



8 January 2015

TRADING STATEMENT for 19 weeks ended 3 January 2015

- Investing in a better offer for Tesco customers is driving a step up in underlying business performance
- Broad-based improvement in the UK business resulting in like-for-like sales performance of (2.9)% in last 19 weeks versus (5.4)% in Q2. This includes like-for-like sales performance of (0.3)% for the six-week Christmas period
- All UK formats and categories improved like-for-like performance. In the six week Christmas period, this included:
 - Grocery home shopping +12.9%, general merchandise online +22.2% and clothing online +52.4%
 - Express format +4.9%, overall general merchandise +4.8% and fresh food volume growth for first time in five years
- Europe returned to positive like-for-like sales growth of +1.0% in last six weeks
- Announcing progress on our immediate priorities, including a significant cost-efficiency programme and a reduction in capital expenditure to £1bn in 2015/16
- Decision not to pay a final dividend for 2014/15

Dave Lewis – Chief Executive

“We are seeing the benefits of listening to our customers. The investments we are making in service, availability and selectively in price are already resulting in a better shopping experience. A broad-based improvement has built gradually through the third quarter, leading to a strong Christmas trading performance.

I would like to thank all of my colleagues in Tesco. The unique combination of retail expertise and real passion for the customer has been an inspiration to be a part of. In difficult circumstances the team has begun the challenging task of reinvigorating our business. There is more to do but we have taken the first important steps in the right direction.

We have some very difficult changes to make. I am very conscious that the consequences of these changes are significant for all stakeholders in our business but we are facing the reality of the situation. Our recent performance gives us confidence that when we pull together and put the customer first we can deliver the right results.”

Like-for-Like Sales Growth (Inc. VAT, Exc. Fuel)

	Q1 2014/15	Q2 2014/15	Q3 2014/15 (A)	Christmas Period* 2014/15 (B)	=	19 Week Period 2014/15 (C)
UK	(3.7)%	(5.4)%	(4.2)%	(0.3)%	=	(2.9)%
Asia	(3.2)%	(4.9)%	(5.0)%	(3.9)%	=	(4.6)%
Europe	(1.0)%	(2.5)%	(1.2)%	1.0%	=	(0.4)%
International	(2.2)%	(3.7)%	(3.1)%	(1.3)%	=	(2.5)%
Group	(3.2)%	(4.8)%	(3.8)%	(0.6)%	=	(2.7)%

*For the six weeks ended 3 January 2015

UPDATE ON OUR PRIORITIES

Following a briefing of Tesco colleagues Dave Lewis and Alan Stewart will be updating investors and analysts at 11.30am this morning with further detail on our Christmas trading performance. In addition they will share more details on progress against our three immediate priorities:

1. Regaining competitiveness in core UK business, including:

- the appointment of Matt Davies, Group Chief Executive of Halfords Group plc, as the new CEO for the UK and Ireland business, effective 1st June
- a restructuring of central overheads, simplification of store management structures and increased working-hour flexibility, delivering savings of c.£250m per year at a one-off cost of £(300)m
- flat investment in payroll, the introduction of a flexible benefits package for store colleagues and a turnaround-based bonus for all colleagues
- a decision to consolidate head office locations, closing Cheshunt in 2016 and making Welwyn Garden City the UK and Group centre
- the closure of 43 unprofitable stores
- our latest initiative to set lower prices on some of the nation's favourite brands

2. Protecting and strengthening the balance sheet, including:

- a significant revision to our store building programme
- the initiation of consultation to close the company defined benefit pension scheme to all colleagues
- a significantly reduced capital expenditure budget in 2015/16 of £1bn
- the disposal of Tesco Broadband and Blinkbox to TalkTalk
- the appointment of advisors to explore strategic options for the dunnhumby business
- the decision not to pay a final dividend for 2014/15
- these actions are the first steps in strengthening the balance sheet. Further initiatives which maximise shareholder value are under consideration

3. Rebuilding trust and transparency, including:

- the next step in re-establishing trust in our pricing policy
- the progress made against our three major social responsibility initiatives
- regenerating relations with suppliers with new commercial income guidelines and associated year end cash management

Group trading profit guidance of no more than £1.4bn for 2014/15 is maintained. The immediate priority for proceeds from the new level of financial discipline and cost control will be reinvestment in our core customer proposition.

The full presentation will be webcast live and available to download on our website from 11.30am at www.tescopl.com/investors.

Trading Update

Group sales

Group sales for the 19 weeks to 3 January 2015 declined by (0.6)% at constant rates, including fuel and (1.0)% excluding fuel. At actual rates, sales declined by (1.9)% including fuel and by (2.3)% excluding fuel.

UK performance

We delivered a marked improvement in our performance across the period. Total UK sales including VAT and fuel for the full 19 weeks to 3 January declined by (0.7)% compared to a decline of (3.2)% in the second quarter, and decreased by (1.3)% excluding fuel. Like-for-like sales (excluding fuel) decreased by (2.9)% for the 19 week period, compared to a decline of (5.4)% in the second quarter. This included a gradual improvement through the third quarter and resulted in a like-for-like sales performance of (0.3)% for the six-week Christmas trading period.

The encouraging response from customers follows the investments we have made across the store offer. We have seen strong improvements in satisfaction with prices, availability, queues and store standards following the introduction of more than 6,000 new colleagues in customer-facing roles in store.

Our new commercial approach includes a comprehensive review of product ranges to simplify them, reset prices and improve availability. We are increasing shelf capacity for our 1,000 bestselling lines resulting in significant improvements in product availability, particularly in the evenings.

Like-for-like volume growth in fresh food was positive over the Christmas period, for the first time in five years. Within this, performance was particularly pleasing in produce where we have already made significant progress in the quality, freshness and competitiveness of our offer. Our market-leading 'Festive Five' deal where five key produce items were reduced to 49p, helped millions of customers enjoy feeding their families and friends for less.

Our overall general merchandise performance stepped up to positive like-for-like sales growth over Christmas helped by the success of our seasonal and gifting ranges. Black Friday promotions resulted in the highest week of sales on record for Tesco Direct, contributing to 22.2% like-for-like sales growth in online merchandise for the Christmas period.

Customers also benefited from a strong offer in our convenience and online grocery businesses over the seasonal period, resulting in like-for-like sales growth of 4.9% and 12.9% respectively. Our share of the online grocery market improved as customer numbers rose strongly including a significant increase in the proportion of customers taking advantage of our Click & Collect locations.

International performance

In Asia, total sales for the 19 week period declined by (1.5)% at constant rates, with like-for-like sales declining by (4.6)%. Market conditions across the region remain challenging. In Thailand, sales trends improved over the period as we annualised the impact of the external pressures linked to political disruption last year. In Korea, a higher number of enforced Sunday closures under the DIDA opening regulations affected the performance of all large retailers.

In Europe, total sales increased by 0.4% at constant rates for the 19 week period, excluding fuel. The like-for-like sales performance for the region, though still held back by our performance in Ireland, improved from (2.5)% in the second quarter to (1.2)% in the third quarter. Further improvement in all markets resulted in positive like-for-like sales growth of 1.0% for the Christmas period.

Tesco Bank

Sales at Tesco Bank increased by 3.0%, due to a broader product range in mortgages and loans, although this was partly offset by a more competitive insurance market.

Contacts

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Appendix 1 – Like-for-Like Sales Growth (Inc. VAT, Exc. Fuel)

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Christmas Period 2014/15	19 Week Period 2014/15
			(A)	(B)	(C)
UK	(3.7)%	(5.4)%	(4.2)%	(0.3)%	(2.9)%
<i>inc. VAT, inc. fuel</i>	(3.8)%	(5.0)%	(3.2)%	0.1%	(2.1)%
<i>exc. VAT, exc. fuel</i>	(3.8)%	(5.5)%	(4.4)%	(0.5)%	(3.1)%
<i>exc. VAT, exc. fuel, IFRIC 13 compliant</i>	(4.0)%	(5.5)%	(5.1)%	(1.2)%	(3.7)%
Asia	(3.2)%	(4.9)%	(5.0)%	(3.9)%	(4.6)%
Malaysia	(2.3)%	(6.8)%	(8.7)%	(6.0)%	(7.8)%
South Korea	(2.8)%	(4.7)%	(4.0)%	(4.0)%	(4.0)%
Thailand	(5.3)%	(4.7)%	(4.5)%	(1.8)%	(3.5)%
Europe	(1.0)%	(2.5)%	(1.2)%	1.0%	(0.4)%
Czech Republic	1.6%	1.3%	2.9%	5.7%	3.9%
Hungary [^]	2.7%	(0.6)%	1.4%	4.2%	2.5%
Poland	0.5%	(2.4)%	(2.5)%	(1.2)%	(2.0)%
Slovakia	(5.8)%	(4.6)%	(2.1)%	0.8%	(1.0)%
Turkey	3.4%	3.6%	6.7%	13.7%	8.9%
Republic of Ireland	(5.5)%	(7.3)%	(6.2)%	(5.5)%	(6.0)%
International	(2.2)%	(3.7)%	(3.1)%	(1.3)%	(2.5)%
Group	(3.2)%	(4.8)%	(3.8)%	(0.6)%	(2.7)%

[^]Following the introduction of legislation preventing large retailers from selling tobacco in mid-July 2013, Hungary like-for-like growth is shown on an exc. tobacco basis. Including tobacco sales, in 2014/15, Q1 was 0.0%, Q2 was (2.0)%.

Appendix 2 – Total Sales Growth at Constant Rates

	Q1 2014/15	Q2 2014/15	Q3 2014/15	Christmas Period 2014/15	19 Week Period 2014/15
			(A)	(B)	(C)
<i>Including Fuel:</i>					
UK	(2.0)%	(3.2)%	(1.7)%	1.5%	(0.7)%
Asia	1.5%	(0.9)%	(1.7)%	(1.0)%	(1.5)%
Europe	(0.7)%	(1.9)%	(0.6)%	0.8%	(0.1)%
International	0.5%	(1.4)%	(1.1)%	(0.1)%	(0.7)%
Tesco Bank	3.6%	5.8%	2.7%	3.8%	3.0%
Group	(1.2)%	(2.5)%	(1.5)%	1.0%	(0.6)%
<i>Excluding Fuel:</i>					
UK	(1.7)%	(3.3)%	(2.6)%	1.2%	(1.3)%
Asia	1.5%	(0.9)%	(1.7)%	(1.0)%	(1.5)%
Europe	(0.6)%	(1.6)%	(0.3)%	1.6%	0.4%
International	0.5%	(1.2)%	(1.0)%	0.3%	(0.5)%
Tesco Bank	3.6%	5.8%	2.7%	3.8%	3.0%
Group	(0.9)%	(2.5)%	(2.0)%	0.9%	(1.0)%

Appendix 3 – Total Sales Growth at Actual Rates

	Q1 2014/15	Q2 2014/15	Q3 2014/15 (A)	Christmas Period 2014/15 (B)	=	19 Week Period 2014/15 (C)
<i>Including Fuel:</i>						
UK	(2.0)%	(3.2)%	(1.7)%	1.5%		(0.7)%
Asia	(8.9)%	(6.4)%	(2.5)%	(0.5)%		(1.9)%
Europe	(7.1)%	(10.5)%	(8.7)%	(5.7)%		(7.6)%
International	(8.0)%	(8.4)%	(5.6)%	(3.3)%		(4.8)%
Tesco Bank	3.6%	5.8%	2.7%	3.8%		3.0%
Group	(3.7)%	(4.7)%	(2.8)%	0.0%		(1.9)%
<i>Excluding Fuel:</i>						
UK	(1.7)%	(3.3)%	(2.6)%	1.2%		(1.3)%
Asia	(8.9)%	(6.4)%	(2.5)%	(0.5)%		(1.9)%
Europe	(6.9)%	(10.3)%	(8.6)%	(5.0)%		(7.2)%
International	(8.0)%	(8.3)%	(5.5)%	(2.9)%		(4.6)%
Tesco Bank	3.6%	5.8%	2.7%	3.8%		3.0%
Group	(3.8)%	(4.9)%	(3.5)%	(0.2)%		(2.3)%

Notes:

These results have been reported on a continuing operations basis and exclude the results from our operations in China.

Like-for-like sales growth is reported at constant exchange rates. All other figures quoted are at actual exchange rates, including VAT and excluding fuel unless otherwise stated.

For UK and ROI, these results are for the 19 weeks for both the current year and the previous year comparison, for the period ended 3 January 2015 and 4 January 2014 respectively; the 3rd Quarter results are for 91 days for both the current year and the previous year comparison, for the periods ended 22 November 2014 and 23 November 2013 respectively. The Christmas period results are for six weeks for both the current and the previous year comparison, for the periods ended 3 January 2015 and 4 January 2014 respectively. For Tesco Bank and India, these results are for the 19 weeks for both the current year and the previous year comparison, for the period ended 7 January 2015 and 7 January 2014 respectively; the 3rd Quarter results are for 91 days for both the current year and the previous year comparison, for the periods ended 30 November 2014 and 30 November 2013 respectively. The Christmas period results are for the month of December and one additional week for both the current year and the previous year comparison, for the period ended 7 January 2015 and 7 January 2014 respectively.

For all other countries, these results are for both the current year and the previous year comparison, for the period ended 4 January 2015 and 5 January 2014 respectively; the 3rd Quarter results are for 91 days for both the current year and the previous year comparison, for the periods ended 23 November 2014 and 24 November 2013 respectively. The Christmas period results are for six weeks for both the current year and the previous year comparison, for the period ended 4 January 2015 and 5 January 2014 respectively.