2013 to hear more from Philip Clarke and other members of the leadership team.

Report from the Chief Executive continued

"A truly multichannel business – one which offers customers the ability to shop anywhere, anyhow and any time – will be more likely to become a winner in the new era than one which concentrates purely on one channel or another."

So we are exceptionally well-placed to thrive in this new era of retailing. However, to grasp the opportunity we must adapt because it will require a different type of business, with a different type of relationship with our customers, and a new set of capabilities.

We have already begun this process of adaptation.

A year ago, I signalled the end of the space race and a change in focus. I indicated that our future investment would be less about new large stores, and that it would be more focused on multichannel retailing and on smaller formats.

A year on, I am even more certain that this is the right approach for us to take. The future of retailing is multichannel because, in this increasingly complex and volatile world, consumers are looking for simplicity and for brands they can trust. A truly multichannel business – one which offers customers the ability to shop anywhere, anyhow and any time – will be more likely to become a winner in the new era than one which concentrates purely on one channel or another.

Our stores are a vital part of this multichannel vision. Tesco has a superb portfolio of well-located stores in all of our markets, but adapting to a digital future means harnessing this great asset to the changing requirements of the digital age. This will require rethinking how we use the space in our stores, how we offer and deliver what we sell, how we interface with our customers and much else besides. I will return to the specifics of what we are doing in some of these areas below.

The business in 2012/13 – a year of transition

This year's performance was principally the result of three things in combination:

- the decision we took in early 2012 to reset our margin in the UK and invest £1 billion in improving our offer for customers;
- the continuing economic challenges our customers around the world are facing, particularly in and around the Eurozone; and
- the impact of legislation restricting opening hours in South Korea, our largest market outside the UK.

I have reflected on the work we have done over the first two years of my tenure as CEO and it is clear to me that much of our effort has been about removing barriers to progress. The business has delivered many years of growth and good returns, but was in danger of being inhibited from further sustainable progress by an attachment to initiatives and strategies which, while they served us well in the past, need to be adapted to deliver growth in a more economically challenged and rapidly changing world.

Consequently we have had to tackle a number of issues which needed to be addressed before we could move the business forward. This work has entailed some tough and at times painful decisions and while it is not finished, I am confident we have already tackled the biggest issues.

These changes were often difficult to face up to, complex to implement and they have required a great deal of hard work by many people, some of whom have been directly affected by the decisions. By way of reminder, in a little over 18 months we have:

1. Decided to exit markets in which we saw no prospect of acceptable investment returns in an appropriate time frame – Japan and the United States;
2. Devised and progressed the comprehensive £1 billion investment plan to 'Build a Better Tesco' in the UK, resetting our margins to fund the scale and pace of change required;
3. Put an end to the big store space race – placing a much greater emphasis on growth through both digital and convenience retailing, wherever we operate;
4. Reviewed our entire UK property pipeline to ensure it is appropriate for our future needs and valued accordingly. Going forward this will mean less capital commitment to property development and also less asset divestment;
5. Reflected the new global economic reality by reviewing and moderating the rate of expansion in some large economies such as China and sharply reduced spending in some of our European markets; and

6. Focused Tesco Bank on the smooth migration of customer accounts to our platforms, strong governance, risk management and increasingly on preparing it for its key role in our multichannel future.

These decisive actions are necessary in order to ensure sustainable longer-term growth. I am acutely aware that withdrawing from the US and writing down the value of property developments no longer appropriate for the future have had a significant impact. It is time to act and I believe this work has cleared the way for the business now to move forward.

Having tackled these issues, Tesco is a more focused business, which can apply all of its considerable resources and energies to meeting the challenges and grasping the opportunities created by the changes taking place in our industry today. These actions may have been the most visible, and therefore the most tangible, signs of change to the outside world but within Tesco we've been making other important changes to prepare the business for the future – putting it on track for sustainable growth and returns.

Setting financial disciplines for the future
Not only have we started on the journey of transforming our business to enable it to move forward as a leader in the new digital world, we are also fundamentally changing the financial profile of the Group.

The Tesco of the future will pursue more focused growth, consume less capital and generate more free cash flow. Making this transformation in all its aspects will of course not be without its challenges – and the clearest evidence of this can be seen in the first reduction in profits of the Group for two decades, which we reported on in April.

Everything we are doing reflects my determination to deliver shareholder value, an appropriate balance between investing for future growth, and delivering sustainable returns for our shareholders. I want to be very clear: if there is one lesson to be learned from the past it is the importance of capital discipline and this marks the start of a new era of capital discipline in Tesco.

We are confident we can deliver attractive and sustainable returns within a framework where capital expenditure falls to around 3.5% to 4% of sales.

For our investors, this means they can expect mid-single digit trading profit growth and return on capital employed within a range of 12% to 15%.

The fundamental change in our approach to new space I described earlier also has implications for our sale and leaseback programme. Two years ago, we reviewed the programme and announced a steady reduction in the level of divestments, in order to ensure that any property profits released were matched to the level of new profit created by development activities. Given that we have significantly reduced the amount of these activities going forward, we believe that it is appropriate to accelerate the scaling back of the sale and leaseback programme, such that it is unlikely to make a material contribution after the next few years.

The outcomes which we have laid out for investors will be achieved through disciplined investment, focused on those existing markets where we see the best opportunity for significant growth and returns.

Driving future growth and returns
For me as your CEO, driving sustainable growth within this new financial framework is about three priorities. These are not new areas for us but they each have the capacity to be the engines of growth for the Group for years to come:

(i) Continue to strengthen the UK business
(ii) Drive sustainable growth through multichannel leadership
(iii) Pursue disciplined international growth

Whilst the past year has not been without some significant challenges, we have made progress on these priorities:

"Everything we are doing reflects my determination to deliver shareholder value, an appropriate balance between investing for future growth, and delivering sustainable returns for our shareholders."

Report from the Chief Executive continued

"Having grasped the nettle and decided to reinvest in the UK business in early 2012, we have seen a pleasing response from customers – and consequently the performance of the business is now markedly better."

(i) Continue to strengthen the UK business

A year ago we announced a plan to 'Build a Better Tesco' in the UK. In last year's Annual Report I described how getting our business at home back to leading was the single most important objective for Tesco. Having grasped the nettle and decided to reinvest in the UK business in early 2012, we have seen a pleasing response from customers – and consequently the performance of the business is now markedly better. The 'Building a Better Tesco' plan is firmly on track.

I am proud of the work our teams have done to improve the look and feel of certain stores, to develop new products and to reformulate existing product ranges, whilst delivering better service and availability for customers. We want to be the best value, most convenient and integrated, most relevant and personalised retailer and we are making good progress.

We invested £200 million to have the equivalent of 8,000 more colleagues in-store and also provided customer service and specialist training for nearly 250,000 team members to help them serve customers better. Consequently, our customer ratings of service and staff helpfulness have improved and customer complaint numbers have fallen sharply. We have made a good start and there will be more progress in 2013. We refreshed 300 stores, representing almost a quarter of our space, delivering a warmer look and feel and better standards of presentation in our fresh food departments.

Our price image with customers has also improved, and we have supplemented our work on pricing with stronger, personalised Clubcard mailings and, more recently, the introduction of our Tesco Price Promise, which aims to reassure customers that they will never be disadvantaged on price when they shop with us. On ranging, the strong performance of the relaunched Everyday Value range has continued and we have put significant investment into improving 3,500 core Tesco own-label lines, with an emphasis on fresh food categories.

We have made fundamental changes to the way we communicate with our customers, with the most prominent early change being the appointment of a new lead advertising agency, Wieden + Kennedy. Our first new advertising campaign, which began last Christmas, was very well received by customers.

Our store strategy is 'Food First' which means a more targeted, less space-intensive approach to general merchandise in-store, with Tesco Direct becoming better equipped to offer customers the much greater breadth and depth of range that the online platform provides so well.

It also means other changes to our stores – such as clothing becoming more prominent and services taking more space. This means, for example, allocating more space to Click & Collect so that we are giving customers the compelling convenience of being able to order what they want online and pick up in-store.

Upgrading our in-store dining offer will also utilise more of our existing space. We aim to give customers shopping in our stores the kind of food experience they have when they visit shopping malls or high streets. We'll do this through the investments we have made in new family-friendly restaurants, coffee shops and artisan bakeries – such as Giraffe, Harris + Hoole and Euphorium. They will be increasingly available around our network of larger stores in the UK.

I've been particularly encouraged to see that the innovative spirit, that desire to be first for customers which made Tesco what it is, has also flourished in this period of rapid change. A good example of this is in our dotcom grocery business where the roll-out of our drive-through Click & Collect modules in 150 of our car parks helped our online sales grow 12.8% – which was faster than the market, in which we already have a high share. The launch of our Delivery Saver subscription service in May 2012 also contributed to our outperformance.

Our UK business is more competitive, performance relative to the market has improved and our margins have stabilised, as planned, and there is still much more to come. The scope for further improvement means that this objective remains our most important priority. I am pleased with the progress we've made, but I am equally pleased that we have the opportunity and plans for that progress to continue.

With the new UK management team now bedded in, in January this year I felt able to step back from the day-to-day running of the business, which I had assumed temporarily in March 2012. Chris Bush, who has over 30 years' experience in Tesco, has taken over the leadership as UK Managing Director.

The strategic importance of Tesco Bank to the Group is being increased by the impact of the internet on the way our customers shop – and I believe it is a key part of our multichannel future. It will provide the means for more and more of our customers to transact online using Tesco financial products. Several years of infrastructure build and the wider challenges that the whole banking sector has had to deal with – from more careful management of risk to PPI claims – have held back performance. The Bank plays an important role in driving increased loyalty for Tesco and we are giving even more focus to delivering the best possible products and prices to our Clubcard customers.

(ii) Drive sustainable growth through multichannel leadership

I believe establishing multichannel leadership – combining digital and online seamlessly with our existing excellent physical store network – is going to be critical for our future success. We've made good progress – we're the largest internet retailer of food in the UK and we're getting bigger and better in clothing and general merchandise – but the opportunities remain huge.

The judgements we make today about how we respond to the new digital era will profoundly affect the kind of business Tesco becomes in the years ahead. The internet and social media are rapidly changing the way people live their lives; the way they shop and what they expect from us – not just in terms of goods and services, but also what we stand for and how we contribute to society.

The speed of that change is accelerating and if we are to lead this revolution in our industry, I believe we must move faster and embrace it.

Calling an end to the big store space race and beginning a move to refocus our investment away from large stores, particularly hypermarkets, to convenience and online has been followed by an accelerating pace of change over recent months in all our businesses and geographies. For example, we are increasing our investment in technology and £500 million of our total capital spend will be devoted to technology, enabling us to create a seamless blend between our stores and online businesses.

A good example of this change in emphasis is blinkbox. We are already one of the leading retailers of films, TV series, music and books in the UK. Given the rapid pace of change in the way customers are buying entertainment products, we have been working to develop a range of new digital services. In March 2013 we launched Clubcard TV using the blinkbox platform, a free service providing family-friendly films and television series to our most loyal customers. In the next few months, we will be launching blinkboxmusic and blinkboxbooks, demonstrating our commitment to providing the very best entertainment as easily as possible for our customers.

Going forward, we will be applying this thinking and experience to our international markets around the world.

"The strategic importance of Tesco Bank to the Group is being increased by the impact of the internet on the way our customers shop – and I believe it is a key part of our multichannel future."

"Given the rapid pace of change in the way customers are buying entertainment products, we have been working to develop a range of new digital services."

Report from the Chief Executive continued

(iii) Pursue disciplined international growth

The single most important step we took in 2012/13 in our international business was to launch a strategic review of Fresh & Easy in the United States and in April we confirmed our decision to exit the market. This was not a decision lightly reached but in keeping with what I have said about the need to move the business forward, and to do so in a disciplined way – the US business simply did not offer the prospect of acceptable returns in an appropriate time frame.

Whilst the process of exit is ongoing, and as such the full financial effect of it is yet to be fully determined, we have written down the assets of the business and booked provisions for future liabilities – which together have impacted profit after tax by £(1) billion.

Fundamentally, we invest overseas because we have the opportunity to generate returns by using our skill and scale in high-growth economies, where retailing is less mature, to build substantial market positions and strong consumer franchises.

This opportunity is unchanged and exploiting it remains an important element of our strategy. We have had success – 32% of our sales and 29% of our profit now comes from outside the UK, and we have market-leading businesses in eight of our 11 international markets. Over two decades of international development we have learned a huge amount about what works and what doesn't – getting the pace and scale of expansion right for local conditions, getting the balance right between local front-end, global skills in sourcing and logistics and being ready to partner where appropriate. Utilising this knowledge is critical to driving future returns from our international business.

"We will stay focused for the foreseeable future on our existing markets, and on allocating significant capital only where we see very good prospects of strong investment returns."

Looking forward, these lessons will guide our approach to internationalisation. We will stay focused for the foreseeable future on our existing markets, and on allocating significant capital only where we see very good prospects of strong investment returns. And where we do invest, it will be with a clear emphasis on lower capital intensity routes to growth such as convenience and online.

I have categorised our countries into three groups to explain what this approach means in practice:

- In Thailand, South Korea and Malaysia, where we have strong market positions and economic growth remains more robust, our businesses have substantial further potential for growth. These markets continued to deliver excellent performance in 2012/13, although the headline growth was obscured by the c.£(100) million profit impact of legislation to restrict large store shopping hours in South Korea. Looking forward, the opportunities to build on our already strong positions in these fast-growing economies remain compelling and are therefore our highest international priority.
- In the European markets where we have solid, in some cases, market-leading businesses, but where the economic backdrop has been damaging to performance, our emphasis will be on holding our position, driving further benefits of skill and scale and making targeted investment in specific opportunities, such as online and convenience retailing. At present, the economic context remains unfavourable with continued recession and austerity in all of our markets – the Republic of Ireland, the Czech Republic, Hungary, Poland and Slovakia. Long term, these remain fundamentally attractive markets for Tesco both as growth markets and as markets where multichannel retailing is still in its infancy.
- In China, Turkey and India, which are exciting long-term growth opportunities, we will push on – but carefully – adopting a steadier pace of growth that is, importantly, more cautious about capital allocation. Our model in India is to work with the Tata Group, and we are unable to commit our own capital under current regulations. However, the model works, we like our partner and we are learning a lot about the market. We will commit new capital to China and Turkey, but only for those opportunities that pass our rigorous investment appraisal targets. We will be committing less capital in the coming years than we have done in the past – at least until we can demonstrate a significant step forward towards our objective of stronger returns.

Capitalising on the multichannel opportunity in all these markets will be a core part of our long-term planning. We are already moving much faster to roll out grocery home shopping – which is now in eight international markets and we plan to launch in China later this financial year.

Culture
For a consumer business above all, what you represent is critical and it is right that we should be responsive and open about our Values and what we stand for. We should actively manage them just as we manage other parts of our business.

We have completed a thorough review, looking at whether our Core Purpose and Values are all that we need in this new world and at a time of change. We have concluded that we need to encourage some changes to ensure it is clear to everyone at Tesco and beyond that we will put more back into society than we take out. You will find a lot more about this over the page and in the Tesco and Society Report.

Today, our brand must be about more than simply function. It's about the way we work, the values we live by, the legacy we leave. We can't solve the world's problems but we want Tesco to always do the right thing, to inspire and to earn trust and loyalty from all our stakeholders.

And we are putting some clear ambition into changing things for the better in areas where we can make a difference because of who and what we are:

- First, we are going to focus our attention on young people wherever we are in the world. We are a major global employer, which means we understand how to provide opportunities for people in their working lives. So we want to use that to help millions of young people who are worried about their future and are uncertain how to get a foothold in the world of work.
- Second, we're going to help and encourage our colleagues and customers to live healthier lives and through this help to tackle the global obesity crisis.
- Third, we're going to lead on the challenge of reducing food waste globally. 'Waste not, want not' is at the heart of 'Every Little Helps'. So it is natural for us to want to take a leading role in preventing the enormous quantities of food going to waste every day around the world.

I believe that by applying our skills and resources – our scale – to these areas, Tesco can make a difference and make things better.

Management
I am delighted to say that underpinning all of our drivers of growth – UK, multichannel and international – is the strength of the new management team we have created. Our new Executive Committee draws on the potential of the strongest, most experienced leaders within Tesco, complemented by some first-class external appointments in key disciplines. I am confident that the team we now have in place has the skills, experience, creativity and drive to deliver our ambitions.

All of these changes are the result of my determination to ensure that Tesco is a company that delivers shareholder value – but one that does so by delivering what matters to all our stakeholders.

Philip Clarke

Philip Clarke Chief Executive

"Today, our brand must be about more than simply function. It's about the way we work, the values we live by, the legacy we leave."

Core Purpose and Values

Our Core Purpose is a clear and simple statement of what we do and what we stand for:

We make what matters better, together

Our Core Purpose is a clear and simple statement of what we do and what we stand for. It has been the same for many years but the time has come to update it.

Our Core Purpose needs to reflect how much society has changed in recent years – more scepticism about corporations, more desire to see business demonstrate it has a purpose beyond profit, a sense that large companies should be contributing more to tackling some of the big challenges. The world has changed from a culture of 'more is better' to 'making what matters better'.

That's why we've changed our Core Purpose – this profound shift in society must be reflected in the way we think and behave as a business. Today, our brand must be about more than simply function. It's about the way we work, the values we live by, the legacy we leave. We can't solve the world's problems but we want Tesco to always do the right thing, to inspire and to earn trust and loyalty from all of our stakeholders.

Our Values help us to understand how to put this into practice:

1 No one tries harder for customers

- Understand customers
- Be first to meet their needs
- Act responsibly for our communities

Understanding people – customers, colleagues, communities – and what matters to them, and then trying to make those things better, is at the heart of Tesco. It's about listening to people and talking to them using all the tools at our disposal – from Clubcard data to social media – and then acting by changing and innovating to meet their needs.

2 We treat everyone how we like to be treated

- Work as a team
- Trust and respect each other
- Listen, support and say thank you
- Share knowledge and experience

We know that looking after our colleagues in a culture of trust and respect is essential to the success of Tesco. Where colleagues feel recognised and rewarded for the work they do together, where they have the opportunity to get on and where they are supported in their development as they move through their careers in the business – they in turn try their hardest for customers.

3 We use our scale for good

- Creating new opportunities for millions of young people around the world
- Helping and encouraging our colleagues and customers to live healthier lives and through this helping to tackle the global obesity crisis
- Leading in reducing food waste globally

Our scale means that we can provide affordable, high-quality food to people around the world and create value for customers. We want to use this scale to create greater value for society as a whole. In many ways we do this already, whether it's by creating thousands of jobs or working with thousands of farmers to provide world-class products. But now we want to scale up our efforts and make a positive contribution to some of the most pressing challenges facing the world.

Our new Core Purpose is: **We make what matters better, together**. It is true to where we came from but more relevant to today and to the kind of company we want to be.

Since we first introduced our Tesco Values more than a decade ago, they have become a vital part of our culture – and an essential underpinning of our growth and success. They ensure that every person at Tesco understands what is important – about how we work together as a team and how customers are at the centre of what we do. They are universal values, which have helped guide our people as Tesco has grown into new markets and new countries.

And as with our Core Purpose, we have had a hard look at whether the Values are all that we need in this new world and at a time of change – and we've concluded that we need a new Value, one that makes it clear to everyone at Tesco and beyond that we will put more back into society.

Our new Value is: **We use our scale for good**. Tesco is now a large company, touching millions of people's lives every day. This scale gives us an opportunity to make a positive difference to some of the biggest challenges facing the world. We've set three big ambitions in areas where we can make a real contribution and create value for society as a whole. Our new Value is also about building on the essential work we already do as a responsible corporate citizen.

Vision and Strategy

Wanted and needed around the world

We see it as essential not only to be the shop of choice for customers but also the place people want to work, a business that communities welcome and the retailer in which every shareholder wants to invest.

A growing business, full of opportunities

Whether it's food or general merchandise, books or digital entertainment, banking or eating out, our business is full of opportunities for both customers and colleagues. We want our business to offer something new every time.

Our Vision sets out what we want to be:

In any business, clear direction is vital. Our Vision guides the direction and the decisions we take as an organisation. Tesco is a company built around customers and colleagues, high-quality assets around the world and multiple opportunities for growth – and these characteristics are central to our Vision for the business.

We want Tesco to be the most highly valued business by: the customers we serve, the communities in which we operate, our loyal and committed colleagues and of course, our shareholders. For these things to be possible, our Vision for the business has five elements – each of them describes the sort of company Tesco aspires to be.

Modern, innovative and full of ideas

Tesco's success has always been based on trying to understand customers' needs better than anyone else – and then innovating to make their lives that little bit easier. This attitude, which brought online grocery shopping, extended shopping hours, Finest, Everyday Value, a range of formats from Express to Extra – and all the other things that make us who we are – is as central to our Vision now as it ever has been.

Winners locally whilst applying our skills globally

Retail is local because cultures, tastes, climates, regulations are all different. But the core skills that we have learned in one place can be applied in others. For example, setting up our grocery home shopping operations from scratch in eight international markets across the Group wouldn't have been possible without what we've learned in the UK.

Inspiring, earning trust and loyalty from customers, our colleagues and communities

We want Tesco to be a company that earns trust, not just respect, through everything we do – be it our in-store shopping trip, our Price Promise, or our determination to assure customers on food quality. We want to be a business that customers, colleagues and communities trust and are loyal to.

Our Strategy reflects our priorities as the business grows and customers' needs change:

We have a well-established and consistent seven-part strategy for growth, which reflects the way consumer needs are changing and the increasingly global nature of our business – and of course driving it forward is critical to our success over the coming years.

To grow the UK core

To grow the UK core, the largest business in the Group and a key driver of sales and profit, is a priority. Our 'Building a Better Tesco' plan has been restoring growth to the business through a comprehensive series of improvements for customers.

To be an outstanding international retailer in stores and online

We have established profitable businesses in Asian and European markets. Today, 32% of our Group sales and 29% of profits are made internationally and our goal now is to take the performance of these businesses to higher levels.

To be as strong in everything we sell as we are in food

Food is our heritage but as the business has grown and diversified over recent years, we have added an ever-wider range of products and services in-store and online, bringing Tesco value and quality to many more categories.

To grow retail services in all our markets

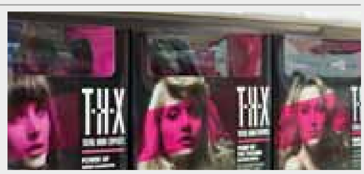
Consumers are increasingly spending a bigger proportion of their income on services – whether it is in telecoms, eating out or financial services. In the UK, we have built some strong, successful new businesses and our ambition now is to take that experience to all of our markets.

To put our responsibilities to the communities we serve at the heart of what we do

The changes we have made to our Core Purpose and Values to reflect Tesco's wider social purpose are clear signals that we put our responsibilities to the communities we serve at the heart of what we do.

To be a creator of highly valued brands

Brands are about giving customers confidence in the quality, value and reliability of the things we sell. We aim to be a creator of highly valued brands across our offer, whether it is Finest, F&F or Tesco Bank.

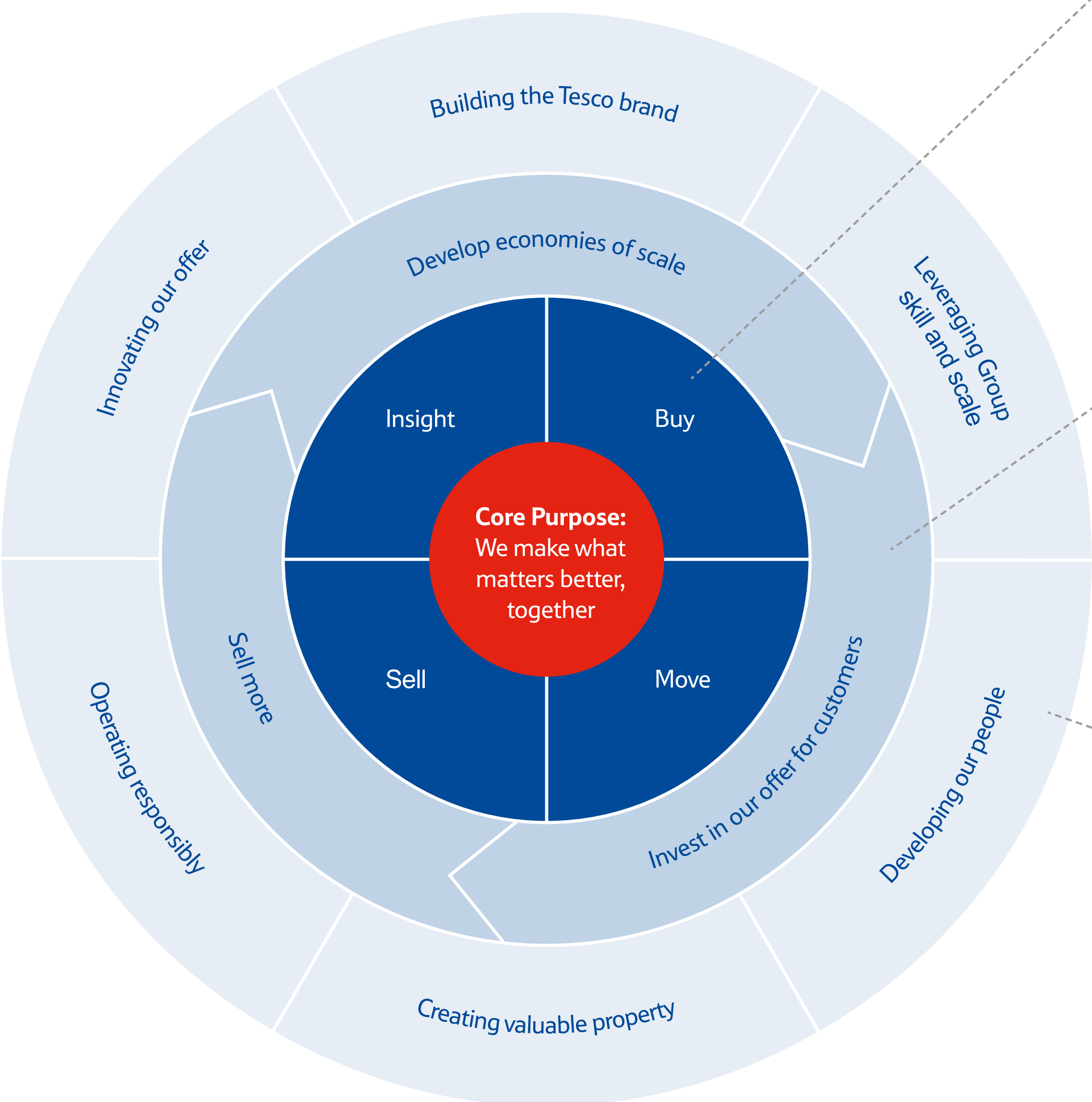


To build our team so that we create more value

As Tesco continues to grow and diversify we need more leaders to run the broad range of businesses, operations and support functions. We are investing in the development of more leaders and a bigger, more diverse talent pool to support the growth of the Group.

Business Model

Our Business Model is how we put our Strategy into action:



Our core activities

Like all retailers, we buy, move and sell products and services for our customers. They rely on us to do these things consistently well and we strive to do them better, more simply and more efficiently each time.

We have convenient, well-invested store and distribution networks, with a skilled and experienced team and modern systems designed to help us do this reliably – as well as growing capability and scale online. This operational effectiveness is at the core of the Tesco business model.

Winning loyalty is also about looking constantly at ways to do things differently and innovating for customers so that our offer doesn't stand still. Innovation comes from insight and insight starts with listening.

We try to work out what matters to customers by talking to them – and the conversation goes on all the time, in all our businesses, in stores and online, whether it is through our regular customer question time sessions or social media feedback. Customers tell us what's important to them – when we're doing well and, even more importantly, when we're not. Coupling that feedback with the data we get from Clubcard and the analysis we apply from dunnhumby – and then acting on the result – is what Tesco is all about.

The virtuous circle

Striving for continuous improvement in operations and in the shopping trip, as well as staying close to customers, are fundamentals but the engine of the Tesco business model has always been a combination of scale and growth.

This remains just as true today in an environment where growth across many markets is harder to come by. Tesco may only be as successful as a customer's last shopping trip but our scale and how we use it are very important to how we create value.

Buying well and selling efficiently are essential in order to be competitive for customers. When we combine these really well, we deliver a great offer and customers reward us with more of their business. The more we sell, the more we are able to work with our suppliers to achieve mutually beneficial economies of scale, which in turn creates room to invest more for customers – in products, categories and businesses.

This has served the business well over many decades – but in our business in the UK we stepped off the virtuous circle when the recession hit. We didn't put enough back in for customers at a time when they were under pressure – and our performance and reputation felt the effect. We recognised the need to change, and last year we chose to reduce and reset our own margin to fund substantial investment in improving the shopping trip for customers and to move the business towards stronger growth.

The key enablers

The core elements of the business model have six key enablers – including, for example, leveraging Group skill and scale and innovating our offer – which maximise the potential of the core activities and ensure that what we do is sustainable.

Transferring know-how, new systems and processes around the Group has become a regular part of how we do things based on the principle of 'invent once, deploy everywhere'. As our leadership group – which numbers over 500 directors – gains even more experience in multiple markets, new technologies and approaches can be introduced quickly and cost-effectively. Loyalty and own-label programmes, format expertise and online trading platforms are all current examples of Tesco leveraging Group skill and scale.

As keeping pace with changing consumer shopping patterns – what they buy, how, where and when they shop – becomes ever more demanding, staying close to our customers means that we are well-placed to see and to grasp the opportunities to innovate. For example, we spend a lot of time applying new technology in-store so that we can improve the shopping experience for customers. A good example is Scan as you Shop – now in 100 stores – which allows customers to scan products as they put them into the trolley, see how much they are spending as they go, and reduce their waiting time at the checkouts.

Key performance indicators

Group performance

Growth in underlying profit before tax

(14.5)%

09/10	10/11	11/12	12/13
8.7%	12.3%	2.1%†	**(14.5)%**

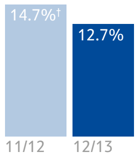
Definition
Our underlying profit provides information on the underlying trend and performance of the business. It is adjusted for a number of (non-cash) accounting adjustments and one-off costs.

Performance
Our year-on-year performance in underlying profit before tax reflects a number of factors – mainly our planned investment into the UK business, the regulatory changes in South Korea and the impact of challenging economic conditions in Europe.

† The 2011/12 figure including the US was 1.6%.

Return on capital employed ('ROCE')

12.7%



Definition
ROCE is a relative profit measurement that demonstrates the return the business is generating from its gross assets.

Performance
ROCE decreased during the year, reflecting our trading profit performance.

† The 2011/12 figure including the US was 13.3%.

Growth in underlying diluted earnings per share (at a constant tax rate)

(14.0)%

09/10	10/11	11/12	12/13
7.7%	10.8%	2.6%†	**(14.0)%**

Definition
Underlying diluted earnings per share ('EPS') is the amount of underlying profit, adjusted for the number of shares in issue.

Performance
The fall in underlying diluted EPS reflects the reduction of earnings this year. We have maintained the proposed full year dividend per share despite this, demonstrating our confidence that the steps we have taken in 2012/13 will set the Group on track to resume growth.

† The 2011/12 figure including the US was 2.1%.

Group financial ratios

Total shareholder return ('TSR')

22.5% 1 year

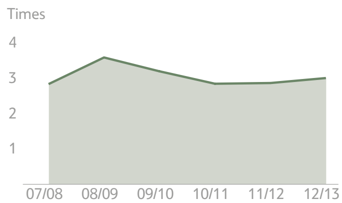
2.1% 5 year

	09/10	10/11	11/12	12/13
1 year	30.4%	(0.2)%	(18.7%)	**22.5%**
5 year	9.5%	6.7%	(3.0%)	**2.1%**

Definition
TSR is the notional annualised return from a share: the percentage change in the share price, plus the dividends paid and reinvested. For example, five-year TSR for 2012/13 is the annualised growth in the share price from 2007/08 and dividends paid and reinvested in Tesco shares, as a percentage of the 2007/08 share price.

Performance
TSR increased this year, reflecting the effect on our share price of increased investor confidence since last year's decision to invest significantly in our customer offer in the UK.

Net indebtedness



Definition
Net indebtedness shows debt in relation to operating cashflow ('EBITDAR'). Debt is adjusted net debt, calculated as net debt, the pension deficit and the net present value of lease obligations.

Performance
Net indebtedness has risen despite a reduction in net debt, due mainly to the decline in EBITDAR driven by our investment in the UK, the regulatory impact in South Korea and challenging economic conditions, particularly in Central Europe.

Gearing

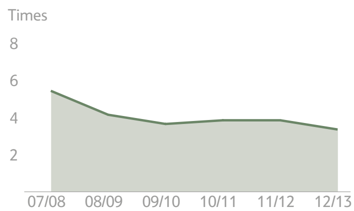
39.6%

09/10	10/11	11/12	12/13
54.0%	40.8%	38.4%	**39.6%**

Definition
The proportion of net assets financed through debt rather than equity, calculated as net debt divided by total equity.

Performance
Our gearing remained relatively flat reflecting our stable debt position and our growing investment in assets.

Fixed charge cover

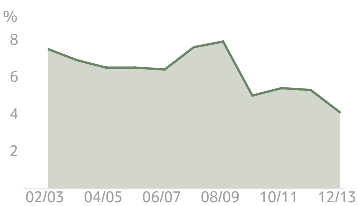


Definition
The number of times that our operating cash flow ('EBITDAR') covers our debt obligations (largely rent and interest payments).

Performance
Our fixed charge cover decreased slightly due to the decline in EBITDAR and rent increases.

Capital expenditure ('capex') as % of sales

4.1%



Definition
Capex is the investment in property, plant and equipment, investment property and intangible assets. This is divided by Group sales (inc. VAT, inc. petrol) to show a relative investment to sales.

Performance
This year we continued to reduce our rate of capital investment, focusing on less capital-intensive investments with higher returns, most notably online and convenience.

This year our capex was £3 billion or 4.1% of sales and fell year-on-year in every one of our reporting segments. Going forward, we intend to carefully and appropriately allocate capital within a range of 3.5% to 4% of sales.

More detailed definitions for our Group performance and Group financial KPIs can be found in the glossary on the inside back cover. All KPIs on pages 16 to 19 (apart from Gearing and TSR where it is not appropriate) exclude the results from our operations in Japan and the United States for 2011/12 and 2012/13, with the exception of Supplier Viewpoint, Donation of pre-tax profits to charities and good causes, and our Greenhouse gas ('GHG') emission reporting.

Group strategy

1. To grow the UK core

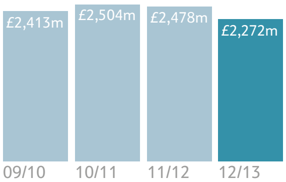
UK like-for-like (inc. VAT, exc. petrol)

09/10	10/11	11/12	12/13
2.6%	1.0%	0.0%	**(0.3)%**

Definition
The growth in sales from stores that have been open for at least a year.

Performance
We aim to continue improving like-for-like sales in 2013/14 through our 'Building a Better Tesco' plan. We expect the plan to continue delivering stronger like-for-like sales in 2013/14.

UK trading profit



Definition
The profit generated from the UK business in its retail operations.

Performance
UK profits declined, reflecting the £1 billion investment into the UK business to improve the shopping trip for customers.

Customer rating of overall shopping experience as excellent or good

79%
3% improvement on last year

Source: Marketing Sciences.

Definition
Percentage of customer ratings, measured in exit interviews.

Performance
79% of customers find their shopping experience excellent or good, and 98% find it reasonable, good or excellent. Through our UK Plan we have been improving customers' shopping experiences and this focus will continue in 2013/14.

Growth in UK online sales

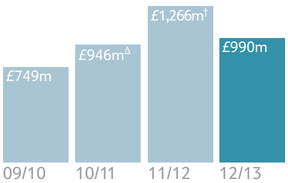
+10%

Definition
The year-on-year sales growth from total tesco.com and online telecoms.

Performance
Our online businesses are performing well and we are pleased with the UK sales growth. Our largest online business, grocery home shopping, saw increased sales growth of 12.8%, driven in part by the success of our Grocery Click & Collect roll-out and the launch of our Delivery Saver subscription scheme.

2. To be an outstanding international retailer in stores and online

International trading profit



Definition
The profit generated from our international businesses in their retail operations.

Performance
International trading profits declined, due to the c.£(100) million impact of regulatory restrictions in South Korea and challenging economic conditions, particularly in Europe.

Δ Re-presented to exclude Japan.
† The 2011/12 figure including the US was £1,113 million.

Proportion of customers pleased with their shopping trip

≥95%
in 6 markets

Definition
The number of markets where at least 95% of customers asked were very or fairly satisfied with their overall shopping experience – the top two ratings.

Performance
In six of our markets at least 95% of customers are very or fairly satisfied with their overall shopping experience, compared to eight* markets last year. We have seen a dip in some of our Central European markets and we have customer plans in place to improve the shopping trip in all markets.

* Re-presented to exclude the US.

Source: Country customer satisfaction tracker and Country image tracker.

Growth in international online sales

+46.5%

Definition
The year-on-year sales growth from our international online businesses.

Performance
We are pleased with the growth in online sales across the Group. We now have online grocery businesses in eight of our international markets, so would expect to see sizeable growth. We generated over £3 billion sales online for the Group as a whole for the first time.

Key performance indicators continued

3. To be as strong in everything we sell as we are in food

UK general merchandise, clothing and electricals range image

1st supermarket

Source: Marketing Sciences.

Definition
Our relative position among competitors, as rated by customers.

Performance
We have maintained our leading position amongst our supermarket peers, reflecting our efforts to create a compelling general merchandise range in-store, combined with the strengths of our online platform, Tesco Direct.

Proportion of UK customers buying general merchandise, clothing and electricals

36%

Definition
The average weekly proportion of UK Clubcard customers who bought a general merchandise, clothing or electricals item.

Performance
The proportion of customers buying general merchandise, clothing and electricals has remained broadly similar to last year. We continue to see subdued demand for discretionary items.

International general merchandise, clothing and electricals range image

9 markets – 1st or 2nd place

Source: Country image tracker.

Definition
The number of international markets where we are ranked first or second by customers for our general merchandise range.

Performance
We are ranked first, or joint first, for our general merchandise range image in eight of these nine markets. This is an improvement on 2011/12 when customers ranked us first, or equal first, in six markets, and reflects the strength of our clothing and general merchandise offers.

Proportion of general merchandise, clothing and electricals sourced as a Group

26%

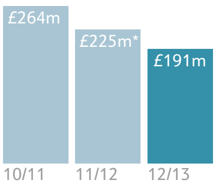
Definition
The proportion, by sales, of general merchandise, clothing and electricals we buy together, through our Group Commercial function.

Performance
Our performance on this measure is similar to last year, despite challenging economic conditions holding back general merchandise and electricals sales.

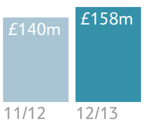
4. To grow retail services in all our markets

Bank profit

Trading profit



Profit excluding legacy income and fair value releases



* Re-presented to exclude PPI provision.

Definition
Trading profit measures the profit generated by Tesco Bank in its operations. It excludes the one-off impact of an increasing provision for customer redress payments including Payment Protection Insurance ('PPI').

Performance
Trading profit fell by (15)% impacted by the unwinding of the fair value provision – an accounting adjustment made at the time of acquisition in 2008 – and the run-off in legacy income from the Bank's insurance distribution arrangement with Direct Line Group, which terminated last year. Before these items, profits grew well and are up 13%, with a particularly pleasing performance in customer lending.

5. To put our responsibilities to the communities we serve at the heart of what we do

Reduction in CO_2e emissions from existing stores

09/10	10/11	11/12	12/13
8.5%†	4.6%†	3.9%†	**4.9%**

Definition
The year-on-year reduction in greenhouse gas emissions per square foot of sales area from existing stores built before 2006/07.

Performance
We reduced the CO_2e emissions from our stores built before March 2006 by 4.9% compared to last year, exceeding our target of 3.5%, helped by our continued focus across the Group on reducing refrigerant gas leakage. Last year, this KPI included distribution centres ('DCs') in addition to existing stores[Δ]. Using this definition, our performance this year is a 4.5% reduction. From next year, we will be measuring the cumulative reduction in CO_2e across all of our stores and DCs against a 2006/07 baseline – no matter when they were built. This will simplify our target and is consistent with our 2020 goal to achieve a 50% reduction in emissions per square foot. At the end of 2012/13, we had achieved a reduction of 32.5% towards this goal.

† These figures have been restated to exclude emissions from existing DCs and from our US operations.
Δ This change was set out in the 2011/12 CR report and the previous year's figures are adjusted accordingly. Additional information can be found at www.tescoplc.com/society.

Greenhouse gas ('GHG') emission reporting

This is a new addition to our Annual Report ahead of the upcoming UK legislation on mandatory greenhouse gas ('GHG') emission reporting that we expect to come into force later this year. This year our carbon footprint was 5.75 million tonnes of CO_2e. Our overall carbon intensity has decreased by 30% since 2006/07. For more information on our carbon targets, see the Tesco and Society Report, available online at www.tescoplc.com/society/report2013.

GHG emissions data for period 25 February 2012 to 23 February 2013

	Global tonnes of CO_2e		
	Base year 2006/07	2011/12	2012/13
Scope 1	1,390,756	1,465,494	1,418,798
Scope 2	2,790,259	3,587,747	3,764,068
Scope 1 and 2 carbon intensity (kg CO_2e/sq ft of stores and DCs)	51.66	36.47	35.12
Scope 3	320,510	524,639	566,941
Total gross emissions	4,501,525	5,577,880	5,749,807
Renewable energy exported to the grid	–	–	829
Total net emissions	4,501,525	5,577,880	5,748,978
Overall net carbon intensity (total net emissions kg CO_2e/sq ft of stores and DCs)	55.62	40.25	38.96

We have calculated our carbon footprint according to the WRI/WBCSD Greenhouse Gas ('GHG') Protocol. We follow the operational control approach and use emission factors from Defra/DECC's GHG Conversion Factors for Company Reporting 2012. For more information on our carbon targets and how we calculate our carbon footprint, including reporting standards, the definition of Scope 1, 2 and 3 emissions, and ERM's independent carbon assurance statement, see www.tescoplc.com/society/resources.

Supplier Viewpoint

71%

Definition
The percentage of positive scores from our annual survey of suppliers, Supplier Viewpoint, when we ask whether Tesco treats them with respect.

Performance
We were just behind our stretching target of 74% and we are confident that we have good plans in place to improve our performance in 2013/14 and beyond. We know that we will only succeed if we have strong relationships with our suppliers. We are launching a new Commercial Food Support Office and simplifying our systems to make it easier for suppliers to do business with us. We will work more closely with suppliers to develop joint business plans and recognise success through our Supplier Values Awards.

Donation of pre-tax profits to charities and good causes

£78.1m

Definition
Our contribution to charities and good causes through direct donations, cause-related marketing, gifts-in-kind, staff time and management costs.

Performance
We have donated £78.1 million to charities and good causes this year, compared to £74.6 million in 2011/12.

As a proportion of statutory profit before tax our donations represent 4.0% – an increase on last year's figure of 1.9% reflecting the decline in profits this year. This equates to 2.2% of underlying profit before tax, similar to 1.9% on the same basis last year. We expect to maintain a broadly similar level of contributions going forward with the percentage proportion returning to our usual historical levels in the coming years.

Total cash donations for 2012/13 were £22.2 million.

6. To be a creator of highly valued brands

Customer loyalty

8
markets – 1st or 2nd place

Source: Market research (GFK, Ipsos, Kantar).

Definition
The number of markets where we are placed first or second for the proportion of customers who do over 50% of their shopping with a single retailer.

Performance
Building customer loyalty is at the heart of Tesco and we are already ranked first in seven of our markets. This is an important indicator of the strength of the Tesco brand. We earn our customers' loyalty by delivering a great shopping experience and rewarding them for their custom. We now have loyalty schemes in each of our markets.

Group-wide own-label participation

38%
Tesco own-label brands

Definition
Own-label sales as a proportion of total Group sales. Own-label sales include Tesco brands (such as F&F, Finest or Venture brands) and unbranded products, such as produce. Tesco Bank and Tesco Mobile are not included.

Performance
Group own-label participation was stable in the year. Improving the range and quality of our own-label products is an important part of our plan to improve the shopping trip for customers in the UK. We built on the Everyday Value relaunch early in 2012/13 with range additions in September and made significant improvements in the core Tesco own-label range of products throughout the year. The strategy of improving our Tesco brands will continue in 2013/14.

7. To build our team so that we create more value

Colleague retention

91%
in the UK

Definition
The proportion of colleagues with over one year's service who have worked for Tesco in the UK throughout the year.

Performance
Our retention rate in the UK remains strong, up from 90% in 2011/12. This reflects our focus on creating good jobs and long-term careers, with excellent benefits and career development opportunities. It is also a reflection of our determined and ongoing efforts to make what matters to our colleagues better. For example, through our UK Plan we have made significant investments in training and equipment for our colleagues, supporting them to do their jobs.

Colleagues being trained for their next role

5.8%
across the Group

Definition
The proportion of colleagues who are on development programmes training for their next role.

Performance
Giving our colleagues the opportunity to get on at Tesco is very important to us and we are proud of our commitment to this area. This KPI measures the number of colleagues being trained for their next job through our dedicated 'Options' programme and we narrowly missed this year's increased target of 6% of colleagues. This measure doesn't include other development activities such as apprenticeships, A-level Entry Programmes and our Advanced Leadership Programme. Including these opportunities, almost 7% of colleagues across the Group benefited this year. In addition, we have also heavily invested in our colleagues in the UK this year through our 'Building a Better Tesco' plan. More than 250,000 colleagues in-store have received customer service training, with additional technical training for 36,000 colleagues.

Financial review

Laurie McIlwee Chief Financial Officer

£72.4bn

Group sales

£3.5bn

Group trading profit

35.97p

Underlying diluted earnings per share

14.76p

Full year dividend per share maintained

▶ Visit www.tescoplc.com/ar2013 to hear more from Laurie McIlwee and other members of the leadership team.

"As we adapt to ensure we deliver on our objective to be the best multichannel retailer for our customers, we are realistic in our approach to growth and returns. We can therefore offer clarity to shareholders about how we intend to deliver an appropriate balance of growth and returns in the years ahead."

Group results 2012/13 (on a continuing operations basis)

52 weeks ended 23 February 2013	2012/13	Growth (actual exchange rates)	Growth (constant exchange rates)
Group sales (inc. VAT)*	£72,363m	1.3%	2.5%
Sales growth exc. petrol		1.8%	3.1%
Group revenue (exc. VAT, inc. IFRIC 13)	£64,826m	1.4%	2.5%
Group trading profit	£3,453m	(13.0)%	(12.3)%
– UK	£2,272m	(8.3)%	(8.3)%
– Asia	£661m	(10.3)%	(9.8)%
– Europe	£329m	(37.8)%	(33.3)%
– Tesco Bank	£191m	(15.1)%	(15.1)%
Underlying profit before tax	£3,549m	(14.5)%	(14.0)%
Underlying diluted earnings per share	35.97p	(14.0)%**	n/a
ROCE (adjusted for one-off items)	12.7%	(200)bp	n/a
Capex	£3.0bn	down 19.0%	down 18.1%
Statutory profit before tax includes the following one-off items:			
– UK property write-down			£(804)m
– Goodwill impairment (Poland, Czech Republic, Turkey)			£(495)m
– Increased provision for PPI (Tesco Bank) (inc. H1 £(30)m)			£(115)m
Statutory profit before tax	£1,960m	(51.5)%	n/a

United States treated as discontinued, with restructuring and other one-off costs of £(1.0) billion.

* Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.

** Underlying diluted EPS growth calculated on a constant tax rate basis; (10.8)% at actual tax rates.

Group results and strategic update

It has been a year in which we have taken decisive action to focus our efforts on those markets where we can have a leadership position. We exited Japan and launched our strategic review of the United States, while at the same time taking a more measured approach to our growth in China. We also set an appropriate pace of migration for the Bank, keeping it focused on the needs of our most loyal customers. Most importantly, we have begun the essential process of getting the UK business back on track, making sure we protect and build on one of the most important leadership positions we have.

Group trading profit declined by (13.0)%, reflecting our investment in the UK, the impact of regulatory changes in South Korea and the challenging economic conditions in Europe. This trading performance coupled with reduced JV income and higher net finance costs led to a decline in Group underlying profit before tax of (14.5)%.

Group statutory profit before tax declined by (51.5)% to £1,960 million due to the impact of three main one-off charges:

- UK property write-down of £(804) million, following an in-depth review of our property pipeline in the context of our fundamentally different approach to new space and our announcement in April 2012 that we would be reducing the level of new space growth in the UK going forward;
- Goodwill impairment of £(495) million, reflecting the impact of differing growth prospects in today's environment for the businesses we acquired in Poland, the Czech Republic and Turkey in the mid 1990s to early 2000s; and
- Increase of £(115) million in our provision for potential Payment Protection Insurance claims against Tesco Bank.

Based on our progress so far with our strategic review of Fresh & Easy, we have confirmed that the outcome of the review will be an exit from the United States. The results of our business there, in addition to those of our business in Japan, have been classified as discontinued operations in these results.

Segmental results

UK

It is a year since we unveiled our six-part plan to get the UK business back on top form. The UK is absolutely fundamental to the success of the Group, which is why this was our number one priority for the year, and I'm pleased to say the plan is very much on track.

We have made the investment as planned and it has led to a clear improvement in performance, both in absolute terms and relative to the market. Total sales rose by 2.6% excluding petrol, and like-for-like performance improved during the course of the year, with a particularly encouraging result at Christmas.

UK results 2012/13

	£m	% growth
UK sales	£48,216m	1.8%
UK revenue (exc. VAT, exc. impact of IFRIC 13)	£43,579m	1.8%
UK revenue (exc. petrol, exc. VAT, exc. impact of IFRIC 13)		2.6%
UK trading profit	£2,272m	(8.3)%
Trading margin (trading profit/revenue)	5.21%	(58)bp

When we laid out our plans last year, we described the impact of the investment in terms of a rebasing of our trading margin to 5.2% and the progress we have made in the UK has been achieved whilst delivering a margin absolutely in line with these expectations.

The most important judge of progress is the customer and we introduced a new way of measuring customer perceptions back in July – our 'customer viewpoint'. This measures real customer feedback in all of our stores on a regular and frequent basis, across 12 aspects of their shopping trip. Pleasingly, every one of these aspects improved throughout the second half of the year. This underpins our confidence that the underlying improvement we have seen in our trading performance is driven by the changes we have made for customers.

While there are a number of drivers that could enable us to improve overall UK margins, we believe the new base of 5.2% is appropriate for the foreseeable future and any outperformance will be reinvested in driving additional improvements in our customer offer.

Asia

Our Asia performance was in line with expectations and was dominated by the South Korean regulatory changes concerning trading hours. These changes held back headline numbers, and the impact on trading profit was broadly in line with our £(100) million guidance, with significant levels of Sunday store closures throughout the second half and considerable uncertainty in the market about exactly which stores would be closed and when, impacting operations even when stores were able to open. Following the passing of the legislation in January this year, the situation seems more certain, with more consistent store closures expected on alternate Sundays. As such, we expect the full-year effect of the regulations, combined with the extension of 24-hour trading restrictions to between midnight and 10am, to lead to an incremental impact of around £(40) million in 2013/14.

Asia results* 2012/13

	Actual rates		Constant rates
	£m	% growth	% growth
Asia sales	£12,317m	5.9%	6.1%
Asia revenue (exc. VAT, exc. impact of IFRIC 13)	£11,479m	6.0%	6.2%
Asia trading profit	£661m	(10.3)%	(9.8)%
Trading margin (trading profit/revenue)	5.76%	(105)bp	(102)bp

* Exc. Japan

In Thailand, like-for-like sales grew by 3.1% and we continued to gain market share. We benefited from a strong opening programme, including almost 300 Express stores and we launched our first dotcom grocery operation in Bangkok in February.

We have adopted a more cautious stance in China. We still see an excess amount of new space being opened in the market – ahead of customer demand – and we have moderated our pace of development accordingly, opening just 12 new stores this year and closing five underperforming stores as part of our increased focus on our three strongest regions.

Europe

Whilst our markets in Europe remain fundamentally attractive, our performance this year was disappointing.

Clearly, we faced significant headwinds throughout the year, as macroeconomic uncertainties continued to impact businesses. This had a particularly marked impact on our general merchandise businesses across the region, holding back our overall like-for-like sales performance.

Europe results 2012/13

	Actual rates		Constant rates
	£m	% growth	% growth
Europe sales	£10,809m	(4.9)%	2.1%
Europe revenue (exc. VAT, exc. impact of IFRIC 13)	£9,319m	(5.5)%	1.4%
Europe trading profit	£329m	(37.8)%	(33.3)%
Trading margin (trading profit/revenue)	3.53%	(183)bp	(183)bp

Financial review continued

Our performance in Hungary and Slovakia, where we enjoy two of our strongest positions, has proved more resilient to the economic headwinds. While our profits in Hungary continued to be held back by the crisis tax this year, this will no longer be applied from the start of our new financial year.

In some markets such as the Czech Republic and Poland, we saw increased competitive activity, with those retailers focused on discount small formats faring much better than those – like us – with a greater proportion of larger stores. Our own smaller format stores have performed better than the business as a whole, and our dotcom operations – now in 13 cities in these markets alone – have grown strongly since launch.

We have faced particularly intense competition in Turkey, in a year in which we have retrenched from our strategy of pursuing large store expansion to the east of our existing business. Like many other businesses in the country, we faced intense cost-price inflation and the impact of this was exacerbated by a number of one-off, historic issues. The resulting losses contributed to our shortfall versus expectations for European performance.

All of our businesses undertake a value in use test each year to justify the carrying value of goodwill. Those businesses acquired in Europe in the 1990s and early 2000s unfortunately face a more difficult market today and different growth prospects as a result. This led to a write-down in the value of acquired goodwill for our businesses in Poland, the Czech Republic and Turkey.

Our priority in all of these markets is to get the businesses focused on driving underlying performance and it is for this reason that we will only open 400,000 sq ft of net new selling space in the year ahead.

Tesco Bank

We were pleased to complete the final stages of migration of Tesco Bank early in the financial year and to be able to get back to focusing on marketing our existing products. Our programme of new products resumed in August with mortgages and more recently, our ISA range.

We made progress through the year in banking products, with good growth in both customer accounts and balances. Our insurance business was held back by a very challenging market, with strong downward price pressure in motor insurance. Throughout this period, we focused on ensuring we offer the best products and prices to our loyal Clubcard customers.

Tesco Bank results 2012/13

	£m	% growth
Tesco Bank revenue (exc. VAT, exc. impact of IFRIC 13)	£1,021m	(2.2)%
Tesco Bank trading profit	£191m	(15.1)%
Trading margin (trading profit/revenue)	18.71%	(284)bp

In recent years, the Bank's profit has been impacted by a couple of non-trading factors – the first, fair value releases and the second, the run-off of our legacy insurance agreement with Direct Line Group. Before these, profits grew well and are up 13% with a particularly pleasing performance in customer lending.

In line with the rest of the industry, we have been proactively consulting more widely with our customers on PPI. In light of this contact, it has become necessary to increase our provision for compensation by £(85) million in the second half. In addition to the £(30) million provision in the first half, this takes us to a £(115) million one-off charge.

Group balance sheet

Net debt reduced by £0.2 billion year-on-year, despite the trading profit impact and increased working capital, mainly due to significantly reduced capital expenditure and a small increase in property proceeds. The working capital increase was largely as a result of regulatory impacts in a number of markets and the shortening of order lead times for general merchandise which reduced our creditor days.

Our return on capital employed, on a continuing operations basis and prior to the impact of one-off charges, is 12.7%. This is a (200) basis point decline on returns calculated on a similar basis for last year, mainly reflecting the trading profit performance.

We continued to see strong investor demand for our property during the year. We launched the Tesco Lotus Retail Growth Freehold and Leasehold Property Fund along with a number of transactions in the UK and South Korea, contributing to profits arising on property-related items of £370 million. The market value of our property across the Group currently exceeds £38 billion.

Since becoming Chief Financial Officer I have made it a priority to improve our debt metrics. Resetting the UK margin, regulatory challenges in South Korea and a disappointing profit performance in Europe have stalled the improvements we have made to date.

It is a high priority for the Group to maintain a strong investment grade credit rating. Our target on net indebtedness remains unchanged and it should be achieved within the next couple of years.

Fixed charge cover is more challenging because our gross debt has long maturity periods. We have £2 billion of debt that we can potentially retire over the next three years. Our lower level of sale and leasebacks will help slow down the rising rent bill. Both of these will benefit fixed charge cover. Our improved cash flow growth will help improve retained cash flow to adjusted net debt, a key credit rating measure, underpinning our commitment to maintain a strong investment grade rating.

Looking forward – our approach to growth and returns

The actions we have taken over the last two years have removed a number of significant barriers to progress and underpin our more disciplined approach to capital allocation.

As we adapt to ensure we deliver on our objective to be the best multichannel retailer for our customers, we are realistic in our approach to growth and returns. We can therefore offer clarity to shareholders about how we intend to deliver an appropriate balance of growth and returns in the years ahead.

We are managing the business in order to:

- Generate positive free cash flow
- Ensure a disciplined allocation of capital within a range of 3.5% to 4% of sales
- Maintain a strong investment grade credit rating

OVERVIEW
BUSINESS REVIEW
PERFORMANCE REVIEW
SUMMARY FINANCIAL STATEMENT

We are therefore allocating our capital to achieve three clear priorities:

1. Continuing to invest in a strong UK business
2. Establishing multichannel leadership in all of our markets
3. Pursuing disciplined international growth

This means that, in the current economic environment, investors can expect us to deliver:

- Mid-single digit trading profit growth
- Return on capital employed within a range of 12% to 15%
- Dividend growth, broadly in line with underlying earnings, with a target cover of more than 2 times

Our approach to growth and returns

Financial disciplines	Guiderails
Generate positive free cash flow	Trading profit growth • Mid-single digit
Allocate capital within range of 4% down to 3.5% of sales	Sustainable ROCE • 12% to 15% range
Maintain a strong investment grade credit rating	Dividend growth • In line with underlying EPS • Target cover of more than 2 times

We will update on our progress in the context of these objectives as part of our future results announcements.

As we described earlier, the fundamental change in our approach to new space also has implications for our sale and leaseback programme. Two years ago, we reviewed the programme and announced a steady reduction in the level of divestments, in order to ensure that any property profits released were matched to the level of new profit created by development activities. Given that we have significantly reduced the amount of these activities going forward, we believe that it is appropriate to accelerate the scaling back of the sale and leaseback programme, such that it is unlikely to make a material contribution after the next few years.

Our reported underlying profit measure currently includes these property profits and related items, and therefore its growth over the next few years would be held back by this accelerated reduction. We will therefore disclose and adjust for this impact when using underlying earnings per share as the basis for our dividend policy. In doing so, we will better align dividend growth to the key targeted profit performance measure for the business.

Growth has always been a central part of the investment case for Tesco. To be clear, it is still at the core of the investment case, but it is now a sustainable level of growth – a growth that enables us to deliver improving returns and a much stronger level of cash generation.

The guidance we are sharing is for mid-single digit trading profit growth. This takes into account the structurally changing retailing environment and the lower growth outlook for economies and consumer spending around the world.

We are determined to achieve this growth in a balanced way and we see the application of our financial disciplines as an important part of ensuring it is delivered in a way that supports strong, sustainable and attractive returns going forward.

We will tightly control our capex. There will likely be a very small increase in 2013/14, as we push on at pace with our refresh plans in the UK. Following this, we will move quickly into and then down through the range we have set out of 4% down to 3.5% of sales. Importantly this will enable us to move to a position where we can produce free cash flow without the historic requirement for property proceeds.

This is clearly a significant change from our historic cash flow shape. For a number of years, we relied on property proceeds to fund our investment, as capex exceeded available cash. We are getting close to a position where capex is broadly equivalent to available cash, removing our reliance on these proceeds. From then on, available cash grows and exceeds capex, giving us much greater flexibility from a cash point of view.

Protecting our strong position in the UK is still one of our highest priorities. The best returns now are from refreshing our existing stores and investing in the broader multichannel opportunities of convenience and online. We will not invest in those large-store schemes where we see unacceptable returns. We will, of course, continue our process of making our existing large stores even more compelling destinations with the repurposing of space.

Our next priority is Asia where modern retail is still very underdeveloped. We will continue to strengthen our positions in Thailand, Malaysia and South Korea. In China, we still see a huge opportunity, although our approach going forward is more measured, focused on stand-alone retail sites in the three regions where we have critical mass and good margins. We will build out the remaining 13 Lifespace malls, but are not committing capital to any new freehold investments beyond these.

Finally, in Europe, our large-store networks are largely complete and we are effectively at a maintenance level of capex. Specific capital investments will be considered, but these will be about improving the assets we have and expanding in low capital formats such as the internet and convenience.

More of our capital will be going into already high-returning businesses and into driving forward returns in our immature businesses.

This allocation will enable us to produce a steady improvement in return on capital employed from the current base, within a range of 12% to 15%.

The approach I have laid out above provides appropriate and realistic objectives for the business. As we deliver our objective of being the leading multichannel retailer, we are determined to do even better – for customers and for shareholders.

Laurie McIlwee Chief Financial Officer

Board of Directors

1 Sir Richard Broadbent ▲ ● ✚
Non-executive Chairman
Sir Richard Broadbent joined the Board of Tesco PLC on 2 July 2011 and was appointed Chairman on 30 November 2011. He started his career at HM Treasury before joining Schroders in 1986. In 2000, Sir Richard was appointed Executive Chairman of HM Customs and Excise. He also joined the Management Board of the UK Civil Service, serving in both roles until 2003. In 2003 he was appointed to the Board of Barclays plc, becoming Senior Independent Director in September 2004 and Deputy Chairman in 2010. He stepped down from the Board of Barclays on 30 September 2011. Sir Richard joined the Board of Arriva plc in July 2004 and served as Chairman from November 2004 until 2010. He is also a trustee of the charity Relate.

Committee membership (from 23 February 2013)
▲ = Nominations Committee
■ = Audit Committee
● = Remuneration Committee
✚ = Corporate Responsibility Committee

2 Philip Clarke
Group Chief Executive
Philip Clarke was appointed to the Board on 16 November 1998. Prior to his appointment as CEO in March 2011 he was Asia, Europe & IT Director. Philip began his career with Tesco in-store during 1974 and continued to work part-time through school and university. After graduating with a degree in Economic History, he joined the Tesco Management Training Programme and then spent nine years in store management before holding a number of roles in commercial and marketing. In 1994 he was appointed Stores Director and a year later promoted to Regional Managing Director, before joining the Tesco PLC Board as Supply Chain Director and a year later adding Information Technology to his responsibilities.

3 Laurie McIlwee
Chief Financial Officer
Laurie McIlwee was appointed to the Board on 27 January 2009 as Chief Financial Officer. He began his career with Tesco in 2000 as UK Finance Director and after four years, became Distribution Director. Prior to Tesco, Laurie worked for PepsiCo in a variety of roles including Vice President of Business Planning at Frito-Lay International, Chief Financial Officer and Business Change Director at Frito-Lay Europe, Chief Financial Officer of Walkers Snack Foods and Finance Director of PepsiCo Eastern Europe. Laurie is a Fellow of the Chartered Institute of Management Accountants and a member of The Hundred Group of Finance Directors.

4 Patrick Cescau ▲ ■ ✚
Senior Independent Director
Patrick Cescau was appointed a Non-executive Director on 1 February 2009 and became Senior Independent Director in July 2010; he is also a member of the Audit, Nominations and Corporate Responsibility Committees. Patrick was Group Chief Executive of Unilever from 2005 to 2008, and prior to this he was Chairman of Unilever plc, Vice Chairman of Unilever NV and Foods Director. He was also a Non-executive Director of Pearson plc from 2002 until 2012 and became Senior Independent Director in 2010. Patrick was appointed Non-executive Chairman of InterContinental Hotels Group on 1 January 2013 and is also a Non-executive Director of International Airlines Group. He was appointed a Chevalier de la Légion d'honneur in 2005. He is a trustee of the Leverhulme Trust and Chairman of the St Jude India Children's Charity, and was formerly a Director at INSEAD.

5 Gareth Bullock ■
Non-executive Director
Gareth Bullock was appointed a Non-executive Director on 3 July 2010 and was appointed to the Board of Tesco Bank as a Non-executive Director effective from 17 July 2012. He is also a member of the Audit Committee. Gareth was Group Executive Director of Standard Chartered plc until his retirement in April 2010 and was also responsible for the Group's risk and special asset management function. He is Senior Independent Director and Chairman of the Remuneration Committee of Spirax-Sarco Engineering plc, a Non-executive Director of Global Market Group Ltd and a member of the Advisory Council of Good Governance Group (G3). Gareth has been a trustee of the British Council since October 2012.

6 Stuart Chambers ▲ ●
Non-executive Director
Stuart Chambers was appointed a Non-executive Director and Chairman of the Remuneration Committee on 3 July 2010 and was appointed to the Board of Tesco Bank as a Non-executive Director effective from 17 July 2012. He is also a member of the Nominations Committee. He was Group Chief Executive of NSG Group from 2008 to 2009. Prior to NSG's acquisition of Pilkington plc in 2006, Stuart was Group Chief Executive of Pilkington plc. Previously he held a number of senior roles at Pilkington plc, the Mars Corporation and Royal Dutch Shell. From 2006 to 2013 he was a Non-executive Director of Smiths Group plc and from 2010 to 2013 a Non-executive Director of Manchester Airport Group plc. Stuart was appointed a Non-executive Director of Rexam plc on 1 February 2012 and Non-executive Chairman effective from 22 February 2012.

7 Olivia Garfield
Non-executive Director
Olivia Garfield (Liv) was appointed a Non-executive Director on 1 April 2013. She has worked for BT since 2002 and has been CEO of Openreach since 2011. Prior to that she carried out a range of senior strategic and operational roles, including Group Director Strategy, Portfolio and Regulation, Managing Director Commercial and Brands, Global Services and Vice President UK Customer Services, Global Services. From 1998 to 2002 Liv worked for Accenture as a consultant in the Communications and High Tech Market Unit, designing and implementing business change solutions across a number of industry sectors.

8 Ken Hanna ▲ ■ ●
Non-executive Director
Ken Hanna was appointed a Non-executive Director on 1 April 2009. He is a member of the Nominations and Remuneration Committees and became Audit Committee Chairman on 5 October 2012. Ken was previously Chief Financial Officer of Cadbury plc from 2004 until 2009 and prior to that an Operating Partner of Compass Partners and CFO and then CEO of Dalgety plc. Ken has also been CFO of United Distillers and Avis Europe plc. He is currently Chairman of Inchcape plc, Aggreko plc and Shooting Star CHASE. Ken is a fellow of the Institute of Chartered Accountants.

9 Deanna Oppenheimer ✚
Non-executive Director
Deanna Oppenheimer was appointed a Non-executive Director on 1 March 2012 and was appointed to the Board of Tesco Bank as a Non-executive Director effective from 17 July 2012. She is also a member of the Corporate Responsibility Committee. Deanna held various senior roles between 2005 and 2011 at Barclays, initially as Chief Executive of UK Retail and Business Banking, Vice Chair of Global Retail Banking and also as Chief Executive of Europe Retail and Business Banking. Prior to this, she was Marketing Director and later President of Consumer Banking of Washington Mutual. She has also served as a Non-executive Director of Catellus and Plum Creek Timber. Deanna is currently CEO of CameoWorks LLC and a Non-executive Director at NCR Corporation and at AXA.

10 Jacqueline Tammenoms Bakker ● ✚
Non-executive Director
Jacqueline Tammenoms Bakker was appointed a Non-executive Director on 1 January 2009 and is also a member of the Corporate Responsibility and Remuneration Committees. She was a Director General at the Ministry of Transport in the Netherlands from 2001 to 2007 and a Non-executive Director of the Dutch Land Registry and Ordnance Survey from 2008 to 2012. Prior to this, she held senior positions at Quest International and McKinsey & Co. Jacqueline is a trustee of the Van Leer Group Foundation and the Vice Chair of the Advisory Board to the Rotterdam School of Management and was appointed a Chevalier de la Légion d'honneur in 2006. Jacqueline is also a Non-executive Director of Vivendi and Fiat Industrial.

11 Jonathan Lloyd
Company Secretary
Jonathan Lloyd was appointed Company Secretary to the Board in December 2006. He joined Tesco as Deputy Company Secretary and Corporate Secretariat Director in April 2005 from Freshfields Bruckhaus Deringer. Jonathan is also Company Secretary of Tesco Bank.

Executive Committee

Our Executive Committee oversees the implementation of the strategy set by the Board. Over the past year we have strengthened the Committee, building a team with extensive UK, international and digital experience.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1 Philip Clarke
Group Chief Executive
See page 24 for biography.

2 Laurie McIlwee
Chief Financial Officer
See page 24 for biography.

3 Matt Atkinson
Chief Marketing Officer
Matt joined Tesco in 2011 as Group Marketing and Chief Digital Officer. Before joining Tesco, Matt was the Global CEO of Havas's digital and data businesses. Prior to this, Matt had a diverse background in marketing, brand and agency management.

4 Chris Bush
Managing Director – UK
Chris joined Tesco in 1982 and has held various positions including Store Manager, Store Director and International Support Office Director. In 2004 he relocated to South Korea as COO of Tesco Homeplus and later became CEO of Tesco Malaysia. In June 2010, Chris was appointed CEO of Thailand and returned to the UK in March 2012 to take up the role of Chief Operating Officer UK. Chris was appointed UK Managing Director in January 2013.

5 Jill Easterbrook
Managing Director – Developing Businesses
Jill joined Tesco in 2001 and has held leadership roles across a range of business areas including Retail Operations, Group Strategy, Corporate Affairs and Clothing (stores and online). In January 2013 she took up her current position as Managing Director – Developing Businesses.

6 Gordon Fryett
Group Property Director
Gordon joined Tesco in 1969 and has held a number of roles including Operations Director, International Support Director, CEO of Republic of Ireland and UK Property Director. He is a Non-executive Director of Severn Trent PLC.

7 Kevin Grace
Group Commercial Director
Kevin joined Tesco in 1982 and has held a number of roles including Support Office Director, COO of South Korea, CEO of Poland and UK Property Director. Kevin joined the Executive Committee in 2011 and has responsibility for commercial practice across our markets and sourcing from over 80 countries worldwide.

8 Benny Higgins
CEO Tesco Bank
Before joining Tesco Bank, Benny served as Chief Executive Officer of Retail Business at HBOS PLC. Between 1997 and 2005 Benny was Chief Executive of Retail Banking at the Royal Bank of Scotland. He has been Chief Executive of Tesco Bank since 2008.

9 Alison Horner
Group Personnel Director
Alison joined Tesco in 1999 as a Personnel Manager and was later promoted to Personnel Director for Tesco's UK operations. After eight years in stores and general management roles she joined the Executive Committee in 2011 as Group Personnel Director.


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10 Trevor Masters
CEO Asia
Trevor joined Tesco in 1979 and has held a number of roles including Store Manager, Store Director, Operations Director for Extras, and CEO of Central Europe. He became CEO of Asia in 2011.

11 Mike McNamara
Chief Information Officer
Mike has been with Tesco since 1998, having previously worked at Accenture and BT. He was on the Board of tesco.com from its inception in 1999 through to 2006, during which time he led the transition of tesco.com onto a fully online platform, as well as the national roll-out of the service.

12 Adrian Morris
Group General Counsel
Adrian joined Tesco in September 2012 as Group General Counsel. Prior to Tesco, Adrian worked at BP plc as Associate General Counsel for Refining and Marketing. From 2002 to 2009, Adrian was with Centrica PLC, initially as European General Counsel and then as General Counsel for British Gas.

13 Bob Robbins
Group Business Improvement Director
Bob joined Tesco in 1975 and has held a number of roles including CEO of Asia, CEO of Central Europe, Strategy and Development Director Asia and various retail, marketing and general management roles. Prior to taking up his current position as Group Business Improvement Director, Bob held the role of Chief Operating Officer UK.

14 Rebecca Shelley
Group Corporate Affairs Director
Rebecca joined Tesco on 1 May 2012 as Group Corporate Affairs Director. Before joining Tesco, Rebecca was a partner at Brunswick LLP, where she advised a wide range of companies on financial and corporate reputation issues. From 2000 to 2007, Rebecca worked at Prudential, most recently as Group Communications Director and before that as Group Investor Relations Director.

15 Robin Terrell
Group Multichannel Director
Robin joined Tesco in February 2013 as Group Multichannel Director, having worked in online retailing nearly since its inception. From 1999 Robin worked at Amazon, ultimately as VP & Managing Director, with responsibility for Amazon's UK and French businesses. After leaving Amazon, Robin held senior e-commerce and multichannel roles at Figleaves.com, John Lewis and House of Fraser.

16 Ken Towle
Managing Director – Central Europe and Turkey
Ken joined Tesco in 1985 and has held a number of roles including various UK operations roles and CEO of Tesco China. Ken joined the Executive Committee as Internet Retailing Director in 2011, before taking up his current role as Managing Director of Central Europe and Turkey in February 2013.

17 Jonathan Lloyd
Company Secretary
See page 25 for biography.

Summary report of the Directors

Principal activity and business review
The principal activity of the Group is retailing and associated activities in the UK, China, the Czech Republic, Hungary, the Republic of Ireland, India, Malaysia, Poland, Slovakia, South Korea, Thailand and Turkey. The Group also provides retail banking and insurance services through its subsidiary, Tesco Bank. Following a strategic review, the Group has decided to dispose of its US operations. The summary of the Group financials can be found on pages 33 and 34.

Dividends
The Directors recommend the payment of a final dividend of 10.13p per ordinary share, to be paid on 5 July 2013 to members on the Register at the close of business on 26 April 2013. Together with the interim dividend of 4.63p per ordinary share paid in December 2012, the full year dividend will be maintained at 14.76p per ordinary share (2011/12: 14.76p)

Directors
Details of the current members of the Board are shown on pages 24 to 25. Deanna Oppenheimer and Olivia Garfield joined the Board as Non-executive Directors on 1 March 2012 and 1 April 2013 respectively. Andrew Higginson and Lucy Neville-Rolfe retired from the Board as Executive Directors on 1 September 2012 and 2 January 2013 respectively. Karen Cook and Ken Hydon retired from the Board as Non-executive Directors on 23 February 2013. Richard Brasher and Tim Mason stepped down from the Board on 15 March 2012 and 5 December 2012 respectively.

Corporate governance
Our approach to governance remains unchanged from last year. It begins with the recognition that it is not a set of rules but the framework supporting the core values which defines what is and what is not acceptable. It is an expression of the way we want to conduct ourselves which informs actions and decisions whether or not there is a specific rule for the situation, and which supports the culture and behaviours that we wish to foster.

The main governance challenges of the past year have been:

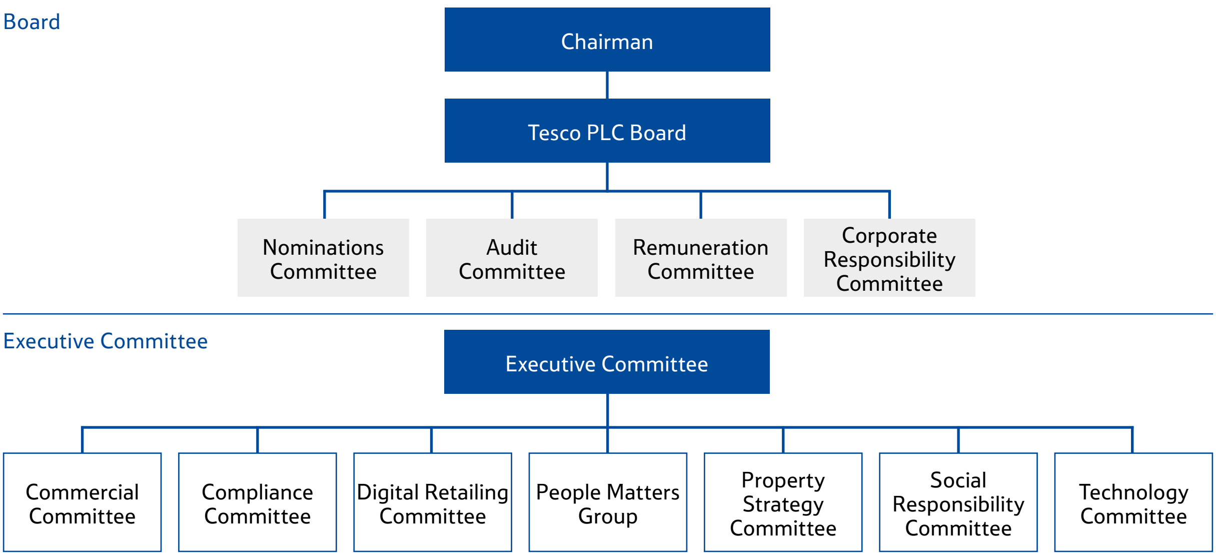
- to bed in the substantially new governance framework we put in place in February 2012;
- to manage a significant transition in balance and size of the Board, increasing its Non-executive representation relative to Executive within an absolutely smaller Board; and
- to judge and oversee the execution of a number of significant business initiatives.

The governance framework, and perhaps more importantly the corporate culture and human relationships that underpin all governance frameworks, are operating as we hoped and we do not judge that any further material changes are needed.

The Board now comprises ten Directors, seven of whom (excluding the Chairman) are Non-executive. This change in both size and balance is supporting the Board to bring a substantial focus on strategic and longer-term issues. We do not anticipate further substantial changes in size in the foreseeable future although the exact number of Directors may rise or fall slightly in line with the normal process of Board development and succession planning.

The Board is the custodian of the Company's Values and of its long-term vision, and provides strategic direction and guidance for the Company. The Board delegates to the Group Chief Executive ('CEO') the management of the day-to-day operation of the business, in accordance with appropriate risk parameters. The Board is supported in its work by the committees noted in the diagram below. The Group Executive Committee, which the CEO chairs, supports the CEO in carrying out his role and manages the day-to-day operation of the Group's businesses. The Group Executive Committee has established a number of sub-committees as noted in the diagram below which assist it in its work.

Governance structures



To support the governance structure there are a number of Group policies and processes in place.

The Board has overall responsibility for ensuring the Group has appropriate risk management and internal controls in place and that they continue to work effectively. The key arrangements put in place to enable the Board to discharge its responsibility and for all the members of the Board to satisfy themselves with the integrity of the Group's financial information, financial controls and risk management systems are detailed in the corporate governance section of the Annual Report and Financial Statements 2013.

We continue to be committed to having a constructive dialogue with shareholders to ensure that we understand what is important to them and enable clear communication of our position. We also engage with other stakeholders, including colleagues, NGOs, charities, leading academics, politicians and activists to give us valuable insight into how we are currently perceived.

The UK Corporate Governance Code (the 'Code') sets out principles and specific provisions on how a company should be directed and controlled to achieve standards of good corporate governance. The Code was revised in September 2012, with minor changes including a greater focus on a company's approach to diversity. For the 2012/13 financial year, the Company is required to report against the 2010 version of the Code. A copy of the Code is available at www.frc.org.uk.

The Board considers that Tesco PLC has complied in all material respects with the 2010 version of the Code for the whole of the financial year ended 23 February 2013.

A full corporate governance statement is contained in the Annual Report and Financial Statements 2013.

Remuneration

In an important year for Tesco, the Remuneration Committee has sought to ensure that the Company's remuneration arrangements continue to support the strategic direction of the business, and that the remuneration decisions we have made are fair and comprehensible to the outside world.

The year just ended was a challenging one. A number of important decisions were taken during the year, such as reinvesting profits back into the UK business to improve the shopping experience for customers, and deciding to exit the US and write down the value of the Fresh & Easy business. These decisions have had financial consequences this year but were necessary to set the business on the right track to deliver realistic, sustainable and attractive returns over the long term. We also faced external challenges which impacted our performance, most notably the regulatory restrictions on opening hours in South Korea and the difficult economic conditions in Central Europe.

As a consequence, our financial performance fell short of where we wanted it to be, which in turn resulted in no annual bonus being paid to the senior management team for 2012/13. The long-term incentives that were due to vest this year also lapsed as performance targets were not met. The Remuneration Committee believes that this demonstrates that our remuneration policy is effective in aligning pay with performance.

As set out in more detail in the Annual Report and Financial Statements 2013, we have clearly articulated our business priorities for the foreseeable future and the financial performance that shareholders can expect us to deliver in the current economic environment. We have consequently amended the management incentives for 2013/14 to align them with the new strategic priorities and financial parameters.

The changes for 2013/14 are summarised below.

Annual bonus

The annual bonus will be less heavily weighted towards short-term profits but linked to a more balanced scorecard of financial, strategic and operational measures. However, bonuses will only be paid if profits have grown.

The profit measure used will be based on Trading Profit rather than Underlying Profit. Trading Profit does not include property profits, which reflects our fundamentally different approach to space going forward.

We have replaced UK ROCE with Group Working Capital. The Committee feels that ROCE is an important capital efficiency measure but is better suited to long-term incentives. Management have more line-of-sight and control of Working Capital over the short term.

The measures for customer service and colleague engagement will reflect overall Group performance rather than just the UK as used in previous years.

Long Term Performance Share Plan

We have amended the performance targets on the long-term Performance Share Plan to align with the new financial parameters described in the Annual Report and Financial Statements 2013. To reflect the lower performance threshold at which awards may vest, we have also lowered the amount of the award that vests. This ensures incentives remain aligned with the strategy while striking a balance between creating long-term value for shareholders and rewarding management fairly.

The calculation of underlying Earnings Per Share used to assess performance will exclude property profits to reflect our different approach to space.

Whilst it has been a difficult year, we are making progress against our plan to 'Build a Better Tesco'. The Remuneration Committee is confident that the changes above will better support the business strategy leaving the management team to get on with the job at hand and make what matters better, together.

In carrying out its duties, the Remuneration Committee gives full consideration to best practice. The Committee was constituted and operated throughout the period in accordance with the principles outlined in the Listing Rules of the Financial Conduct Authority derived from the UK Corporate Governance Code.

A summary of Directors' emoluments and interests is set out on pages 30 and 31. Further details can be found in the full Directors' Remuneration Report in the Annual Report and Financial Statements 2013.

Summary report of the Directors continued

Directors' emoluments

	Fixed emoluments		Performance related emoluments		Loss of office		
	Salary £000	Benefits[2] £000	Short-term cash £000	Short-term deferred shares £000	£000	**Total 2012/13 £000**	Total 2011/12 £000
Executive Directors							
Richard Brasher[1]	–	–	–	–	1,302	**1,302**	1,138
Philip Clarke	1,114	57	–	–	–	**1,171**	1,155
Andrew Higginson[1]	459	29	–	–		**488**	1,149
Tim Mason[1, 2]	691	400	–	–	1,682	**2,773**	1,634
Laurie McIlwee	863	54	–	–	–	**917**	1,137
Lucy Neville-Rolfe[1]	613	67	–	–	–	**680**	895
Non-executive Directors							
Sir Richard Broadbent	625	57	–	–	–	**682**	281
Gareth Bullock[3]	141	–	–	–	–	**141**	82
Patrick Cescau	132	–	–	–	–	**132**	120
Stuart Chambers[3]	171	–	–	–	–	**171**	100
Karen Cook[1]	82	–	–	–	–	**82**	82
Ken Hanna	112	–	–	–	–	**112**	94
Ken Hydon[1]	100	–	–	–	–	**100**	100
Deanna Oppenheimer[1, 3]	138	–	–	–	–	**138**	–
Jacqueline Tammenoms Bakker	94	–	–	–	–	**94**	82
Total	5,335	664	–	–	2,984	**8,983**	8,049

Appointments and leavers

1 The figures in this table are from the date of appointment or until the date that each Director ceased to be a Director of Tesco PLC, including any payments receivable in connection with the termination of qualifying services.

Sir David Reid retired from the Board in 2011/12. He continued to have the ongoing benefit of health insurance and the use of a company car and chauffeur for one year after leaving with a net value of £66,000. The gross value of these benefits is £132,000.

David Potts stepped down from the Board in 2011/12. He did not receive any payments or benefits outside his normal contractual arrangements but continued to be employed by the Group until 30 June 2012 and was paid a salary of £346,000 and received benefits of £15,000 during this period.

Richard Brasher stepped down from the Board on 15 March 2012. He did not receive any payments or benefits outside his normal contractual arrangements but continued to be employed by the Group until 31 July 2012 and was paid a salary of £386,000 and received benefits of £49,000 during this period. In line with his contract Richard Brasher was paid liquidated damages of £1,302,000 which are shown in the table above.

Andrew Higginson retired from the Board on 1 September 2012. He did not receive any payments or benefits outside his normal contractual arrangements.

Tim Mason stepped down from the Board on 5 December 2012. He did not receive any payments or benefits outside his normal contractual arrangements. In line with his contract Tim Mason was paid liquidated damages of £1,682,000 as shown in the table above.

Lucy Neville-Rolfe retired from the Board on 2 January 2013. She did not receive any payments or benefits outside her normal contractual arrangements.

Deanna Oppenheimer was appointed on 1 March 2012.

Karen Cook and Ken Hydon retired from the Board on 23 February 2013.

Benefits

2 Benefits are made up of car benefits, chauffeurs, disability and health insurance, staff discount and membership at clubs.

Tim Mason's benefits comprise a pro rata net expatriate allowance of £204,000, the gross value of which is £400,000. The Company will also pay repatriation costs up to a total value of £100,000.

NED fees

3 The figures in this table include fees paid to Gareth Bullock, Stuart Chambers and Deanna Oppenheimer in respect of their membership of the Board and Committees of Tesco Personal Finance Group Limited.

Disclosable interests of the Directors, including family interests

	23 February 2013 (or at date of retirement/resignation if earlier)		25 February 2012 (or on appointment if later)	
	Ordinary shares[1]	Options to acquire ordinary shares[2]	Ordinary shares[1]	Options to acquire ordinary shares[2]
Executive Directors				
Richard Brasher[3]	1,258,619	3,501,665	1,258,585	3,501,665
Philip Clarke	1,829,467	5,251,600	1,832,007	4,352,977
Andrew Higginson[3]	572,174	3,978,855	707,081	4,076,589
Tim Mason[3]	1,082,208	1,154,281	1,975,704	1,545,587
Laurie McIlwee	76,390	2,731,881	75,506	2,144,448
Lucy Neville-Rolfe[3]	456,466	2,472,447	458,036	2,516,326
Non-executive Directors				
Sir Richard Broadbent	53,996	–	53,996	–
Gareth Bullock	–	–	–	–
Patrick Cescau	18,340	–	18,340	–
Stuart Chambers	25,000	–	5,500	–
Karen Cook[3]	–	–	–	–
Ken Hanna	25,000	–	25,000	–
Ken Hydon[3]	60,093	–	60,093	–
Deanna Oppenheimer[3]	52,500	–	–	–
Jacqueline Tammenoms Bakker	16,472	–	16,472	–
Total	5,526,725	19,090,729	6,486,320	18,137,592

Ordinary shares

1 Ordinary shares shown in this table include shares awarded to Tim Mason under the Performance Share Plan which are subject to future performance conditions, shares held by Tim Mason under the Executive Incentive Plan which are subject to a holding period, shares held under the Long Term Incentive Plan which are subject to a holding period and shares held under the all-employee Share Incentive Plan which are subject to a holding period. Deanna Oppenheimer holds 17,500 Tesco American Depositary Receipts which is equivalent to 52,500 Tesco ordinary shares of 5p.

Between 23 February 2013 and 30 April 2013, 88 shares were purchased by Executive Directors as part of the Buy As You Earn scheme. Buy As You Earn is an HMRC approved share purchase scheme under which employees invest up to a limit of £110 on a four-weekly basis to buy shares in Tesco PLC at the market value. On 25 April 2013, Olivia Garfield, a Non-executive Director appointed on 1 April 2013, purchased 4,086 ordinary shares. There have been no other changes in Directors interests in Tesco PLC shares at the date of the publication of this report.

Options over shares

2 Options to acquire ordinary shares shown in this table comprise options held under the Discretionary Share Option Plan, Save As You Earn scheme and nil cost options held under the Performance Share Plan and Executive Incentive Plan.

Appointments and leavers

3 The figures in this table are from the date of appointment or until the date that each Director ceased to be a Director of Tesco PLC.
Richard Brasher stepped down from the Board on 15 March 2012.
Andrew Higginson retired from the Board on 1 September 2012.
Tim Mason stepped down from the Board on 5 December 2012.
Lucy Neville-Rolfe retired from the Board on 2 January 2013.
Deanna Oppenheimer was appointed on 1 March 2012.
Karen Cook and Ken Hydon retired from the Board on 23 February 2013.

Full details of the Directors' interests in shares can be found in the Directors' Remuneration Report in the Annual Report and Financial Statements 2013.

Independent auditors' statement to the members of Tesco PLC

We have examined the Summary Financial Statement which comprises the Summary Group income statement, Summary Group balance sheet, Summary Group cash flow statement, Summary report of the Directors and Summary report of the Directors on remuneration set out on pages 28 to 31.

Respective responsibilities of directors and auditors

The Directors are responsible for preparing the Annual Review and Summary Financial Statement in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the Summary Financial Statement within the Annual Review with the full annual financial statements, the Report of the Directors and the Directors' remuneration report, and its compliance with the relevant requirements of section 428 of the Companies Act 2006 and the regulations made thereunder.

We also read the other information contained in the Annual Review and consider the implications for our statement if we become aware of any apparent misstatements or material inconsistencies with the Summary Financial Statement. The other information comprises only the Chairman's statement, Report from the Chief Executive and the other items listed on the contents page.

This statement, including the opinion, has been prepared for and only for the Company's members as a body in accordance with section 428 of the Companies Act 2006 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this statement is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our reports on the Company's full annual financial statements describe the basis of our audit opinions on those financial statements, the Report of the Directors and the Directors' remuneration report.

Opinion

In our opinion the Summary Financial Statement is consistent with the full annual financial statements, the Report of the Directors and the Directors' remuneration report of Tesco PLC for the financial year ended 23 February 2013 and complies with the applicable requirements of section 428 of the Companies Act 2006, and the regulations made thereunder.

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
1 May 2013

Notes:

(a) The maintenance and integrity of the Tesco PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the full annual financial statements or the Summary Financial Statement since they were initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Group financials

Summary Group income statement

Year ended 23 February 2013	52 weeks 2013 £m	52 weeks 2012 £m
Continuing operations		
Revenue	64,826	63,916
Cost of sales	(60,737)	(58,519)
Gross profit	4,089	5,397
Administrative expenses	(1,562)	(1,612)
Profits/losses arising on property-related items	(339)	397
Operating profit	2,188	4,182
Share of post-tax profits of joint ventures and associates	54	91
Finance income	177	176
Finance costs	(459)	(411)
Profit before tax	1,960	4,038
Taxation	(574)	(874)
Profit for the year from continuing operations	1,386	3,164
Discontinued operations		
Loss for the year from discontinued operations	(1,266)	(350)
Profit for the year	120	2,814
Attributable to:		
Owners of the parent	124	2,806
Non-controlling interests	(4)	8
	120	2,814
Earnings per share from continuing and discontinued operations		
Basic	1.54p	34.98p
Diluted	1.54p	34.88p
Earnings per share from continuing operations		
Basic	17.30p	39.35p
Diluted	17.30p	39.23p

Non-GAAP measure: underlying profit before tax	52 weeks 2013 £m	52 weeks 2012 £m
Profit before tax from continuing operations	1,960	4,038
Adjustments for:		
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	14	(44)
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	(56)	17
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	28	31
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	19	22
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	28	17
Restructuring and other one-off costs		
Impairment of PPE and onerous lease provisions	895	–
Impairment of goodwill	495	–
Provision for customer redress	115	57
Other restructuring and one-off costs	51	11
Underlying profit before tax from continuing operations	3,549	4,149

Group financials continued

Summary Group balance sheet

	23 February 2013 £m	25 February 2012 £m
Non-current assets	37,033	37,918
Current assets (including assets of the disposal group and non-current assets classified as held for sale)	13,096	12,863
Current liabilities (including liabilities of the disposal group classified as held for sale)	(18,985)	(19,249)
Net current liabilities	(5,889)	(6,386)
Total assets less current liabilities	31,144	31,532
Non-current liabilities	(14,483)	(13,731)
Net assets	16,661	17,801
Equity attributable to owners of the parent	16,643	17,775
Non-controlling interests	18	26
Total equity	16,661	17,801

Summary Group cash flow statement and movements in net debt

Year ended 23 February 2013	52 weeks 2013 £m	52 weeks 2012 £m
Cash generated from operations	3,873	5,688
Interest paid	(457)	(531)
Corporation tax paid	(579)	(749)
Net cash generated from operating activities	2,837	4,408
Net cash used in investing activities	(278)	(3,183)
Net cash used in financing activities	(2,365)	(1,366)
Net increase/(decrease) in cash and cash equivalents	194	(141)
Cash and cash equivalents at beginning of the year	2,311	2,428
Effect of foreign exchange rate changes	26	24
Cash and cash equivalents including cash held in disposal group at the end of the year	2,531	2,311
Cash held in disposal group	(19)	(6)
Cash and cash equivalents at the end of the year	2,512	2,305

Reconciliation of net cash flow to movement in net debt

Year ended 23 February 2013	52 weeks 2013 £m	52 weeks 2012 £m
Net increase/(decrease) in cash and cash equivalents	194	(141)
Other movements in net debt	47	93
Decrease/(increase) in net debt for the year	241	(48)
Opening net debt	(6,838)	(6,790)
Closing net debt	(6,597)	(6,838)

NB. The reconciliation of net cash flow to movement in net debt note is not a primary statement and does not form part of the cash flow statement but forms part of the notes to the Group financial statements in the Annual Report and Financial Statements.

Dividend

	2013		2012	
	pence/share	£m	pence/share	£m
Amounts recognised as distributions to owners in the financial year:				
Prior financial year final dividend	10.13	813	10.09	811
Current financial year interim dividend	4.63	371	4.63	369
Dividends paid to equity owners in the financial year	14.76	1,184	14.72	1,180
Current financial year proposed final dividend	10.13	815	10.13	815

Financial calendar

Financial year end 2012/13	23 February 2013
Final ex-dividend date	24 April 2013
Record date	26 April 2013
Q1 Interim Management Statement	5 June 2013
Annual General Meeting	28 June 2013
Final dividend payment date	5 July 2013
Half-year end 2013/14	24 August 2013
Interim Results	2 October 2013
Q3 Interim Management Statement	4 December 2013
Financial year end 2013/14	22 February 2014

Please note that dates are provisional and subject to change.

Glossary

Capital expenditure: the additions to property, plant and equipment, investment property and intangible assets (excluding assets acquired under business combinations).

Capex % of sales: capital expenditure as defined above, divided by Group sales including VAT and excluding IFRIC 13.

Constant tax rate: using the prior year's effective tax rate.

EBITDAR: operating profit before depreciation, amortisation, rent and movements in impairments of property, plant and equipment, investment property and intangible assets.

Fixed charge cover: the ratio of EBITDAR (excluding Tesco Bank EBITDAR) divided by financing costs (net interest excluding IAS 32 and 39 impacts and pension finance costs) plus operating lease expenses.

Gearing: net debt divided by total equity.

Net indebtedness: the ratio of adjusted net debt (net debt plus pension deficit and the present value of lease obligations) divided by EBITDAR (excluding Tesco Bank EBITDAR).

Return on capital employed: profit before interest and tax less tax at the effective rate of tax divided by the calculated average of opening and closing net assets plus net debt plus dividend creditor less net assets held for resale.

Total shareholder return: the notional return from a share, measured as the percentage change in the share price, plus the dividends paid with the gross dividends reinvested in Tesco shares. This is measured over either a five-year or a one-year period. For the latter, TSR represents the movement for the current financial year.

Underlying diluted earnings per share: underlying profit less tax at the effective tax rate and minority interest divided by the diluted weighted average number of shares in issue during the year.

Underlying profit before tax: underlying profit before tax excludes the impact of non-cash elements of IAS 17, 19, 32 and 39 (principally the impact of annual uplifts in rents and rent-free periods, pension costs, and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition and acquisition costs, and the non-cash impact of IFRIC 13. It also excludes restructuring and other one-off costs.

The Summary Financial Statement does not contain sufficient information to allow as full an understanding of the results of the Group and state of affairs of the Company or of the Group and of their policies and arrangements concerning Directors' remuneration as would be provided by the Tesco PLC Annual Report and Financial Statements.

Members can obtain online, free of charge, the Tesco PLC Annual Report and Financial Statements 2013. The Annual Reports and Financial Statements for future financial years will also be made available online at www.tescoplc.com.

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