



News release...

Tuesday 14th June 2011

TESCO PLC FIRST QUARTER INTERIM MANAGEMENT STATEMENT

6.7% GROWTH IN GROUP SALES (exc. petrol)

Philip Clarke - Chief Executive

“Tesco has made a good start to the new financial year, despite consumer sentiment in many of our key markets remaining subdued. The overall performance of our businesses in Asia and Europe has again been pleasing, led by further strong growth in Thailand and across our Central European region. Uncertainties remain but with early, encouraging signs of better performance emerging in both the UK and the US, I am confident that this start will provide the platform for another year of growth and rising return on capital employed for Tesco.

We’re also making progress with our strategy: improving the shopping trip for customers; increasing productivity; winning market share – whilst at the same time investing for long term growth in important new products, new space and in our online capability.”

Group sales

Group sales for the thirteen weeks ending 28 May 2011 increased by 7.8% including petrol (8.4% at constant exchange rates), reflecting broadly-based growth across the Group. Growth excluding petrol was 6.7% (7.3% at constant exchange rates).

UK – Progress in challenging markets

Overall, our UK business continues to grow faster than the industry as a whole, in a cautious consumer environment, helped by an excellent performance in new stores and despite still being constrained by weak demand, particularly in general merchandise. Total sales including VAT and petrol grew by 7.0%.

In addition to the other obvious pressures on UK consumers, high fuel costs continue to mean that customers have to direct some of their spending to petrol at the expense of their normal shopping and this remains a drag on both industry and our own like-for-like growth. Our ex-petrol like-for-like-sales growth including VAT was 1.0% in the period, representing a stronger rate of growth than in the fourth quarter of 2010/11. Ex-petrol like-for-like sales excluding VAT also improved to (0.1)%. See Appendix 2 for a breakdown of our like-for-like sales performance.

In food and grocery we performed well. For example, we’re continuing to see good growth in fresh prepared foods and meat, fish and poultry. Tesco brand products are also seeing good growth, with the Finest range up by almost 10% like-for-like, as customers seek out quality alternatives to eating out.

In non-food, whilst the background continues to remain unhelpful, we are starting to see the benefits of changes we have made, with overall growth – whilst still negative – strengthening compared to the last quarter. We expect to see more visible improvement later in the year as ranges and stores reflect these and further planned changes.

Good progress in Retail Services

Tesco Bank continues to make good progress and is now in the final stages of the transition to its own systems and infrastructure. Most of our existing products in insurance and banking have now been migrated across to Tesco successfully. The savings and loan platforms have now started operating for new customers, with the migration of existing accounts imminent. We're growing the number of customer accounts steadily and this will accelerate as we launch mortgages and other new products in the months ahead.

Grocery home shopping continues to evolve and innovate its offer. We have introduced text messaging to notify customers when their delivery is due and plan to introduce a new service – 'My Usuals' – which will predict the items that customers are likely to buy next based on their previous purchases, adding them to their basket in just one click.

Our marketing services business, dunnhumby, acquired the US-based social marketing company BzzAgent in the quarter, which will enable it to bring a much wider range of services to clients, including social media as well as its existing range of products.

Strong performance in Asia, Europe & US

Our businesses outside the UK have delivered strong growth, and although the economic performance of some markets – for example, Ireland – has been a limiting factor, the improving overall pattern of like-for-like increase and market share gain we saw through last year has also been a feature during this period.

The sales performance in Asia was encouraging, with 8.6% growth (11.4% at constant exchange rates). Growth was supported by new store openings across the region and like-for-like growth was 3.2%. Thailand performed particularly well, whilst growth in Korea – although stronger than in the fourth quarter of last year – was more subdued.

In Europe, sales excluding petrol grew by 9.5% (at both actual and constant exchange rates). Growth in Central Europe was pleasing, with particularly strong performance in Czech Republic and Slovakia. Europe like-for-like sales growth was 2.0%, which was a slower rate of increase than in the fourth quarter of 2010/11, and reflects a weaker trend in Ireland offsetting improved like-for-like growth across Central Europe and Turkey.

We are encouraged by the momentum in the Fresh & Easy business in the United States. Sales were up 21.9% (31.7% at constant exchange rates), with further good, double-digit like-for-like sales growth of 11.1%, driven by both increased customer numbers and higher average spend. Our new stores in Northern California have started strongly, with weekly sales per store of \$150,000 in their first quarter.

Financial position

The Group is performing in line with market expectations and the outlook for the year as a whole remains unchanged.

Appendix 1 – Segmental Sales Growth Rates

	First Quarter 2011/12 Sales Growth					
	Actual rates		Constant rates		Like-For-Like	
	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol
Group	7.8%	6.7%	8.4%	7.3%	3.1%	1.6%
International	9.1%	9.3%	10.8%	11.0%	2.7%	2.8%
Asia	8.6%	8.6%	11.4%	11.4%	3.2%	3.2%
Europe	9.1%	9.5%	9.1%	9.5%	1.7%	2.0%
United States	21.9%	21.9%	31.7%	31.7%	11.1%	11.1%
UK	7.0%	4.9%	7.0%	4.9%	3.4%	1.0%
Tesco Bank	19.9%	19.9%	19.9%	19.9%	N/A	N/A

Appendix 2 – UK Like-For-Like Growth

	First Quarter Like-For-Like Growth 2011/12	Fourth Quarter Like-For-Like Growth 2010/11
UK LFL (inc. VAT, inc. petrol)	3.4%	1.7%
UK LFL (inc. VAT, exc. petrol)	1.0%	0.2%
UK LFL (exc. VAT, exc. petrol)	(0.1)%	(0.7)%
UK LFL (exc. VAT, exc. Petrol and IFRIC 13 compliant)	(0.3)%	(0.7)%

Appendix 3 – Country Like-For-Like Growth exc. Petrol

	First Quarter Like-For-Like Growth 2011/12	Fourth Quarter Like-For-Like Growth 2010/11
Asia	3.2%	1.9%
China	6.4%	4.3%
Japan	(6.4)%	(8.9)%
Malaysia	(3.2)%	(1.8)%
South Korea	1.2%	0.8%
Thailand	8.0%	5.0%
Europe	2.0%	2.4%
Czech Republic	3.7%	3.0%
Hungary	3.5%	2.7%
Poland	1.6%	1.3%
Slovakia	11.0%	12.1%
Turkey	3.4%	(2.0)%
Republic of Ireland	(3.9)%	(0.2)%
United States	11.1%	8.6%

Contacts

Investor Relations:	Steve Webb	01992 644 800
	Chris Griffith	01992 806 149
Press:	Trevor Datson	01992 646 606
	Angus Maitland, The Maitland Consultancy	0207 379 5151

Note:

All figures quoted are at actual exchange rates and excluding petrol unless otherwise stated. For UK, ROI and USA, these results are for 91 days for both the current year and the previous year comparison, for the periods ended 28 May 2011 and 29 May 2010 respectively. For Tesco Bank and Japan, these results are for 92 days for both the current year and the previous year comparison, for the periods ended 31 May 2011 and 31 May 2010 respectively. For all other International countries, these results are for 90 days for both the current year and the previous year comparison, for the periods ended 29 May 2011 and 30 May 2010 respectively.