chairman's statement

This year's results show that, once again, Tesco has continued to move ahead in increasingly competitive markets. Group sales have increased by 6.3% to £18.5bn. Group profit before tax and exceptional items is up by 7.8% to £881m and adjusted diluted earnings per share increased by 7.7% to 9.37 pence. The Board has proposed a final net dividend of 2.87 pence making the total dividend for the year 4.12 pence, maintaining cover at around 2.3 times.

We have made good progress with our strategy of growing the UK business and developing the foundations for additional future growth from international markets.

In the UK, despite difficult trading conditions for the industry, we have grown our like-for-like sales ahead of the sector average and have increased our market share to 15.8% from 15.2% last year. We have invested around £600m to improve existing stores and build new ones for our customers. We reduced prices further, improved service, extended our trading hours, and expanded the range of products sold, including the launch of a free internet service.

Outside the UK, we have invested in strategic opportunities in markets with a combined population of nearly 200 million people. We have made good progress with the business we acquired in Ireland. Sales and profits have achieved the targets we set whilst meeting the undertakings made to government at the time of acquisition. The business is performing strongly and remains full of potential for future growth. In Central Europe, a fast growing market, we opened six hypermarkets with a total selling area of nearly 600,000 sq ft. These new stores are performing in line with our expectations. We plan to open another 10 stores in Central Europe in 1999.

During the year, we started to grow our business in the less developed retail markets of Asia. In May 1998, we acquired a controlling interest in Lotus, a chain of 13 hypermarkets, in Thailand, for £206m. Lotus is already one of the leaders in its market. We announced in March 1999, after the financial year end, that we will be investing £130m to acquire an 81% stake in a partnership with Samsung Corporation to develop hypermarkets in South Korea.

We have strengthened the Board further this year. In January, in line with our policy of bringing experienced managers through the business, we appointed David Potts and Philip Clarke to the Board as executive directors. Charles Allen, (Chief Executive of Granada PLC) and Harald Einsmann, formerly of Procter & Gamble (Europe) have been appointed as non-executive directors. Gwyn Jones, a non-executive director for six years, retired from the Board last May and I would like to thank him for his contribution.

Finally, on behalf of the Board, I would like to thank all of our 200,000 employees world-wide for their contribution to this year's results. Their immense efforts to serve customers better, wherever they are, underpin our performance and our continued optimism for the future.

J Gardiner

John Gardiner Chairman

"We have made good progress with our strategy of growing the UK business and developing the foundations for additional future growth from international markets"