

## SIXTH CONSECUTIVE QUARTER OF GROWTH

### Headlines

- **Positive like-for-like sales growth maintained for a sixth consecutive quarter**
  - Group like-for-like sales growth of 1.0%
- **UK like-for-like sales growth of 2.3% driven by 2.7% like-for-like sales growth in food**
  - 1.3% growth in customer transactions – ten million more than last year
  - Particularly strong volume growth in fresh food at 1.6% with significant market outperformance
  - Positive customer response to ‘Little Helps to Healthier Living’ campaign
- **Working with our supplier partners to protect customers from inflationary pressures**
  - Includes further price reductions, focused on fresh food and healthy products
  - Price position relative to competitors further improved
- **International sales performance reflects a decision to discontinue unprofitable bulk selling activity in Thailand**
  - (0.6)% impact on Group like-for-like; (2.7)% impact on International; (5.8)% impact on Asia

### Dave Lewis, Chief Executive:

“In tough market conditions, we have stayed true to our commitment to helping customers – working closely with our supplier partners to keep prices low.

Customers have responded by doing more of their shopping with us and as a result we continue to grow volumes, particularly in fresh food.

This is a good start to the year, with our sixth consecutive quarter of positive like-for-like sales growth across the Group. We are confident in our plans to create long-term, sustainable value for our key stakeholders and to deliver on the ambitions we have set out.”

### Like-for-like sales performance

	1Q 2016/17	2Q 2016/17	3Q 2016/17	4Q 2016/17	1Q 2017/18
<b>UK &amp; ROI</b>	<b>0.3%</b>	<b>0.9%</b>	<b>1.7%</b>	<b>0.6%</b>	<b>2.2%</b>
UK	0.3%	0.9%	1.8%	0.7%	2.3%
ROI	0.3%	0.1%	0.5%	(1.3)%	0.2%
<b>International</b>	<b>3.0%</b>	<b>2.1%</b>	<b>0.6%</b>	<b>(0.3)%</b>	<b>(3.0)%</b>
Europe	2.8%	1.3%	0.7%	(0.8)%	(0.4)%
Asia	3.3%	3.0%	0.4%	0.5%	(6.0)%
<b>Group</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.5%</b>	<b>0.4%</b>	<b>1.0%</b>

## Trading Update

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**Group** like-for-like sales grew by 1.0% for the 13 weeks to 27 May 2017, representing a sixth consecutive quarter of positive growth. Total sales at constant exchange rates were up slightly less at 0.8%, as the year-on-year impact of selling Dobbies, Giraffe and Harris & Hoole more than offset store openings across the Group. At actual exchange rates, sales grew by 3.6% including a 2.9% positive foreign exchange translation effect.

Like-for-like sales in the combined **UK & ROI** business grew by 2.2%.

In the **UK**, we are entering our third year of positive food volume growth. Fresh food volumes grew by 1.6% in the quarter, underpinned by further improvements across our customer offer. Total volume growth remained positive and similar to the fourth quarter as we continue to be more selective in the way we drive volume. This included a further reduction in short-term marketing activities in General Merchandise and continuing to reduce promotions in our household ranges, favouring stable, consistently low prices and larger, better value pack sizes.

We have worked hard with our supplier partners to protect customers from inflationary pressures and to keep prices as low as possible. Our price position relative to competitors has improved and our efforts to offset inflation have been recognised by our customers with a further improvement in our 'Trust in Price' Spotlight measure.

In May, we launched the next stage of our ongoing commitment to make healthier choices easier for our customers. In addition to further reducing prices on a range of fruit and vegetables, we also lowered prices on over 200 other healthy products. Through 'Helpful Little Swaps', customers were able to purchase a basket of products which not only contained 27% less salt, 38% less sugar and 65% less saturated fat but which was also 17% cheaper than a standard basket. We have now also given away more than 20 million pieces of fruit to children since July 2016.

For a third consecutive quarter we are seeing the largest increase in the market in the number of customers recommending us as a preferred place to shop. Availability continues to surpass previous levels, improving by 1.5% year-on-year in the run up to Easter. We have continued our programme to bring colleagues closer to customers, including our announcement that a further 69 stores will move from night to day replenishment.

Online grocery saw strong sales growth of 4.8% and we recently introduced a monthly Delivery Saver subscription option to offer greater flexibility for our customers.

We continue to implement our plans to reduce our cost base by £1.5bn. As previously announced, as part of our plan to transform our distribution centres we completed the closure of our Welham Green and Chesterfield depots in March and April respectively. We also made further progress to simplify and streamline our business in the quarter. In April, we reached an agreement to sell our opticians business to Vision Express, allowing us to maintain a valuable service for our customers, whilst focusing our efforts on our core business in the UK. In May, we announced a new partnership with Dixons Carphone to trial Currys PC World outlets in two of our larger stores, as part of our ongoing programme to repurpose space.

Like-for-like sales in the **Republic of Ireland** grew by 0.2%, reflecting the deflationary effect of our ongoing investment in core food lines. Volumes grew strongly at 3.8%, including 5.3% growth in fresh foods.

**International** like-for-like sales were down (3.0)% in the quarter, predominantly due to a (2.7)% impact from discontinuing unprofitable bulk selling of products - particularly tobacco and alcohol - in Thailand. This reflects a decision to simplify the business around our core retail offer, ensuring we focus on sustainable, profitable sales growth.

We saw a small improvement in performance in **Europe**, driven by strong growth in the Czech Republic and Slovakia. Ongoing productivity savings have enabled us to continue to reinvest in our core offer across the region.

Tesco **Bank** continues to deliver a simple and accessible product offer for Tesco customers. Sales increased by 4.8% in the quarter, supported by a significant increase in secured lending following the launch into the intermediary mortgage broker market in April 2016.

## Resolution of tax issue in Korea

Having received the final tax assessment in respect of the sale of our Korean business in October 2015, Tesco is pleased to confirm that no further capital gains tax is payable. As a result, the currently held provision of £329m (adjusted for any further currency effect) will be released. There is no cash flow impact and the release has no effect on continuing operations.

## Contacts

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A call for investors and analysts will be held today at 8.00am.

Dial in number: 0800 358 9473 (toll free) / +44 (0) 333 300 0804  
Access Code: 19802926#

A recording will be available on +44 (0) 333 300 0819 and access code 301184759# until 17 July 2017.

## Appendix 1

### Total Sales Performance at Actual Rates (Exc. VAT, Exc. Fuel)

	1Q 2016/17	2Q 2016/17	3Q 2016/17	4Q 2016/17	1Q 2017/18
<b>UK &amp; ROI</b>	<b>0.7%</b>	<b>1.7%</b>	<b>2.3%</b>	<b>0.7%</b>	<b>2.0%</b>
UK	0.3%	1.0%	1.4%	0.2%	1.6%
ROI	8.7%	15.3%	19.7%	11.9%	9.2%
<b>International</b>	<b>5.6%</b>	<b>16.5%</b>	<b>23.2%</b>	<b>16.1%</b>	<b>9.6%</b>
Europe	8.2%	15.1%	19.6%	12.3%	8.9%
Asia	2.8%	18.2%	27.7%	20.9%	10.3%
<b>Tesco Bank</b>	<b>3.5%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>6.9%</b>	<b>4.8%</b>
<b>Group</b>	<b>1.8%</b>	<b>4.7%</b>	<b>6.5%</b>	<b>4.1%</b>	<b>3.6%</b>

## Appendix 2

### Total Sales Performance at Constant Rates (Exc. VAT, Exc. Fuel)

	1Q 2016/17	2Q 2016/17	3Q 2016/17	4Q 2016/17	1Q 2017/18
<b>UK &amp; ROI</b>	<b>0.3%</b>	<b>1.0%</b>	<b>1.4%</b>	<b>0.1%</b>	<b>1.4%</b>
UK	0.3%	1.0%	1.4%	0.2%	1.6%
ROI	0.2%	(0.3)%	0.0%	(1.7)%	0.0%
<b>International</b>	<b>3.6%</b>	<b>2.8%</b>	<b>1.5%</b>	<b>0.6%</b>	<b>(2.1)%</b>
Europe	2.4%	1.2%	0.1%	(1.5)%	(1.2)%
Asia	5.0%	4.8%	3.2%	3.2%	(3.1)%
<b>Tesco Bank</b>	<b>3.5%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>6.9%</b>	<b>4.8%</b>
<b>Group</b>	<b>1.1%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>0.3%</b>	<b>0.8%</b>

#### Notes

Like-for-like sales performance is shown at constant exchange rates. All other figures are quoted at actual exchange rates, exc. VAT and exc. fuel unless otherwise stated.

Growth rates are shown on a continuing operations basis.

Growth rates are based on comparable days for the current year and the previous year comparison. For example, for UK and ROI, these results are for the 91 days for both the current year and the previous year comparison, for the periods ended 27 May 2017 and 28 May 2016 respectively.