TESCO

INTERIM RESULTS 2013/14

26 weeks ended 24 August 2013 (unaudited) **On a continuing operations basis**	**2013/14**	**Growth** (Actual exchange rates)	**Growth** (Constant exchange rates)
Group sales (inc. VAT)*	**£35,582m**	**2.0%**	**0.5%**
Sales growth excluding petrol		2.6%	0.9%
Group trading profit	**£1,588m**	**(7.6)%**	**(8.8)%**
- UK	£1,131m	1.5%	1.5%
- Asia (exc. China**)	£314m	(7.4)%	(12.4)%
- Europe	£55m	(67.8)%	(70.8)%
- Tesco Bank	£88m	(6.4)%	(6.4)%
Underlying profit before tax (excluding profit from property-related items)	**£1,466m**	**(7.4)%**	**(8.4)%**
Underlying diluted earnings per share (excluding profit from property-related items)	**14.88p**	**(7.92)%*** **	**n/a**
Capex	**£1.3bn**	**down 15.8%**	**down 17.2%**
Statutory profit before tax	**£1,387m**	**(23.5)%**	**(24.5)%**

STRATEGY ON TRACK – UK STRENGTHENING, CHALLENGES IN EUROPE PERSIST

Philip Clarke, Chief Executive:

"Despite continuing challenges, we have made **further progress on our strategic priorities**. We are strengthening our UK business, working to establish multichannel leadership and pursuing disciplined international growth.

Our performance in the UK has strengthened through the half, particularly in our food business, as we have continued our work to Build a Better Tesco. More and more customers are benefiting from a better shopping environment, as our store refresh programme has gathered momentum.

We have continued our focus on **becoming the leading multichannel retailer**. Our online grocery businesses have continued to perform well across the Group, and we are now offering the service in over 50 cities across nine markets outside the UK.

The challenging retail environment in Europe has continued to affect the performance and profitability of our businesses there. The investments we have made to improve our offer for customers in the region are already starting to take effect and we expect a stronger second half as a result.

Today we have announced a partnership with China Resources Enterprise Ltd. (CRE) to create the leading food retailer in the world's most populous country. This, together with the conclusion of our strategic review in the United States, provides further evidence of our **commitment to disciplined international growth** and, more broadly, our approach to growth and returns."

HIGHLIGHTS

- **£1.6bn trading profit – reflecting good progress in UK and challenges in Europe**
- **Interim dividend maintained at 4.63p**
- **UK sales exc. petrol up +1.7%, with lower net new space contribution as planned**
- **Sales supported by strong growth in online grocery: +13% in UK and +54% overseas**
- **UK Food LFL improved to +1.0% in Q2; UK trading margin stable at 5.2%**
- **Total UK LFL held back by initial work on transformation of general merchandise business, ahead of migration to higher-margin, higher-growth categories**
- **Average large-store refresh sales uplifts between 3% and 5%, with improved margin**
- **Q2 UK Clothing sales growth +8.6%**
- **Strategic review in United States concluded with sale of Fresh & Easy to Yucaipa**
- **Partnership formed with CRE giving Tesco 20% stake in China's leading food retailer**
- **Consistent approach to future growth, capital discipline, returns and cash**

* Group sales (inc. VAT) exclude the accounting impact of IFRIC 13.
** Our subsidiary in China is now treated as a discontinued operation following our agreement to partner with CRE.
*** Underlying diluted EPS growth calculated on a constant tax rate basis; (6.91)% at actual tax rates.

SUMMARY OF GROUP RESULTS[1]

Continuing operations[2]	Group TY £m	Group LY £m	Group Growth %	UK[3] TY £m	Asia TY £m	Europe TY £m	Tesco Bank TY £m
Sales (inc. VAT)[4]	**35,582**	**34,891**	**2.0%**	**24,196**	**5,542**	**5,346**	**498**
Growth %				1.1%	7.7%	1.2%	(3.1)%
UK LFL (exc. Petrol)				(0.5)%			
Revenue (exc. VAT)[5]	**31,914**	**31,306**	**1.9%**	**21,630**	**5,204**	**4,582**	**498**
Growth %				1.0%	7.5%	0.9%	(3.1)%
UK LFL – IFRIC 13 compliant basis (exc. Petrol)				(0.4)%			
Trading profit[6]	**1,588**	**1,718**	**(7.6)%**	**1,131**	**314**	**55**	**88**
Growth %				1.5%	(7.4)%	(67.8)%	(6.4)%
Trading profit margin[4]	4.93%	5.44%	(51)bp	5.2%	6.0%	1.2%	17.7%
Change (basis points)				2bp	(98)bp	(256)bp	(62)bp
Other underlying profit items:							
- Share of post-tax profits of joint ventures and associates	29	29	1.7%				
- Net interest cost	(151)	(164)	7.9%				
Underlying profit before tax[7]	**1,466**	**1,583**	**(7.4)%**				
- Profits/losses arising on property-related items	45	342	(86.8)%				
IAS adjustments	(103)	(114)	9.6%				
Restructuring and other one-off costs	(21)	3	(800)%				
Statutory profit before tax	**1,387**	**1,814**	**(23.5)%**				
Dividend per share (pence)	4.63	4.63	0.0%				

	Group TY	Group LY	Group YOY Change	UK TY	UK LY	Asia TY	Asia LY	Europe TY	Europe LY	Tesco Bank TY	Tesco Bank LY
Capital expenditure (£bn)	1.3	1.5	(0.2)	0.8	0.9	0.4	0.3	0.1	0.2	0.0	0.1
Gross space added (million sq.ft.)	1.6	2.4	(0.8)	0.5	0.6	0.7	1.0	0.3	0.9	n/a	n/a

	Group TY	Group LY	Group YOY Change
Net cashflow from operating activities (£bn)[8]:			
- Retail	1.7	1.3	0.4
- Tesco Bank	(0.5)	0.0	(0.5)
- Group	1.1	1.2	(0.1)
IFRS pensions liability post-tax (£bn)	2.4	1.8	0.6
Net debt (£bn)[8]	7.0	7.2	(0.2)

Notes:

1 For UK, ROI and US, these results are for the 26 weeks ended 24 August 2013 and the previous period comparison is made with the 26 week period ended 25 August 2012. For Tesco Bank and India these results are for the 6 months ended 31 August 2013 and the previous period comparison is made with the 6 months ended 31 August 2012. For all other countries these results are for the 178 days ended 25 August 2013 and the previous period comparison is made with the 179 days ended 26 August 2012. All growth rates are calculated at actual exchange rates unless otherwise stated. Statutory numbers include the accounting impact of IFRIC 13 (Customer Loyalty Programmes). All other numbers are shown excluding the accounting impact of IFRIC 13, consistent with internal management reporting. More information can be found in Note 1 to the interim consolidated financial information.

2 Continuing operations exclude China, Japan and US as discontinued operations.

3 The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS 8 'Operating Segments'.

4 Excludes the accounting impact of IFRIC 13 (Customer Loyalty Programmes). Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

5 Includes the accounting impact of IFRIC 13 (Customer Loyalty Programmes).

6 Trading profit excludes property-related items and makes the same additional adjustments as our underlying profit measure, except for the impact of non-cash elements of IAS 17, 32 and 39, and the interest element of IAS 19.

7 Underlying profit 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 (Tesco Bank) and acquisition costs; and profits/losses arising on property-related items and the non-cash impact of IFRIC 13 (Customer Loyalty Programmes). It also excludes restructuring and other one-off items.

8 Includes both continuing and discontinued operations.

STRATEGIC UPDATE

We have continued to make progress on the **three clear strategic priorities** for the Group which we laid out in April:

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

Our efforts to **Build a Better Tesco in the UK** are being recognised by more customers and our performance is improving as a result. We have continued to invest in all parts of our offer, with one of the most significant changes in the first half being a further step up in the quality of our own-brand products. We have also seen improving customer perceptions of our in-store service, a better price image since the launch of Price Promise in March, and our store refresh programme has gathered momentum. Our like-for-like sales growth has improved through the half, driven by a stronger performance in our food business and despite the drag of our initial work to transform our general merchandise business. This work will ultimately lead to higher sales densities and even higher profit densities across our large-store portfolio as we migrate to more sustainable, more productive general merchandise categories and reduce our exposure to low-margin, low-growth categories.

We have taken further steps towards **establishing multichannel leadership in all of our markets**. Our online grocery home shopping business has now been rolled out to more than 50 cities overseas and we are seeing strong growth in all of our markets, including the UK. We have continued to invest in improving the integration of our customer offer across all of our store formats and channels and last month we launched 'Hudl', our first tablet computer, which offers instant access to Tesco's full range of digital services, all in one place. We have also piloted three new Extra formats in the UK, showcasing a new type of retailing experience. These bring together our best fresh food offer, our latest thinking on general merchandise, our next generation clothing departments and the introduction of our new casual dining concepts. Whilst it is early days, all three stores are performing well ahead of expectations.

Our focus on **disciplined international growth** has seen us further reduce our capital investment overseas, with a greater proportion allocated to those markets which offer us significant growth potential and the opportunity to deliver strong returns, such as Korea, Malaysia and Thailand.

Challenging external conditions have held back our trading performance, particularly in Europe. Overall economic growth has seen further declines in some of our largest markets, such as Ireland and Poland, with consumer confidence still tracking at historically low levels. We are actively managing our response to the shift in consumer behaviour in these markets and have strictly limited our new store openings, focusing on smaller, proximity formats and online. We have also focused on strengthening our customer offer across our entire business. As a consequence, we expect these markets to deliver a stronger performance in the second half.

Since the end of the half, we have also made further progress in two areas which provide clear evidence of our focus on capital discipline:

First, **we have concluded our strategic review in the United States with the sale of the majority of the Fresh & Easy business to Yucaipa**, a US-based investment company. This outcome ensures that the total cash cost of exit will be no more than £150m and provides ongoing employment for more than 4,000 of our colleagues in the United States. Those stores not included in the sale have now ceased trading and we have already begun the wind-down and disposal process.

Second, we have announced that, subject to usual regulatory approvals, **we are forming a partnership with China Resources Enterprise Ltd. (CRE)**, which will give Tesco a 20% stake in the largest food retail business in China. The combined business will have more than 3,000 stores and will be the leading retailer in seven out of the eight most populous and affluent Chinese provinces.

In addition to contributing our existing business in China, we will make a cash contribution to the joint venture of c.£185m and a payment to CRE of c.£80m at completion, which is expected in the first half of 2014. This will be followed with a further payment of c.£80m on the first anniversary of completion.

The joint venture, which will be self-funding, will secure significant cost and operational synergies from combining the two operations and for Tesco, will move us more quickly to profitability in China. The deal is immediately beneficial to Group returns on capital employed, due in part to removing the impact of our Chinese business's trading losses, which were £(72)m for the year ending February 2013, in addition to other, property-related losses.

From an accounting point of view, our existing business in China has to be treated as a discontinued operation within these results. Further details can therefore be found in Note 4 to the accounts, on page 25.

Both of these actions underpin the approach to growth and returns that we laid out in April. Importantly, they leave the Group better positioned to benefit from the inherent strengths of the Tesco model. Whilst we are clearly still facing current challenges, our experience at home and overseas has helped us to develop unique strengths that will enable us to extract long-term value from international growth. These include our retail and supply chain platforms, international buying scale and capability and our ability to capture and draw insight from customer data. As the retail industry evolves and we deliver our objective of being the leading multichannel retailer, strengths such as our IT capability, own-brand expertise and ability to transfer management skills across the Group will become even more important competitive advantages.

OUTLOOK

We are continuing to make good progress on Building a Better Tesco in the UK and the investments we have made in our international businesses have started to feed through into an improved trading performance in the second half.

However, challenging economic conditions overseas, particularly in Europe, have held back consumer confidence and spending, leading to a lower level of sales than expected. This has impacted profitability in the first half, and will therefore offset at least some of the benefit of our UK improvement in the full year results.

Nonetheless, we remain committed to achieving our guidance of mid-single digit trading profit growth in the medium-term and retain our absolute focus on driving improving returns, generating positive free cash flow and ensuring a disciplined allocation of capital.

GROUP RESULTS

Group sales, including VAT, increased by 2.0% to £35.6bn. At constant exchange rates, sales increased by 0.5% (including petrol) and 0.9% (excluding petrol).

Group trading profit was £1,588m, down (7.6)% on last year, reflecting the effects of challenging economic and trading conditions in Europe, in addition to the impact of regulatory restrictions on opening hours in Korea. Group trading margin was 4.93%, down (51) basis points.

Underlying profit before tax declined by (7.4)% to £1,466m. As reported in April, we are accelerating the scaling back of our sale and leaseback programme and therefore, to ensure this profit measure most accurately reflects the underlying performance of the business, it has been redefined to exclude profit on property-related items. This is consistent with the definition of underlying earnings per share used as the basis for our dividend policy.

Profits on property-related items fell significantly to £45m for the first half (2012/13: £342m). We do expect a year-on-year reduction for the full year, consistent with the more rapid reduction of our sale and leaseback programme, but given the timing of transactions we also expect a greater contribution from property in the second half.

Group profit before tax declined by (23.5)% to £1,387m, due to the impact of significantly reduced profits from property-related items.

Following our announcement that we have entered into a partnership with CRE, the results of our Chinese business, in addition to those of our business in the United States, have been classified as discontinued in these results. Further details can be found in Note 4 to the accounts, on page 25 of this statement.

Net finance costs decreased by 7.9% to £151m on an underlying basis, down from £164m last year, due to better average working capital and an additional cost from debt pre-financing in the prior year. Capitalised interest reduced by £21m to £41m.

Total **Group tax** has been charged at an effective rate of 18.00% (last year 18.91%). This reflects the temporary benefit of a lower UK corporate tax rate on deferred tax liabilities.

Cash Flow and Balance Sheet. Cash generated from Group operating activities reduced to £1.1bn (2012/13: £1.2bn). Excluding Tesco Bank, cash generated from retail operating activities, after interest and tax, increased from £1.3bn to £1.7bn. This reflects better working capital management, partly offset by a £180m one-off pension contribution in the prior year. Net debt fell by £0.2bn to £7.0bn.

Pensions. The Group's net pension deficit after tax has increased from £1.8bn at the year end to £2.4bn, due mainly to a reduction in real corporate bond yields leading to a fall of 0.3% in the discount rate for measuring liabilities. This was partly offset by higher than expected asset returns over the period.

Group **capital expenditure** on a continuing basis was £1.3bn, or 3.6% of total sales, a reduction of £(0.2)bn versus last year. We invested less new capital year-on-year in all of our reporting segments except Asia, consistent with our capital allocation priorities. In the UK, capital expenditure was down by (15.9)% to £0.8bn; in Asia, we increased our spend by 8.1% to £0.4bn; and in Europe, we sharply reduced the level of new investment by (51.0)% to £0.1bn.

DIVIDEND

The Board has approved a maintained interim dividend of 4.63p per share. The interim dividend will be paid on 20 December 2013 to shareholders on the Register of Members at the close of business on 11 October 2013.

SEGMENTAL PERFORMANCE

UK

Our plans to Build a Better Tesco in the UK have continued apace in the first half, with more and more customers seeing and responding positively to the changes we have made to our stores, our products, our marketing and the level of service we offer.

One of the most significant changes so far this year is the acceleration of our investment in the exclusivity, provenance and proximity of our food sourcing operations. Amongst other measures, all of our fresh chicken sold in the UK now comes from the UK and all our beef across fresh, frozen and ready meals is now 100% British or Irish. More widely, other elements of our fresh food offer have seen a significant investment in quality; all our pre-packed meat, fish and poultry, pre-packed salads, cut fruit and over half of our ready meals have been reviewed. This process of continuous improvement, underpinned by the other elements of the UK plan, has led to an improved like-for-like sales growth of +1.0% in our food business in the second quarter, and is despite annualising extended Sunday trading hours linked to last year's London Olympics.

	UK Results H1 2013/14	
	£m	% growth
UK sales	£24,196m	1.1%
UK revenue (exc. VAT, exc. impact of IFRIC 13)	£21,889m	1.1%
UK trading profit	£1,131m	1.5%
Trading margin (trading profit/revenue)	5.2%	2bp

Total UK sales increased by 1.1% to just over £24bn, with UK trading profit increasing by 1.5% to £1,131m. UK trading margin remained stable at 5.2% despite continued investment in our core food offer, helped by our progress so far on refocusing our general merchandise business on more profitable categories.

	UK LFL Growth 2013/14		
	Q1	Q2	**H1**
LFL (inc. VAT, inc. petrol)	(1.6)%	(0.2)%	**(0.9)%**
LFL (inc. VAT, exc. petrol)	(0.9)%	0.0%	**(0.5)%**
LFL (exc. VAT, exc. petrol)	(1.0)%	0.0%	**(0.5)%**
LFL (exc. VAT, exc. petrol) IFRIC 13*	(0.8)%	0.0%	**(0.4)%**

* Compliant with IFRIC 13 (Loyalty schemes) – the variance between like-for-like sales growth excluding both petrol and VAT, and the same growth on an IFRIC 13-compliant basis is due principally to the consequences for revenue recognition of the changes to our Clubcard scheme announced in September 2011.

The bulk of the initial work to improve the quality of our core own-brand products has now been completed, putting us well on track to meet our target of having 8,000 products re-formulated and re-packaged by the end of the year. Over 1,750 brand new products have been introduced in the first half alone. The first products from our new Finest range have already started to land in-store, with the official customer launch due later this month. Finest is already one of the leading food brands in the UK, with annual sales of over £1.4bn and with more than 12 million products consumed each week. The revamped range, which now has more than 1,500 products, has been assiduously benchmarked on the quality of its ingredients and recipes. Over 400 new lines have been added, 200 removed and the vast majority of the remainder of the range re-specified. Supporting the Finest re-launch, we are proud that Downton Abbey, ITV's flagship primetime drama, has agreed to be the subject of Tesco's first ever TV sponsorship deal.

This builds on the success of 'Love Every Mouthful', which will be an enduring marketing campaign highlighting the quality and provenance of our fresh food offer, encouraging our customers to try new and seasonal products. The campaign has been particularly well-received and has generated significant social media interest, helping us to have a new and engaging conversation with our customers. Initial customer research is very promising with customers recognising the emphasis we are placing on range, quality and freshness.

Having already delivered significant improvements in customer satisfaction with our in-store service last year, we have made more progress. Customer Viewpoint scores have continued to strengthen, with a further 5% uplift in perceptions of overall customer service and colleague helpfulness, on top of the strong initial increases we reported in April. Over 250,000 colleagues have received additional 'Making Moments Matter' training in the first half, helping them to deliver better, more personalised service to our customers.

We have also seen steady and consistent improvements in our price image since the launch of Price Promise in the UK in March. The measure showing the biggest improvement – up more than 34% - is the proportion of customers who rate our price matching or beating as excellent or very good. The coupon-at-till mechanic is also proving very popular, with three-quarters of customers who receive a money-off voucher feeling positive about the outcome of their Price Promise experience.

Our strategic shift away from in-store retailing of consumer electronics, coupled with the ongoing transformation of our general merchandise business, has continued to hold back our like-for-like sales performance. Whilst the new product ranges are available in our pilot stores, and have started to be introduced in-store elsewhere, the transition to more sustainable categories will continue to be implemented well into next year.

As well as a strong 'consumables and convenience' offer of small, frequently bought items, we are creating destination categories such as Home, Cook & Dine, Papershop and Celebration. These categories' greater resilience to transition online provides the opportunity for more sustainable general merchandise growth. Also, and partly as a result of this resilience, they all generate a much stronger cash gross margin than the categories in which we are reducing our exposure.

Our initiatives in clothing have been well-received by customers and colleagues alike, as we continue to build F&F into a fashion brand that our customers trust on quality, range and price. Clothing has continued to perform strongly with improving like-for-like sales through the second quarter. We have refreshed or refitted 47 of our in-store clothing departments in the first half, introducing the next generation store environment and achieving a combined like-for-like sales uplift of over +10% in refitted stores. The roll-out of improved clothing departments will continue over the next two years with almost 30% of UK clothing space refitted this year.

Our programme of refreshing our store estate has gathered momentum in the first half, with more customers benefiting from upgrades to their local store. So far over 30% of our large stores have now received store-wide improvements to their look and feel, with average sales uplifts running at between 3% and 5%. Additional improvements have also been carried out to some departments across the entire estate.

In addition to the core refresh programme, last year we piloted three remodelled Superstore formats, in Bishops Stortford, Thetford and Chester. Following the success of these pilots, we are remodelling over 60 Superstores this year, with over half of the programme already completed in the first half. We are continuing to refine the blueprints as we roll changes out across the estate, with the latest generation remodels such as those in Rochdale and Chelmsford featuring stronger clothing departments and further changes in general merchandise space allocation and presentation.

In August, we launched three pilot remodelled Extra stores, in Watford, Purley and Coventry, each trialling different customer propositions. In common with the Superstore remodels, we have adopted a 'Food First' approach in each of these, bringing the fresh food and 'food to go' offer to the front of the store and building relevant, sustainable general merchandise and clothing departments around this strong core. Our acquisition of the Giraffe restaurant chain and investments in the Harris+Hoole coffee shop business and Euphorium Bakery have enabled us to also bring new casual dining concepts to these stores to create even more compelling retail destinations. Whilst it is very early days, the initial customer response has been very positive and following further review, including detailed customer feedback, we plan to start rolling out additional remodels across the Extra estate in 2014.

Our remodels and refreshes are determined based on a detailed understanding of the different shopping missions being undertaken by customers, using Clubcard data analysis prepared by dunnhumby, our marketing services company. This is particularly relevant for our Express and Metro stores which typically have much tighter and more differentiated catchments.

Following the significant reduction in our new space programme last year, we again opened a smaller amount of net new space in the first half at 0.5 million square feet. Around 30% of this new space was devoted to convenience formats, including 54 Express and 16 One Stop openings. In line with the lower level of new store openings, total net new space, contributed 2.0% to total UK sales growth of 1.1% (including petrol and VAT) in the first half of the year. This compares to a total net new space contribution of 3.2% in the first half of 2012/13.

As part of the in-depth review of our property pipeline last year, we have taken steps to revisit a number of permissions for large-store developments in order to reconfigure the schemes and ensure they remain viable. Three of these developments opened in the first half, all of which were originally planned with net selling areas of more than 100,000 square feet: Gateshead Extra, opened at 90,000 square feet; West Bromwich Extra, opened at 79,000 square feet; and, Sunderland Extra, opened at 67,000 square feet. In all three cases, the amended plans help to future-proof our stores, create compelling destinations for consumers, and improve the overall return of the schemes by generating rental incomes from units built on the surplus space.

We have continued to benefit from a strong online grocery performance, with sales growth of nearly 13% and a further increase in market share. We have seen an additional 40,000 customers sign up to one of our Delivery Saver subscription schemes in the first half and we have now rolled out Click & Collect drive-through collection points to nearly 200 locations. Following the successful opening of our fifth dotcom-only store in Crawley earlier in the year, we will open our sixth, in Erith, later this month, supporting the significant demand for our grocery home shopping service in Greater London. Our Erith facility will build on the learnings from our openings to date, with an increased level of automation and, as a result, a greater capacity in terms of the volume and number of orders.

Tesco Direct is a key part of our multichannel strategy, and our clear priority is to ensure we have a profitable and scalable model. In line with the re-ranging of our in-store general merchandise offer, and in particular the electricals category, the profitability of Tesco Direct has improved despite lower sales. Against the backdrop of a tighter stocked-in range and inventory, the number of products available from third party 'Sellers at Tesco' has increased to more than 200,000 since the year-end.

Last week we took a significant step forward in our multichannel strategy ensuring that customers can shop whenever, however and wherever they want with the launch of Hudl, a tablet designed and built from scratch by Tesco. We recognise the increasingly important role that smartphones and tablets are playing in people's lives and the resulting changes to how our customers are communicating, working, learning, browsing and consuming.

Hudl is tailored around customer needs and ease of use with instant access to our full range of digital services, all in one place - these include blinkbox movies and music, Clubcard TV, banking and of course shopping for groceries, clothing, and general merchandise, as well as other popular pre-loaded apps such as YouTube, Google Maps and Google Play. The device is available now to buy in-store and online. It retails at £119 but as a thank you to our most loyal customers, Hudl will be available on Clubcard Boost, meaning many of them will be able to buy it for significantly less.

Our productivity programmes in the UK still have huge potential, not least through the use of technology. We have introduced Scan as you Shop to more of our larger stores and over 300,000 customers are using it each week, allowing us to re-invest hours into service elsewhere in-store. For stores where it has been introduced, on average more than 20% of sales are made through the technology.

ASIA

	Asia Results* H1 2013/14		
	Actual rates		Constant rates
	£m	% growth	% growth
Asia sales	£5,542m	7.7%	2.0%
Asia revenue (exc. VAT, exc. impact of IFRIC 13)	£5,221m	7.6%	2.0%
Asia trading profit	£314m	(7.4)%	(12.4)%
Trading margin (trading profit/revenue)	6.0%	(98)bp	(99)bp

*Exc. China, with our subsidiary there now treated as a discontinued operation following our agreement to partner with CRE.

Total sales in Asia increased by 7.7% at actual rates and by 2.0% at constant rates.

As expected, our first half performance in Asia has continued to be impacted by regulatory restrictions on opening hours in Korea. The incremental impact on profitability in the first half was £(40)m, in line with our previous guidance. We expect Korea to return to profit growth in the second half of the year, although the year-on-year effect on sales will continue to be somewhat volatile in the months ahead due to the varying application of the restrictions last year.

With the Thai economy now in recession, consumers are facing increasing pressures on household finances and our performance there has suffered as a result. Efforts by the Thai government to increase domestic consumption in other sectors by offering cheap financing for high-ticket items, such as motor vehicles, have weighed further on the food retail sector. We have also faced an increasing level of competition, particularly with respect to the rate of openings in the convenience sector.

In addition to these external factors, we have taken steps to address some parts of our own offer in Thailand which have underperformed in the first half and contributed to a disappointing like-for-like sales performance. This includes the remerchandising and remarketing of our 'Clubpack' range of bulk-buy products, a particularly important category for small traders who shop with us and one which represents around 4% of our sales in Thailand.

Thailand remains a very profitable, high-returning business which, together with Korea and Malaysia, offers Tesco significant potential for further growth from the continued development of modern retail alone.

Although the economic backdrop in Malaysia remains relatively stable, our like-for-like sales growth has been impacted by falling consumer confidence following May's general election. We launched grocery home shopping in Malaysia at the start of the year, and have seen a very encouraging initial customer response.

Following today's announcement that we will be forming a partnership with CRE in China, our existing business there has been treated as a discontinued operation within these results. The partnership will move us much more quickly to profitability within China and removes the drag of current trading losses from our results for Asia as a whole. As such, the strength of our other Asian businesses becomes more visible.

Our strong trading margins in the region are supported by a significant contribution from mall income. Tesco is one of the largest mall operators in Asia, with more than a decade of experience of creating compelling, high-returning, retail destinations for customers.

We opened 0.7m square feet of net new space in Asia during the first half, representing around one-third of the planned net space for 2013/14, with the opening programme focused on the high-returning markets of Thailand and Korea.

EUROPE

	Europe Results H1 2013/14		
	Actual rates		Constant rates
	£m	% growth	% growth
Europe sales	£5,346m	1.2%	(3.1)%
Europe revenue (exc. VAT, exc. impact of IFRIC 13)	£4,605m	1.0%	(3.3)%
Europe trading profit	£55m	(67.8)%	(70.8)%
Trading margin (trading profit/revenue)	1.2%	(256)bp	(262)bp

Total sales in Europe increased by 1.2% at actual rates and declined by (3.1)% at constant rates. Like-for-like sales declined by (5.0)% for the region as a whole, with a small improvement in performance towards the end of the first half.

We saw a continuation of the external trends from the second half of last year, characterised by a difficult economic environment, strong competition and a consumer preference for smaller store formats, linked to high fuel costs and a desire by many consumers to manage household budgets on a day-to-day basis. Our trading margin performance reflected investment in our offer for our customers as well as the negative leverage associated with like-for-like sales declines.

These trends were most acute in Turkey where the level of losses increased significantly year-on-year, reflecting our relative exposure to discretionary categories and large store formats. We have focused the business on driving growth in its heartland around Izmir, and are beginning to see an improvement in its overall operational performance.

Excluding a benefit from the cessation of the Hungary crisis tax, the prevailing conditions resulted in profit declines in each of our four markets in Central Europe. Specifically, our decision to invest in our offer in Poland contributed to lower profits, but with the result that Tesco Polska exited the half with an improving like-for-like sales trend.

In Ireland, the economy slipped back, albeit temporarily, into recession and consumers have faced further pressures on household finances. As a result, the limited-range discounters have fared better than those, like us, with a broader offer. We have plans to address this in the second half. Despite the challenging conditions, Ireland, like Hungary, remains a high-returning business.

The second half of the year will see each of our Central European and Turkish markets benefit from change programmes that we have already started to implement. Our European business as a whole will also be trading against a softer comparative base, following the impact of deteriorating external conditions on like-for-like sales and profitability in the second half of 2012/13.

We have made notable progress in online grocery, where we are unrivalled in our offer across Central Europe. Customers can now choose from around 20,000 fresh, grocery, and household products, with two-hour delivery slots available in all markets. Our service is already available in more than 30 major cities across the region and our progress will continue through the year, not least with the launch of grocery home shopping in Turkey early in 2014.

As planned, our new store programme in Europe is significantly smaller this year as we pursue our strategy of disciplined international growth. We opened 0.2m square feet of net new store space in the first half – 75% less than in the same period last year. Other than three previously committed hypermarkets in Poland, all of this new space is in smaller store formats.

TESCO BANK

	Tesco Bank H1 Results 2013/14	
	£m	% growth
Tesco Bank revenue (exc. VAT, exc. impact of IFRIC 13)	£498m	(3.1)%
Tesco Bank trading profit	£88m	(6.4)%
Tesco Bank trading margin	17.7%	(62)bp

Tesco Bank's trading profits were £88m, (6.4)% lower than last year. Excluding income from the legacy insurance distribution agreement in the prior year and the fair value release, trading profit grew by 21%. Moreover, following a period of intense activity to migrate its systems, and the launch of new mortgage and ISA products, the Bank continues to make progress towards our strategy of enhancing loyalty by becoming customers' natural choice for financial services.

The period saw good growth in our core banking products. Customer lending increased strongly to £6.4bn, with loans up 11% and credit card balances up 16% since the year-end. Our mortgage product also continues to make good progress with balances growing to £0.5bn. This growth has been supported by the Bank of England's Funding for Lending Scheme (FLS). Whilst our core funding will always be drawn from customer deposits, the FLS has enabled us to diversify our funding, utilising attractive rates, in the short term.

Overall, customer accounts on our banking products of credit cards, loans, mortgages and savings have grown by 6% since the year-end, and we remain on track to launch current accounts in the first half of 2014.

Within our insurance activities, our motor business has faced significant market headwinds. We have continued to focus on offering our best prices to Clubcard customers and to adopt a disciplined approach to pricing and underwriting. This approach has contributed to a (5)% reduction in motor policies since the year-end. Home insurance has been re-launched offering customers the ability to better select the level of cover that is right for them and helping new business grow by 40%. Nonetheless, insurance customer numbers on our primary products of motor, home and pet have fallen (4)% to 1.8 million.

The Bank no longer recognises any income in relation to the legacy agreement with the Direct Line Group. This income amounted to £17m in the first half of 2012/13.

We have continued to see strong evidence of Tesco Bank's ability to enhance customer loyalty with Bank customers typically spending more in store and across our services. Clubcard points with a value of over £70m were given to customers as a 'thank you' for using the Bank's products in the period.

The Bank's capital ratios and liquidity levels remain strong with a Risk Asset Ratio of 17% and £1.3bn of high-quality liquid assets.

An income statement, balance sheet and cash flow statement for Tesco Bank is available in the investor section of our corporate website at www.tescoplc.com/interims2013. Tesco Bank's interim results are also published today and can be found at www.tescoplc.com/interims2013/tescobank.

TESCO AND SOCIETY

In May 2013 we set out a new Tesco value: 'We use our scale for good'. This means that we will use our skills and capabilities as a leading global retailer to tackle the issues that matter most to our customers, to our colleagues and to our communities.

We have three big ambitions: creating new opportunities for young people, encouraging people to live healthier lives and reducing food waste. Since launch, we have been developing new initiatives and establishing long-term plans towards these goals. More information about our work in this area can be found at www.tescoplc.com/society and we will be publishing a half year update at the end of October detailing our progress so far.

Supplementary Information

The following supplementary information can be found within our analyst pack, which is available online at www.tescoplc.com/interims2013:

- Group Income Statement
- Segmental Summary
- Tesco Bank – Income Statement, Balance Sheet, Cash Flow
- Group Cash Flow
- UK Sales Performance
- International Sales Performance
- Group Space Summary and Forecast
- UK New Stores
- Earnings Per Share

Contacts

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Media:	Tom Hoskin	01992 644 645
	Brunswick	0207 404 5959

This document is available online at www.tescoplc.com/interims2013.

A meeting for investors and analysts will be held today at 9.30am at Nomura Bank, 1 Angel Lane, London, EC4R 3AB. Access will be by invitation only. Presentations from the meeting will be available at www.tescoplc.com/interims2013.

An interview with Philip Clarke, Chief Executive, discussing the Interim Results is available now to download in video, audio and transcript form at www.tescoplc.com/interims2013.

Additional Disclosures

Risks and Uncertainties

As with any business, risk assessment and the implementation of mitigating actions and controls are vital to successfully achieving the Group's strategy. 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 principal risks and uncertainties faced by the Group remain those set out in our 2013 Annual Report and include:

- Business and financial strategies
- Competition and consolidation
- Reputational risk
- Performance risk in the business
- Property
- Regulatory, economic and political risks
- Product safety
- IT systems and infrastructure
- People
- Group Treasury, finance and Tesco Bank risks
- Pension risks
- Fraud, compliance and internal controls
- Business continuity and crisis management

Greater detail on these risks and uncertainties are set out in our 2013 Annual Report.

Statement of Directors' Responsibilities

The Directors confirm that this interim consolidated financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7R and DTR 4.2.8R.

The Directors of Tesco PLC are listed in the Tesco PLC Annual Report and Financial Statements 2013, with the exception of Mark Armour who was appointed on 2 September 2013. A list of current directors is maintained on the Tesco PLC website, at: www.tescoplc.com

By order of the Board

Directors
Sir Richard Broadbent* - Chairman
Philip Clarke – Chief Executive
Laurie McIlwee – Chief Financial Officer
Mark Armour*
Gareth Bullock*
Patrick Cescau* - Senior Non-executive Director
Stuart Chambers*
Olivia Garfield*
Ken Hanna*
Deanna Oppenheimer*
Jacqueline Tammenoms Bakker*

*Non-executive Directors

Company Secretary
Jonathan Lloyd
1 October 2013

Appendix 1 – Segmental Sales Growth Rates*

		Total Sales Growth – Actual Rates**					
		2012/13			2013/14		
		H1	H2	**FY**	Q1	Q2	**H1**
Inc. Petrol	Group	0.9%	1.4%	**1.2%**	1.7%	2.6%	**2.0%**
	International	(1.6)%	1.5%	**0.0%**	5.4%	4.5%	**4.4%**
	Asia	4.4%	6.6%	**5.5%**	11.5%	5.7%	**7.7%**
	Europe	(6.8)%	(3.1)%	**(4.9)%**	(0.3)%	3.3%	**1.2%**
	UK	2.2%	1.4%	**1.8%**	0.1%	2.0%	**1.1%**
	Tesco Bank	(1.5)%	(2.9)%	**(2.2)%**	(2.3)%	(3.8)%	**(3.1)%**
Exc. Petrol	Group	1.2%	2.2%	**1.7%**	2.6%	3.0%	**2.6%**
	International	(1.5)%	1.7%	**0.1%**	5.8%	4.5%	**4.5%**
	Asia	4.4%	6.6%	**5.5%**	11.5%	5.7%	**7.7%**
	Europe	(6.9)%	(3.0)%	**(4.9)%**	0.1%	3.3%	**1.3%**
	UK	2.7%	2.5%	**2.6%**	1.0%	2.3%	**1.7%**
	Tesco Bank	(1.5)%	(2.9)%	**(2.2)%**	(2.3)%	(3.8)%	**(3.1)%**

		Total Sales Growth – Constant Rates**					
		2012/13			2013/14		
		H1	H2	**FY**	Q1	Q2	**H1**
Inc. Petrol	Group	3.0%	1.9%	**2.4%**	0.0%	1.3%	**0.5%**
	International	5.1%	3.0%	**4.0%**	(0.1)%	0.1%	**(0.6)%**
	Asia	5.8%	6.5%	**6.1%**	3.2%	2.5%	**2.0%**
	Europe	4.4%	(0.2)%	**2.1%**	(3.4)%	(2.3)%	**(3.1)%**
	UK	2.2%	1.4%	**1.8%**	0.1%	2.0%	**1.1%**
	Tesco Bank	(1.5)%	(2.9)%	**(2.2)%**	(2.3)%	(3.8)%	**(3.1)%**
Exc. Petrol	Group	3.4%	2.6%	**3.0%**	0.7%	1.5%	**0.9%**
	International	5.1%	3.1%	**4.1%**	0.1%	0.2%	**(0.4)%**
	Asia	5.8%	6.5%	**6.1%**	3.2%	2.5%	**2.0%**
	Europe	4.4%	(0.1)%	**2.2%**	(3.0)%	(2.3)%	**(3.0)%**
	UK	2.7%	2.5%	**2.6%**	1.0%	2.3%	**1.7%**
	Tesco Bank	(1.5)%	(2.9)%	**(2.2)%**	(2.3)%	(3.8)%	**(3.1)%**

* Growth rates shown on a continuing operations basis.

** Quarterly growth rates based on comparable days for the current year and the previous year comparison. H1 growth rates based on comparable days for the current year and the previous year comparison for the UK and the Republic of Ireland. For all other countries these results are for the 178 days ended 25 August 2013 and the previous year comparison is made with the 179 days ended 26 August 2012.

		Like-For-Like Sales Growth*					
		2012/13			2013/14		
		H1	H2	**FY**	Q1	Q2	**H1**
Inc. Petrol	Group	(0.9)%	(1.7)%	**(1.3)%**	(2.5)%	(1.4)%	**(2.0)%**
	International	(0.8)%	(3.2)%	**(2.0)%**	(4.8)%	(4.0)%	**(4.4)%**
	Asia	(1.6)%	(1.9)%	**(1.8)%**	(3.5)%	(3.6)%	**(3.7)%**
	Europe	(0.1)%	(4.3)%	**(2.2)%**	(5.8)%	(4.4)%	**(5.1)%**
	UK	(1.0)%	(1.0)%	**(1.0)%**	(1.6)%	(0.2)%	**(0.9)%**
	Tesco Bank	N/A	N/A	**N/A**	N/A	N/A	**N/A**
Exc. Petrol	Group	(0.7)%	(1.1)%	**(0.9)%**	(2.1)%	(1.4)%	**(1.8)%**
	International	(0.9)%	(3.1)%	**(2.0)%**	(4.5)%	(4.1)%	**(4.3)%**
	Asia	(1.6)%	(1.9)%	**(1.8)%**	(3.5)%	(3.6)%	**(3.7)%**
	Europe	(0.2)%	(4.3)%	**(2.3)%**	(5.5)%	(4.5)%	**(5.0)%**
	UK	(0.6)%	(0.1)%	**(0.3)%**	(0.9)%	0.0%	**(0.5)%**
	Tesco Bank	N/A	N/A	**N/A**	N/A	N/A	**N/A**

*Like-for-like growth shown on a continuing operations basis.

Appendix 2 – Country Like-For-Like Sales Growth Inc. Vat Exc. Petrol*

	Like-For-Like Sales Growth*					
	2012/13			2013/14		
	H1	H2	**FY**	Q1	Q2	**H1**
UK	(0.6)%	(0.1)%	**(0.3)%**	(0.9)%	0.0%	**(0.5)%**
Asia	(1.6)%	(1.9)%	**(1.8)%**	(3.5)%	(3.6)%	**(3.7)%**
Malaysia	(0.2)%	1.1%	**0.5%**	1.3%	(1.9)%	**(0.4)%**
South Korea	(4.0)%	(6.6)%	**(5.3)%**	(5.1)%	(2.4)%	**(3.7)%**
Thailand	1.7%	4.4%	**3.1%**	(3.0)%	(6.3)%	**(4.7)%**
Europe	(0.2)%	(4.3)%	**(2.3)%**	(5.5)%	(4.5)%	**(5.0)%**
Czech Republic	(5.8)%	(8.2)%	**(7.0)%**	(9.0)%	(5.0)%	**(6.9)%**
Hungary	(0.4)%	(1.0)%	**(0.7)%**	0.2%	(1.6)%	**(0.8)%**
Poland	2.2%	(8.0)%	**(3.0)%**	(8.2)%	(4.5)%	**(6.4)%**
Slovakia	3.0%	(1.5)%	**0.6%**	(4.1)%	(4.4)%	**(4.3)%**
Turkey	(2.1)%	(8.8)%	**(5.4)%**	(15.5)%	(10.7)%	**(12.8)%**
Republic of Ireland	0.3%	(0.9)%	**(0.3)%**	(3.0)%	(4.4)%	**(3.7)%**

* Like-for-like growth shown on a continuing operations basis.

Disclaimer

TESCO PLC
GROUP INCOME STATEMENT
26 weeks ended 24 August 2013

	Notes	2013 £m	2012 (restated*) £m	Increase %
Continuing operations				
Revenue	2	**31,914**	**31,306**	**1.9**
Cost of sales		(29,572)	(28,926)	
Gross profit		**2,342**	**2,380**	**(1.6)**
Administrative expenses		(820)	(717)	
Profits/losses arising on property-related items		45	342	
Operating profit	2	**1,567**	**2,005**	**(21.8)**
Share of post-tax profits of joint ventures and associates		32	33	
Finance income		65	67	
Finance costs		(277)	(291)	
Profit before tax		**1,387**	**1,814**	**(23.5)**
Taxation	3	(250)	(343)	
Profit for the period from continuing operations		**1,137**	**1,471**	**(22.7)**
Discontinued operations				
Loss for the period from discontinued operations	4	(317)	(236)	
Profit for the period		**820**	**1,235**	**(33.6)**
Attributable to:				
Owners of the parent		820	1,235	
Non-controlling interests		-	-	
		820	**1,235**	**(33.6)**
Earnings per share from continuing and discontinued operations				
Basic	6	10.17p	15.38p	(33.9)
Diluted	6	10.15p	15.38p	(34.0)
Earnings per share from continuing operations				
Basic	6	14.10p	18.32p	(23.0)
Diluted	6	14.08p	18.32p	(23.1)
Proposed interim dividend per share	5	4.63p	4.63p	-

Non-GAAP measure: underlying profit before tax	1	**£m**	**£m**	
Profit before tax from continuing operations		1,387	1,814	(23.5)
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements		6	20	
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions		76	70	
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods		10	9	
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions		7	9	
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards		4	6	
Restructuring and other one-off items		21	(3)	
Profits/losses arising on property-related items		(45)	(342)	
Underlying profit before tax from continuing operations		**1,466**	**1,583**	**(7.4)**
Underlying diluted earnings per share	6	14.88p	15.99p	(6.9)

* Restated for amendments to IAS 19 as explained in Note 1.

The notes on pages 21 to 33 form part of this interim consolidated financial information.

TESCO PLC
GROUP STATEMENT OF COMPREHENSIVE INCOME
26 weeks ended 24 August 2013

	Note	2013 £m	2012 (restated*) £m
Items that will not be reclassified to income statement			
Remeasurements on defined benefit pension schemes	9	(531)	(516)
Income tax on items that will not be reclassified		38	76
		(493)	(440)
Items that may subsequently be reclassified to income statement			
Change in fair value of available-for-sale financial assets and investments		1	-
Currency translation differences		(473)	(367)
Gains/(losses) on cash flow hedges:			
- Net fair value (loss)/gain		(119)	7
- Reclassified and reported in the Group Income Statement		14	(36)
Income tax on items that may be reclassified		46	27
		(531)	(369)
Total other comprehensive loss for the period		**(1,024)**	**(809)**
Profit for the period		820	1,235
Total comprehensive (loss)/income for the period		**(204)**	**426**
Attributable to:			
Owners of the parent		(199)	427
Non-controlling interests		(5)	(1)
		(204)	**426**
Total comprehensive (loss)/income attributable to equity shareholders arises from:			
Continuing operations		115	680
Discontinued operations		(314)	(253)
		(199)	**427**

* Restated for amendments to IAS 19 as explained in Note 1.

The notes on pages 21 to 33 form part of this interim consolidated financial information.

TESCO PLC

GROUP BALANCE SHEET

As at 24 August 2013

	Notes	24 August 2013 £m	23 February 2013 £m	25 August 2012 £m
Non-current assets				
Goodwill and other intangible assets		3,723	4,362	4,794
Property, plant and equipment	7	25,453	24,870	25,635
Investment property	7	315	2,001	1,936
Investments in joint ventures and associates		309	494	466
Other investments		810	818	1,094
Loans and advances to customers		2,885	2,465	2,022
Derivative financial instruments		1,682	1,965	1,644
Deferred tax assets		24	58	27
		35,201	**37,033**	**37,618**
Current assets				
Inventories		3,663	3,744	3,592
Trade and other receivables		2,452	2,525	2,907
Loans and advances to customers		3,542	3,094	2,499
Derivative financial instruments		67	58	46
Current tax assets		18	10	8
Short-term investments		690	522	1,234
Cash and cash equivalents		1,748	2,512	3,267
		12,180	**12,465**	**13,553**
Assets of the disposal groups and non-current assets classified as held for sale	4	3,065	631	322
		15,245	**13,096**	**13,875**
Current liabilities				
Trade and other payables		(10,893)	(11,094)	(11,086)
Financial liabilities				
- Borrowings		(1,574)	(766)	(2,542)
- Derivative financial instruments and other liabilities		(81)	(121)	(134)
- Customer deposits and deposits by banks		(6,268)	(6,015)	(5,438)
Current tax liabilities		(516)	(519)	(514)
Provisions		(143)	(188)	(105)
		(19,475)	**(18,703)**	**(19,819)**
Liabilities of the disposal groups classified as held for sale	4	(1,316)	(282)	(98)
Net current liabilities		**(5,546)**	**(5,889)**	**(6,042)**
Non-current liabilities				
Financial liabilities				
- Borrowings		(9,147)	(10,068)	(10,051)
- Derivative financial instruments and other liabilities		(746)	(759)	(647)
Post-employment benefit obligations	9	(2,982)	(2,378)	(2,272)
Deferred tax liabilities		(835)	(1,006)	(1,058)
Provisions		(246)	(272)	(92)
		(13,956)	**(14,483)**	**(14,120)**
Net assets		**15,699**	**16,661**	**17,456**
Equity				
Share capital		404	403	402
Share premium		5,047	5,020	4,980
All other reserves		101	685	(146)
Retained earnings		10,134	10,535	12,197
Equity attributable to owners of the parent		**15,686**	**16,643**	**17,433**
Non–controlling interests		13	18	23
Total equity		**15,699**	**16,661**	**17,456**

The notes on pages 21 to 33 form part of this interim consolidated financial information.

TESCO PLC
GROUP STATEMENT OF CHANGES IN EQUITY
26 weeks ended 24 August 2013

	Share capital	Share premium	All other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 23 February 2013	**403**	**5,020**	**685**	**10,535**	**16,643**	**18**	**16,661**
Total comprehensive income	**-**	**-**	**(573)**	**374**	**(199)**	**(5)**	**(204)**
Transactions with owners							
Share-based payments	-	-	(11)	40	29	-	29
Issue of shares	1	27	-	-	28	-	28
Dividends authorised in the period	-	-	-	(815)	(815)	-	(815)
Total transactions with owners	**1**	**27**	**(11)**	**(775)**	**(758)**	**-**	**(758)**
At 24 August 2013	**404**	**5,047**	**101**	**10,134**	**15,686**	**13**	**15,699**

	Share capital	Share premium	All other reserves	Retained earnings	Total equity attributable to owners of the parent	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 25 February 2012	**402**	**4,964**	**245**	**12,164**	**17,775**	**26**	**17,801**
Total comprehensive income	**-**	**-**	**(395)**	**822**	**427**	**(1)**	**426**
Transactions with owners							
Share-based payments	-	-	4	24	28	(1)	27
Issue of shares	-	16	-	-	16	-	16
Purchase of non-controlling interests	-	-	-	-	-	(1)	(1)
Dividends authorised in the period	-	-	-	(813)	(813)	-	(813)
Total transactions with owners	**-**	**16**	**4**	**(789)**	**(769)**	**(2)**	**(771)**
At 25 August 2012	**402**	**4,980**	**(146)**	**12,197**	**17,433**	**23**	**17,456**

The notes on pages 21 to 33 form part of this interim consolidated financial information.

TESCO PLC
GROUP CASH FLOW STATEMENT
26 weeks ended 24 August 2013

	Notes	2013 £m	2012 £m
Cash flows from operating activities			
Cash generated from operations	10	1,741	1,660
Interest paid		(280)	(166)
Corporation tax paid		(319)	(250)
Net cash generated from operating activities		**1,142**	**1,244**
Cash flows from investing activities			
Acquisition of subsidiaries, net of cash acquired		(48)	(20)
Proceeds from sale of joint ventures and associates		-	68
Proceeds from sale of property, plant and equipment, investment property and non-current assets classified as held for sale		90	787
Purchase of property, plant and equipment, investment property and non-current assets classified as held for sale		(1,163)	(1,411)
Purchase of intangible assets		(169)	(213)
Net decrease in loans to joint ventures and associates		72	73
Investments in joint ventures and associates		(6)	(115)
Net proceeds from (investments in)/sale of short-term and other investments		(178)	440
Dividends received from joint ventures and associates		22	16
Interest received		64	36
Net cash used in investing activities		**(1,316)**	**(339)**
Cash flows from financing activities			
Proceeds from issue of ordinary share capital		28	16
Increase in borrowings		786	995
Repayment of borrowings		(374)	(89)
Repayments of obligations under finance leases		(4)	(14)
Purchase of non-controlling interests		-	(1)
Dividends paid to equity owners	5	(815)	(813)
Net cash (used) / generated in financing activities		**(379)**	**94**
Net (decrease) / increase in cash and cash equivalents		**(553)**	**999**
Cash and cash equivalents at beginning of the period		2,531	2,311
Effect of foreign exchange rate changes		(29)	(38)
Cash and cash equivalents including cash held in disposal groups at the end of the period		**1,949**	**3,272**
Cash held in disposal groups		(201)	(5)
Cash and cash equivalents at the end of the period		**1,748**	**3,267**

The notes on pages 21 to 33 form part of this interim consolidated financial information.

Reconciliation of net cash flow to movement in net debt

26 weeks ended 24 August 2013

	Note	2013 £m	2012 £m
Net (decrease)/increase in cash and cash equivalents		(553)	999
Elimination of net decrease/(increase) in Tesco Bank cash and cash equivalents		580	(566)
Investment in Tesco Bank		-	(45)
Debt acquired on acquisition		-	(1)
Net cash inflow from debt and lease financing		(196)	(524)
Increase/(decrease) in Retail short-term investments		168	(9)
Decrease in Retail joint venture loan receivables		(72)	(80)
Other non-cash movements		(207)	(147)
Elimination of other Tesco Bank non-cash movements		(163)	(6)
Increase in net debt for the period		(443)	(379)
Opening net debt		(6,597)	(6,838)
Closing net debt	11	**(7,040)**	**(7,217)**

NB: The reconciliation of net cash flow to movement in net debt is not a primary statement and does not form part of the cash flow statement but forms part of the notes to this interim consolidated financial information.

The notes on pages 21 to 33 form part of this interim consolidated financial information.

The interim consolidated financial information for the 26 weeks ended 24 August 2013 was approved by the Directors on 1 October 2013.

NOTE 1 Basis of preparation

This interim consolidated financial information for the period ended 24 August 2013 has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority and with IAS 34, 'Interim financial reporting', as adopted by the European Union. The accounting policies applied are consistent with those described in the Annual Report and Financial Statements 2013, except as described below:

- IAS 1 (Amended) 'Financial statement presentation' changes the grouping of items presented in the Group's Statement of Comprehensive Income so that items which may be reclassified to income statement in the future are presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Group's financial position or performance.

- IAS 19 'Employee benefits (Revised 2011)' amends the accounting for employment benefits. The standard replaces the interest costs and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability/asset. The amendment has reduced profit for the period (net of deferred tax) by £41m for the 26 week period ended 24 August 2013 (26 week period ended 25 August 2012: a reduction of £48m; year ended 23 February 2013: a reduction of £96m). The comparative financial information has been restated accordingly.

- IFRS 13 'Fair value measurement' establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The application of IFRS 13 has not materially impacted the fair value measurements carried out by the Group. IFRS 13 also requires specific disclosures on fair values, some of which replace existing disclosure requirements in other standards, including IFRS 7 'Financial Instruments: Disclosures'. The Group has included the required disclosures in note 12.

- All other amendments which apply for the first time in 2014 do not impact the interim consolidated financial information of the Group.

The interim consolidated financial information should be read in conjunction with the Annual Report and Financial Statements 2013, which were prepared in accordance with International Financial Reporting Standards (IFRS) and the IFRS Interpretation Committee (IFRIC) interpretations as endorsed by the European Union.

This interim consolidated financial information has been reviewed, not audited, and does not constitute statutory financial statements as defined in section 434 of the Companies Act 2006. The Annual Report and Financial Statements for the 52 weeks ended 23 February 2013 were approved by the Board of Directors on 1 May 2013 and have been filed with the Registrar of Companies. The report of the auditors on those financial statements was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The Directors consider that the Group has adequate resources to remain in operation for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the interim consolidated financial information. In preparing the interim consolidated financial information, the Directors have also made reasonable and prudent judgments and estimates and prepared the interim consolidated financial information on a going concern basis.

Discontinued operations

Following the announcement on 9 August 2013 of the Group entering into a Memorandum of Understanding with China Resources Enterprise, Limited, on 1 October 2013 the Group entered into definitive agreements with the same company to combine with their Chinese retail operations. In addition, on 10 September 2013, the Group agreed a sale of the substantive part of its US operations to YFE Holdings, Inc. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results of both of these operations for the period are presented within discontinued operations in the Group Income Statement and the assets and liabilities of the business are presented separately in the Group Balance Sheet. See note 4 for further details.

NOTE 1 Basis of preparation (continued)

Use of non-GAAP profit measures - *Underlying profit*

The Directors believe that underlying profit before tax and underlying diluted earnings per share measures provide additional useful information for shareholders on underlying trends and performance. These measures are used for internal performance analysis. Underlying profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. The adjustments made to reported profits before tax are:

- IAS 32 and IAS 39 'Financial Instruments' – fair value re-measurements. Under IAS 32 and IAS 39 the Group applies hedge accounting to its various hedge relationships when allowed under IAS 39 and when practical to do so. Sometimes the Group is unable to apply hedge accounting to the arrangements, but continues to enter into these arrangements as they provide certainty or active management of the exchange rates and interest rates applicable to the Group. The Group believes that these arrangements remain effective and economically and commercially viable hedges despite the inability to apply hedge accounting. Where hedge accounting is not applied to certain hedging arrangements, the reported results reflect the movement in fair value of related derivatives due to changes in foreign exchange and interest rates. In addition, at each period end, any gain or loss accruing on open contracts is recognised in the Group Income Statement for the period, regardless of the expected outcome of the hedging contract on termination. This may mean that the Group Income Statement charge is highly volatile, whilst the resulting cash flows may not be as volatile. The underlying profit measure removes this volatility to help better identify the underlying performance of the Group.

- IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions. Under IAS 19, the cost of providing pension benefits in the future is discounted to a present value at the corporate bond yield rates applicable on the last day of the previous financial year. Corporate bond yields rates vary over time which in turn creates volatility in the Group Income Statement and Group Balance Sheet. IAS 19 also increases the charge for young pension schemes, such as the Group's, by requiring the use of rates which do not take into account the future expected returns on the assets held in the pension scheme which will fund pension liabilities as they fall due. The sum of these two effects can make the IAS 19 charge disproportionately higher and more volatile than the cash contributions the Group is required to make in order to fund all future liabilities. Therefore, within underlying profit the Group has included the 'normal' cash contributions for pensions but excluded the volatile element of IAS 19 to represent what the Group believes to be a fairer measure of the cost of providing post-employment benefits.

- IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods. The amount charged to the Group Income Statement in respect of operating lease costs and incentives is expected to increase significantly as the Group expands its international business. The leases have been structured in a way to increase annual lease costs as the businesses expand. IAS 17 requires the total cost of a lease to be recognised on a straight-line basis over the term of the lease, irrespective of the actual timing of the cost. This adjustment impacts the Group's operating profit and rental income within the share of post-tax profits of joint ventures and associates.

- IFRS 3 (Revised) 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions. Under IFRS 3 intangible assets are separately identified and fair valued. The intangible assets are required to be amortised on a straight-line basis over their useful lives and as such is a non-cash charge that does not reflect the underlying performance of the business acquired. Similarly, the standard requires all acquisition costs to be expensed in the Group Income Statement. Due to their nature, these costs have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

- IFRIC 13 'Customer Loyalty Programmes' – fair value of awards. This interpretation requires the fair value of customer loyalty awards to be measured as a separate component of a sales transaction. The underlying profit measure removes this fair value allocation to present underlying business performance, and to reflect the performance of the operating segments as measured by management.

- Restructuring and other one-off items. These relate to certain items associated with the Group's restructuring activities and certain one-off items including items relating to fair valuing the assets of a disposal group. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

- Profits/losses from property-related items. These relate to certain profits/losses associated with sale and lease back transactions, disposal of property assets and other non-trading property-related activities. These have been excluded from underlying profit as they do not reflect the underlying performance of the Group.

NOTE 2 Segmental reporting

The Group's reporting segments are determined based on the Group's internal reporting to the Chief Operating Decision Maker ("CODM"). The CODM has been determined to be the Executive Committee of the Board of Directors as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group's Chinese operations have been treated as discontinued as described in more detail in Notes 1 and 4 (previously reported as part of the Asia segment). The segment results do not include any amounts for these discontinued operations.

The CODM considers the principal activities of the Group to be:

- Retailing and associated activities in:
  - the UK;
  - Asia – India, Malaysia, South Korea, Thailand; and
  - Europe – Czech Republic, Hungary, Poland, Republic of Ireland, Slovakia and Turkey.

- Retail banking and insurance services through Tesco Bank in the UK.

The CODM uses trading profit, as reviewed at monthly Executive Committee meetings as the key measure of the segments' results as it reflects the segments' underlying trading performance for the period under evaluation. Trading profit is a consistent measure within the Group.

Segment trading profit is an adjusted measure of operating profit and measures the performance of each segment before profits/losses arising on property-related items, the impact on leases of annual uplifts in rent and rent-free periods, intangible asset amortisation charges and costs arising from acquisitions, and goodwill impairment and restructuring and other one-off costs. The IAS 19 pension charge is replaced with the 'normal' cash contributions for pensions. An adjustment is also made for the fair value of customer loyalty awards.

Inter-segment revenue between the operating segments is not material.

The segment results, which do not include any amounts for discontinued operations, and the reconciliation of the segment measures to the respective statutory items included in the Group Income Statement are as follows:

26 weeks ended 24 August 2013	**UK**	**Asia**	**Europe**	**Tesco Bank**	**Total at constant exchange**	**Foreign exchange**	**Total at actual exchange**
At constant exchange rates*	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations							
Sales inc. VAT (excluding IFRIC 13)	24,196	5,253	5,119	498	35,066	516	35,582
Revenue (excluding IFRIC 13)	21,889	4,949	4,409	498	31,745	468	32,213
Effect of IFRIC 13	(259)	(16)	(22)	-	(297)	(2)	(299)
Revenue	21,630	4,933	4,387	498	31,448	466	31,914
Trading profit	1,131	297	50	88	1,566	22	1,588
Trading margin***	5.2%	6.0%	1.1%	17.7%	4.9%		4.9%

26 weeks ended 24 August 2013	**UK**	**Asia**	**Europe**	**Tesco Bank**	**Total at actual exchange**
At actual exchange rates**	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations					
Sales inc. VAT (excluding IFRIC 13)	24,196	5,542	5,346	498	35,582
Revenue (excluding IFRIC 13)	21,889	5,221	4,605	498	32,213
Effect of IFRIC 13	(259)	(17)	(23)	-	(299)
Revenue	21,630	5,204	4,582	498	31,914
Trading profit	1,131	314	55	88	1,588
Trading margin***	5.2%	6.0%	1.2%	17.7%	4.9%

* Constant exchange rates are the average actual periodic exchange rates for the previous financial period.
** Actual exchange rates are the average actual periodic exchange rates for that financial period.
*** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.

NOTE 2 Segmental reporting (continued)

26 weeks ended 25 August 2012	UK	Asia	Europe	Tesco Bank	Total at actual exchange
At actual exchange rates*	**£m**	**£m**	**£m**	**£m**	**£m**
Continuing operations					
Sales inc. VAT (excluding IFRIC 13)	23,944	5,148	5,285	514	34,891
Revenue (excluding IFRIC 13)	21,649	4,850	4,560	514	31,573
Effect of IFRIC 13	(238)	(11)	(18)	-	(267)
Revenue	21,411	4,839	4,542	514	31,306
Trading profit	1,114	339	171	94	1,718
Trading margin**	5.1%	7.0%	3.8%	18.3%	5.4%

The Group's activities are, to some extent, subject to seasonal fluctuations. The Group generally experiences an increase in sales in the fourth quarter of the year due to holiday periods. Sales are also influenced by seasonal weather conditions which can contribute towards higher sales in the summer months.

Reconciliation of trading profit to profit for the period from continuing operations

	26 weeks ended 24 August 2013 £m	26 weeks ended 25 August 2012 (restated***) £m
Trading profit	**1,588**	**1,718**
Adjustments for:		
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	(21)	(30)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	(13)	(13)
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	(7)	(9)
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	(4)	(6)
Restructuring and other one-off items	(21)	3
Profits/losses arising on property-related items	45	342
Operating profit	**1,567**	**2,005**
Share of post-tax profit of joint ventures and associates	32	33
Finance income	65	67
Finance costs	(277)	(291)
Profit before tax	1,387	1,814
Taxation	(250)	(343)
Profit for the period from continuing operations	**1,137**	**1,471**

* Actual exchange rates are the average actual periodic exchange rates for that financial period.
** Trading margin is based on revenue excluding the accounting impact of IFRIC 13.
*** Restated for amendments to IAS 19 as explained in Note 1.

NOTE 3 Taxation

	26 weeks ended 24 August 2013 £m	26 weeks ended 25 August 2012 £m
UK	196	266
Overseas	54	77
	250	**343**

The Finance Act 2012 included legislation to reduce the main rate of corporation tax from 26% to 24% from 1 April 2012 and to 23% from 1 April 2013. In the December 2012 Budget statement it was announced that the rate would be reduced from 23% to 21% from 1 April 2014 and in the March 2013 Budget statement it was announced that the rate would be further reduced to 20% by 1 April 2015. These further rate reductions were substantively enacted by the interim balance sheet date at 24 August 2013 and are therefore included in this interim consolidated financial information.

The tax charge in the Group Income Statement is based on management's best estimate of the full year effective tax rate based on expected full year profits to 22 February 2014. The full year effective tax rate includes the impact to the Group Income Statement of calculating UK deferred tax balances at the reduced UK tax rate of 20%. The impact of this rate change on the Group Income Statement for the period is a reduction in the half year tax charge of £81m.

NOTE 4 Discontinued operations and assets classified as held for sale

	24 August 2013 £m	23 February 2013 £m	25 August 2012 £m
Assets of the disposal groups	2,762	307	64
Non-current assets classified as held for sale	303	324	258
Total assets of the disposal groups and non-current assets classified as held for sale	3,065	631	322
Total liabilities of the disposal groups	(1,316)	(282)	(98)
Total net assets classified as held for sale	**1,749**	**349**	**224**

Discontinued operations

Following the announcement on 9 August 2013 of the Group entering into a Memorandum of Understanding with China Resources Enterprise, Limited, on 1 October 2013 the Group entered into definitive agreements with the same company to combine with their Chinese retail operations. In addition, on 10 September 2013 the Group agreed a sale of the substantive part of its US operations to YFE Holdings, Inc. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', these operations have been classified as disposal groups.

The tables below show the results of the discontinued operations which are included in the Group Income Statement, Group Balance Sheet and Group Cash Flow Statement respectively. At 23 February 2013, the Group's Chinese operations had not yet been classified as held for sale. Assets and liabilities of the disposal group at this date comprise only those of the US. At 25 August 2012, the Group's US and Chinese operations had not yet been classified as held for sale. Assets and liabilities of the disposal group at this date comprise only those of Japan, which was disposed of in the year ended 23 February 2013.

Income Statement **26 weeks ended 24 August 2013**	**US £m**	**China £m**	**Total £m**
Revenue	352	702	1,054
Cost of sales	(419)	(730)	(1,149)
Administrative expenses	(20)	(44)	(64)
Loss arising on property-related items	(145)	-	(145)
Share of post-tax losses of joint ventures and associates	-	(9)	(9)
Finance costs	(1)	2	1
Loss before tax on discontinued operations	(233)	(79)	(312)
Taxation	(1)	(4)	(5)
Loss after tax on discontinued operations	**(234)**	**(83)**	**(317)**
Loss per share impact from discontinued operations			
Basic	(2.90)p	(1.03)p	(3.93)p
Diluted	(2.90)p	(1.03)p	(3.93)p

Non-GAAP measure: underlying loss before tax	**US £m**	**China £m**	**Total £m**
Loss before tax on discontinued operations	(233)	(79)	(312)
Adjustments for:			
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	-	(3)	(3)
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	5	7	12
Restructuring and other one-off items*	154	5	159
Other losses arising on property-related items	10	-	10
Underlying loss before tax on discontinued operations	**(64)**	**(70)**	**(134)**

* Comprises fair value remeasurements.

NOTE 4 Discontinued operations and assets classified as held for sale (continued)

Income Statement **26 weeks ended 25 August 2012**	**Japan** **£m**	**US** **£m**	**China** **£m**	**Total** **£m**
Revenue	206	354	651	1,211
Cost of sales	(210)	(415)	(694)	(1,319)
Administrative expenses	(9)	(25)	(49)	(83)
Loss arising on property-related items	-	(16)	(2)	(18)
Share of post-tax losses of joint ventures and associates	-	-	(8)	(8)
Finance costs	-	(2)	(8)	(10)
Loss before tax on discontinued operations	(13)	(104)	(110)	(227)
Taxation	-	(1)	(8)	(9)
Loss after tax on discontinued operations	**(13)**	**(105)**	**(118)**	**(236)**
Loss per share impact from discontinued operations				
Basic	(0.16)p	(1.31)p	(1.47)p	(2.94)p
Diluted	(0.16)p	(1.31)p	(1.47)p	(2.94)p

Non-GAAP measure: underlying loss before tax	**Japan** **£m**	**US** **£m**	**China** **£m**	**Total** **£m**
Loss before tax on discontinued operations	(13)	(104)	(110)	(227)
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	-	-	2	2
IAS 17 'Leases' – impact of annual uplifts in rent and rent-free periods	-	2	4	6
Restructuring and other one-off items	4	10	30	44
Other losses arising on property-related items	-	16	2	18
Underlying loss before tax on discontinued operations	**(9)**	**(76)**	**(72)**	**(157)**

Balance Sheet **As at 24 August 2013**	**US** **£m**	**China** **£m**	**Total** **£m**
Assets of the disposal groups			
Intangible assets	-	681	681
Property, plant and equipment	61	1,142	1,203
Investments in joint ventures and associates	-	178	178
Inventories	29	165	194
Trade and other receivables	13	292	305
Cash and cash equivalents	12	189	201
Total assets of the disposal groups	**115**	**2,647**	**2,762**
Liabilities of the disposal groups			
Trade and other payables	(203)	(808)	(1,011)
Borrowings	(12)	(247)	(259)
Other current liabilities	(43)	(3)	(46)
Total liabilities of the disposal groups	**(258)**	**(1,058)**	**(1,316)**
Total net assets of the disposal groups	**(143)**	**1,589**	**1,446**

NOTE 4 Discontinued operations and assets classified as held for sale (continued)

Balance Sheet	As at 23 February 2013 US £m	As at 25 August 2012 Japan £m
Assets of the disposal group		
Property, plant and equipment	241	-
Inventories	32	16
Trade and other receivables	15	43
Cash and cash equivalents	19	5
Total assets of the disposal group	**307**	**64**
Liabilities of the disposal group		
Trade and other payables	(192)	(70)
Borrowings	(7)	(28)
Other current liabilities	(83)	-
Total liabilities of the disposal group	**(282)**	**(98)**
Total net assets/(liabilities) of the disposal group	**25**	**(34)**

The US was classified as discontinued operations as at 23 February 2013, and the exit of Japan was completed on 1 January 2013.

Cash Flow Statement	Total US & China 26 weeks ended 24 August 2013 £m	Total US, China and Japan 26 weeks ended 25 August 2012 £m
Net cash flows from operating activities	(224)	(199)
Net cash flows from investing activities	(196)	(161)
Net cash flows from financing activities	105	(102)
Net cash flows from discontinued operations	**(315)**	**(462)**
Intra-Group funding and intercompany transactions	240	458
Net cash flows from discontinued operations, net of intercompany	**(75)**	**(4)**

NOTE 5 Dividends

	26 weeks ended 24 August 2013		26 weeks ended 25 August 2012	
	pence/share	£m	pence/share	£m
Amounts recognised as distributions to owners in the period:				
Prior financial year final dividend	10.13	815	10.13	813
Proposed interim dividend for the current financial year	4.63	374	4.63	372

The proposed interim dividend was approved by the Board on 1 October 2013 but has not been included as a liability as at 24 August 2013, in accordance with IAS 10 'Events after the reporting period'.

NOTE 6 Earnings per share and diluted earnings per share

Basic earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share amounts are calculated by dividing the profit attributable to owners of the parent by the weighted average number of ordinary shares in issue during the period adjusted for the effects of potentially dilutive options.

NOTE 6 Earnings per share and diluted earnings per share (continued)

The dilutive effect is calculated on the full exercise of all potentially dilutive ordinary share options granted by the Group, including performance-based options which the Group considers to have been earned.

			26 weeks ended 24 August 2013			26 weeks ended 25 August 2012
	Basic	**Potentially dilutive share options**	**Diluted**	**Basic**	**Potentially dilutive share options**	**Diluted**
Profit (£m)						
- continuing operations	1,137	-	1,137	1,471	-	1,471
- discontinued operations	(317)	-	(317)	(236)	-	(236)
Total	**820**	**-**	**820**	**1,235**	**-**	**1,235**
Weighted average number of shares (millions)	8,061	15	8,076	8,028	3	8,031
Earnings per share (pence)						
- continuing operations	14.10	(0.02)	14.08	18.32	-	18.32
- discontinued operations	(3.93)	-	(3.93)	(2.94)	-	(2.94)
Total	**10.17**	**(0.02)**	**10.15**	**15.38**	**-**	**15.38**

There have been no transactions involving ordinary shares between the reporting date and the date of approval of this interim consolidated financial information which would significantly change the earnings per share calculations shown above.

Reconciliation of non-GAAP underlying diluted earnings per share

		26 weeks ended 24 August 2013		26 weeks ended 25 August 2012
	£m	**pence/ share**	**£m**	**pence/ share**
Profit from continuing operations (Diluted)	1,137	14.08	1,471	18.32
Adjustments for:				
IAS 32 and IAS 39 'Financial Instruments' – fair value remeasurements	6	0.07	20	0.25
IAS 19 'Employee Benefits' – non-cash Group Income Statement charge for pensions	76	0.94	70	0.87
IAS17 'Leases' – impact of annual uplifts in rent and rent-free periods	10	0.12	9	0.11
IFRS 3 'Business Combinations' – intangible asset amortisation charges and costs arising from acquisitions	7	0.09	9	0.11
IFRIC 13 'Customer Loyalty Programmes' – fair value of awards	4	0.05	6	0.07
Restructuring and other one-off items	21	0.26	(3)	(0.04)
Profits/losses on property-related items	(45)	(0.56)	(342)	(4.26)
Tax effect of adjustments at the effective rate of tax*	(14)	(0.17)	44	0.56
Underlying earnings from continuing operations	**1,202**	**14.88**	**1,284**	**15.99**

* The effective tax rate of 18% (2012: 19%) excludes certain permanent differences on which tax relief is not available.

NOTE 7 Property, plant and equipment and investment property

The Group continually assesses the level of services provided to tenants of its managed investment properties in accordance with IAS 40. During the period, it was concluded that the level of services provided to tenants of malls operated by the Group can no longer be considered insignificant and as a result a number of malls with a net book value of £1,623m were reclassified from investment property to property, plant and equipment.

NOTE 8 Capital expenditure and other commitments

In the 26 weeks ended 24 August 2013 there were additions to property, plant and equipment, investment property and other intangible assets of £1,368m (25 August 2012: £1,624m) and disposals of £46m (25 August 2012: £239m). Commitments for capital expenditure contracted for, but not provided, at 24 August 2013 were £889m (23 February 2013: £1,278m), principally relating to store development.

NOTE 8 Capital expenditure and other commitments (continued)

Tesco Bank

At 24 August 2013 Tesco Bank has commitments of formal standby facilities, credit lines, mortgage offers made but not drawn down and other commitments to lend, totalling £9.2bn (23 February 2013: £8.0bn). The amount is intended to provide an indication of the potential volume of business and not of the underlying credit or other risks.

During the period to 24 August 2013 a change was made to a methodology by which the Group measures undrawn credit card commitments to exclude both the credit limits on cancelled cards and any overpayment made by customers. The impact of this change in the prior year is a reduction in undrawn credit card commitments of £0.5bn.

NOTE 9 Post-employment benefits

Pensions

The Group operates a variety of post-employment benefit arrangements covering funded defined contribution and both funded and unfunded defined benefit schemes. The most significant of these are funded defined benefit pension schemes for the Group's employees in the UK, the Republic of Ireland, Thailand and South Korea.

Principal assumptions

The valuations used for IAS 19 have been based on the most recent actuarial valuations and updated by Towers Watson Limited to take account of the requirements of IAS 19 in order to assess the liabilities of the schemes as at 24 August 2013. The major assumptions, on a weighted average basis, used by the actuaries were as detailed below.

	24 August 2013 %	**23 February 2013 %**	**25 August 2012 %**
Discount rate	4.8	5.1	4.7
Price inflation*	3.3	3.3	2.7
Rate of increase in deferred pensions**	2.3	2.3	1.7
Rate of increase in salaries	3.4	3.4	2.8
Rate of increase in pensions in payment			
Benefits accrued before 1 June 2012	3.1	3.1	2.5
Benefits accrued after 1 June 2012	2.3	2.3	1.7
Rate of increase in career average benefits			
Benefits accrued before 1 June 2012	3.3	3.3	2.7
Benefits accrued after 1 June 2012	2.3	2.3	1.7

Movement in the deficit during the period

The movement in the deficit during the period was as follows:

	26 weeks ended 24 August 2013 £m	**52 weeks ended 23 February 2013 (restated)*** £m**	**26 weeks ended 25 August 2012 (restated)*** £m**
Deficit in schemes at the beginning of the year	**(2,378)**	**(1,872)**	**(1,872)**
Current service cost	(262)	(482)	(251)
Other finance cost	(56)	(73)	(40)
Contributions by employer	242	486	221
Additional contribution by employer****	-	180	180
Foreign currency translation differences	3	(7)	6
Actuarial losses	(531)	(610)	(516)
Deficit in schemes at the end of the period	**(2,982)**	**(2,378)**	**(2,272)**
Deferred tax asset	591	539	514
Deficit in schemes at the end of the period net of deferred tax	**(2,391)**	**(1,839)**	**(1,758)**

* Based on the Retail Prices Index. Benefits accrued from 1 June 2012 are based on the Consumer Prices Index.
** In excess of any Guaranteed Minimum Pension (GMP) element.
*** Restated – the amended IAS 19 requires retrospective restatement of net interest amounts, to be calculated by applying the discount rate to the net defined benefit liability. There is no movement in the pension deficit as asset outperformance is taken to actuarial gains/losses.
**** As part of the 2011 triennial valuation, the Company agreed with the Trustees to increase security and, on top of the normal contributions, made an additional contribution of £180m to the UK Pension Scheme on 30 March 2012.

NOTE 10 Reconciliation of profit before tax to net cash generated from operations

	26 weeks ended 24 August 2013 £m	26 weeks ended 25 August 2012 (restated*) £m
Profit before tax	1,387	1,814
Net finance costs	212	224
Share of post-tax profits of joint ventures and associates	(32)	(33)
Operating profit of continuing operations	1,567	2,005
Operating loss of discontinued operations	(304)	(209)
Depreciation and amortisation	792	781
Profits/losses arising on property-related items from continuing operations	(45)	(342)
Profits/losses arising on property-related items from discontinued operations	167	18
Loss/(profit) arising on sale of non property-related items	5	(7)
Profit arising on sale of subsidiaries and other investments	(1)	-
Net charge/(reversal) of impairment of property, plant and equipment and intangible assets not included in property-related items	10	(2)
Adjustment for non-cash element of pension charges	20	30
Additional contribution to pension scheme	-	(180)
Share-based payments	29	27
Tesco Bank non-cash items included in profit before tax	40	56
Increase in inventories	(137)	(22)
Increase in development stock	(23)	(38)
Increase in trade and other receivables	(335)	(313)
Increase in trade and other payables and provisions	668	36
Tesco Bank increase in loans and advances to customers	(908)	(146)
Tesco Bank increase in trade and other receivables	(19)	(5)
Tesco Bank increase/(decrease) in customer and bank deposits and trade and other payables	215	(29)
Increase in working capital	(539)	(517)
Cash generated from operations	**1,741**	**1,660**

* Restated for amendments to IAS 19 as explained in Note 1.

NOTE 11 Analysis of changes in net debt

	At 23 February 2013* £m	Tesco Bank at 23 February 2013 £m	Cash flow £m	Business combinations £m	Other non-cash movements £m	Movement in net debt of disposal groups £m	Elimination of Tesco Bank £m	At 24 August 2013* £m
Cash and cash equivalents	1,457	1,055	(556)	3	(29)	(182)	(475)	1,273
Short-term investments	522	-	168	-	-	-	-	690
Joint venture loan and other receivables	434	42	(86)	-	1	(137)	(42)	212
Bank and other borrowings	(10,066)	(638)	(166)	-	22	254	487	(10,107)
Finance lease payables	(128)	-	4	-	-	(3)	-	(127)
Net derivative financial instruments	1,172	(31)	(16)	-	(201)	(2)	15	937
Net debt of the disposal groups	12	-	-	-	-	70	-	82
	(6,597)	**428**	**(652)**	**3**	**(207)**	**-**	**(15)**	**(7,040)**

* These amounts relate to the net debt excluding Tesco Bank but including the disposal groups.

NOTE 12 Financial instruments

The following table presents the Group's financial assets and liabilities that are measured at fair value at 24 August 2013, by level of fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

At 24 August 2013	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Assets				
Available-for-sale financial assets	810	-	-	810
Derivative financial instruments:				
Interest rate swaps and similar instruments	-	88	-	88
Cross currency swaps	-	906	-	906
Index-linked swaps	-	706	-	706
Forward foreign currency contracts	-	49	-	49
Total assets	**810**	**1,749**	**-**	**2,559**
Liabilities				
Derivative financial instruments:				
Interest rate swaps and similar instruments	-	(146)	-	(146)
Cross currency swaps	-	(119)	-	(119)
Index-linked swaps	-	(534)	-	(534)
Forward foreign currency contracts	-	(28)	-	(28)
Total liabilities	-	(827)	-	(827)
Total	**810**	**922**	**-**	**1,732**

There were no transfers between Levels 1 and 2 during the period and no transfers into and out of Level 3 fair value measurements.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

NOTE 12 Financial instruments (continued)

Level 2 Derivative Financial Instruments are those which:

- have future cash flows which are on known dates and for which the cash flow amounts are known or calculable by reference to observable interest and foreign currency exchange rates; or
- have future cash flows which are not pre-defined, but for which the fair value of the instrument has very low sensitivity to changes in estimate of future cash flows.

The fair value of Level 2 derivative financial instruments is based on the present value of cashflows using market-sourced date (exchange rates or interest rates) at the balance sheet date.

Carrying amounts versus fair values

The carrying amounts of the following financial assets and financial liabilities are a reasonable approximation of their fair value: Cash and cash equivalents, short-term and other investments, joint venture and associates loan receivables, other receivables, derivative financial assets/liabilities, short-term borrowings at amortised cost and finance leases and deposits by banks – Tesco Bank.

The financial instrument where the carrying values and fair values are materially different are set out in the table below:

	At 24 August 2013		At 23 February 2013	
	Carrying value £m	Fair value £m	Carrying value £m	Fair value £m
Assets				
Loans and advances to customers – Tesco Bank	6,427	6,429	5,559	5,581
Liabilities				
Short-term borrowings:				
Bonds in fair value hedge relationships	(850)	(837)	(225)	(221)
Long-term borrowings:				
Amortised cost	(4,457)	(4,517)	(4,450)	(4,899)
Bonds in fair value hedge relationships	(4,574)	(4,412)	(5,496)	(5,114)
Customer deposits – Tesco Bank	(5,214)	(5,197)	(6,000)	(5,997)

NOTE 13 Contingent liabilities

There are a number of contingent liabilities that arise in the normal course of business which if realised are not expected to result in a material liability to the Group. The Group recognises provisions for liabilities when it is more likely than not that a settlement will be required and the value of such a payment can be reliably estimated.

Tesco Bank

The Financial Services Compensation Scheme (FSCS) is the UK statutory fund of last resort for customers of authorised financial services firms and pays compensation if a firm is unable to pay claims against it. The FSCS meets it obligations by raising management expense levies and compensation levies which will be capped based on limits advised by the PRA and FCA. These include amounts to cover the interest on its borrowings and compensation levies on the industry. The FSCS has borrowed from HM Treasury to fund these compensation costs associated with institutions that failed in 2008 and will receive receipts from asset sales, surplus cash flow and other recoveries from these institutions in the future.
The interest rate applied on outstanding borrowings from HM Treasury, in calculating the Compensation Levy, increased from 12 month LIBOR plus 30 basis points to 12 month LIBOR plus 100 basis points from 1 April 2012.

In July 2013, the FSCS confirmed that it expects a shortfall of approximately £1.1bn and that it expects to recover that amount by raising compensation levies on all deposit-taking participants over a three year period. The first of these three instalments was paid on 30 August 2013; the remaining instalments are due in August 2014 and August 2015 respectively.

Each deposit-taking institution contributes in proportion to its share of total protected deposits. As at 24 August 2013 the Group had accrued £2m (23 February 2013: £7m) in respect of its current obligation to meet expenses levies, based on indicative costs published by the FSCS.

NOTE 13 Contingent liabilities

The ultimate levy to the industry cannot currently be estimated reliably as it is dependent on various uncertain factors including participation in the market at 31 December 2013, the level of protected deposits, the population of deposit-taking participants and potential recoveries of assets by the FSCS. As such, no provision for the ultimate compensation levies, which could be significant, has been made in these financial statements so this element is treated as a contingent liability.

NOTE 14 Events after the reporting period

On 10 September 2013, the Group announced it had agreed a sale of the substantive part of Fresh & Easy's operating business to YFE Holdings Inc., an affiliate of Yucaipa Companies LLC ("Yucaipa").

As part of an orderly restructuring process, Yucaipa will acquire more than 150 stores as well as Fresh & Easy's Riverside distribution and production facilities. More than 4,000 employees will also transfer to the new business. As part of the deal, Tesco will make a loan to the new business secured against the Riverside Campus facility. Those stores not included in the transaction will be closed.

Included within this orderly restructuring process, Fresh & Easy Neighborhood Market, Inc. filed a petition on 30 September 2013 to commence chapter 11 proceedings under title 11 of the United States Code in the United States Bankruptcy Court for the District of Delaware.

The sale to Yucaipa, which is subject to the necessary legal and regulatory approvals, is expected to complete within three months.

On 1 October 2013, the Group entered into definitive agreements to combine its Chinese operations with China Resources, Limited to form the leading multi-format retailer in China.

Independent review report to Tesco PLC

Introduction

We have been engaged by the company to review the interim consolidated financial information in the half-yearly financial report for the 26 weeks ended 24 August 2013 which comprises the Group Income Statement, Group Balance Sheet, the Group Statement of Comprehensive Income, the Group Cash Flow Statement, the Group Statement of Changes in Equity and related notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim consolidated financial information.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The interim consolidated financial information included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the interim consolidated financial information in the half-yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of the Disclosure and Transparency Rules of the Financial Conduct Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim consolidated financial information in the half-yearly financial report for the 26 weeks ended 24 August 2013 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

PricewaterhouseCoopers LLP
Chartered Accountants
1 October 2013
London

Note:

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 financial statements 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.

Investor information

Registrar and shareholding enquiries

If you have any administrative enquiries about your holding of Tesco PLC shares (other than ADRs) please contact:
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA
Telephone 0871 384 2977

Consolidated tax vouchers

If your dividend is paid directly into your bank or building society account you will receive one tax voucher each year. The consolidated tax voucher will be sent to you in December at the time that the interim dividend is paid and will cover both dividend payments in the tax year. This will help you to complete your tax return. This does not affect your dividends or the tax that you pay in any way. If you would prefer to receive a tax voucher with each dividend payment rather than one consolidated tax voucher each tax year, please call our shareholder helpline on 0871 384 2977. If your dividend is not currently paid directly to your bank or building society account and you would like to benefit from this service please contact Equiniti on 0871 384 2977 and they will be pleased to arrange this for you. By choosing to receive your dividends in this way you can avoid the risk of cheques getting lost in the post and ensure you receive your dividends on the payment day. Note: Consolidated Tax Vouchers are not available to institutional shareholders.

Tesco website

The Directors are responsible for the maintenance and integrity of the financial information on our website. This information has been prepared under relevant accounting standards and legislation. Tesco information, including this press release is available on our website:
www.tesco.com.

Electronic communications

You can register for Shareview, a free online share information and dealing service operated by Equiniti. Once you have registered you can:

- check your shareholding
- access shareholder information
- elect to receive information electronically, getting quick access to these important documents and helping to save the environment by reducing the amount of paper used
- vote on the resolutions at the Annual General Meeting.

To register, log on to www.shareview.co.uk and click on 'register'. Your rights as a shareholder will not be affected in any way. If you have any questions about the service, please call 0871 384 2977.

Security reminder

Under the Companies Act 2006 we are obliged to hold the names and addresses of all shareholders on a register of members and give a copy of this list to the Registrar of Companies every year. The Registrar of Companies makes this list available to anyone who requests it and many companies use this information to market their services. We are aware that some of our shareholders have received unsolicited calls or correspondence from companies concerning investment matters. Tesco has no relationship with and does not endorse any of the services offered by these companies. Details of any facilities that we endorse are included in our communications. If you are concerned about any direct mailing or telephone calls purporting to be from Tesco, please contact us by writing to the Company Secretary, Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL or by calling us on 01992 632222.

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Financial Calendar	
	2013
Interim dividend: ex-dividend date	9 October
Interim dividend: record date	11 October
Interim dividend: payment date	20 December
	2014
Financial year-end	22 February
Results announced	16 April