



News release...

Monday 11th June 2012

TESCO PLC FIRST QUARTER INTERIM MANAGEMENT STATEMENT

PROGRESS ON OUR PLANS TO BUILD A BETTER TESCO

- **Solid Q1 trading performance** and good progress on our strategic priorities
- **Another robust quarter for the international business**, with Asia driving sales growth
- **UK performance in line with expectations**, and an improvement relative to the market
- **Steady progress with Building a Better Tesco** in the UK

Philip Clarke – Chief Executive

“Tesco has performed robustly in the first quarter despite subdued consumer confidence in all our markets.

“We are rapidly implementing our six-point UK plan and I’m particularly proud of the relaunch of our Everyday Value range and the fact we have now put extra staff into 700 of our stores – in 500 of them within the last three weeks alone. Our customers are seeing the evidence of the changes we’re making and they’re telling us they like what they see.

“Internationally, like-for-like sales growth proved resilient, despite slowing economic growth in China and the emerging impact of recently introduced shopping hours legislation in South Korea. Against the backdrop of continuing uncertainty in the Eurozone, it is pleasing to see that our businesses have largely sustained their performance.”

Group sales

Group sales for the thirteen weeks ending 26 May 2012 increased by 2.2% including petrol (3.8% at constant exchange rates) and by 2.2% excluding petrol (3.9% at constant exchange rates).

UK performance as expected

Our performance in the UK has been steady during a challenging quarter for the industry as a whole. Overall, it was in line with our expectations and, importantly, improved relative to the market. Kantar data shows that market growth declined by 1.3%, from 3.7% in Q4 to 2.4% in Q1. Our total sales growth, over a very similar period, reduced by only 0.3%, from 2.3% to 2.0%.

The industry remained very competitive through the quarter, with a significant amount of couponing activity.

Total sales including VAT and petrol grew by 2.1% and by 2.0% excluding petrol. Our like-for-like sales, excluding both VAT and petrol, reduced by (1.5)% in the quarter.

The improving quality of our own-label range was recognised at the recent Grocer Awards, where Tesco won 28 awards for food and drink products – significantly more than any other retailer.

We are getting on with the detailed implementation of our six-part plan to Build a Better Tesco in the UK. A substantial amount of work has already started in each part of the plan, including:

- A total of 4,300 additional new staff recruited, trained and working in fresh food and Beers, Wines & Spirits departments in every Extra and Superstore
- Over 145,000 staff given specialist training, relevant to their department
- Over 100 stores refreshed since the start of the year
- Seven million customers sent additional, more personalised Clubcard mailings
- Further updating of our own-label ranges, with improvements to 350 Tesco Standard products so far – including quality upgrades to Indian, Italian, Mexican and Oriental ready-meals – and nearly 500 brand new products
- The launch of our Dotcom Grocery delivery subscription scheme
- Continued focus on broadening the Tesco Direct range – already over 100,000 products

Although not included in this quarter's results, we saw our biggest ever week (outside of a Christmas period) in the run up to the Diamond Jubilee, with over £1 billion in sales, as customers all around the country chose to celebrate a unique event, despite the pressures on household budgets.

Robust overall international performance

We are pleased with the performance of our international businesses, with modest improvements in like-for-like sales growth compared to the end of the last financial year in many of our markets and continued growth in market share in 11 of our 12 markets.

In Asia, total sales grew by 9.1% at constant rates and 9.0% at actual exchange rates, with positive like-for-like sales growth and a good contribution from new store openings. All markets in Asia saw an improvement in like-for-like versus the fourth quarter last year, with the exception of China which continues to experience slowing economic growth. Thailand's like-for-like sales growth in particular reflects a pleasing recovery post-floods, on top of the exceptionally strong growth seen at the start of 2011/12. South Korea's like-for-like performance improved, despite the economy growing at its slowest rate for nearly three years. The recently-introduced legislation allowing local governments to enforce closures on two days per month and restrict opening hours had an impact in the last three weeks of the quarter as it was more widely implemented across the country.

In Europe, total sales excluding petrol grew by 6.0% at constant exchange rates, with further weakening of the European currencies against sterling impacting growth at actual rates. Like-for-like sales increased by 0.4%, helped by improved performances in Poland, Slovakia and the Republic of Ireland, which delivered its first full quarter of positive like-for-like sales growth since 2010. Continued uncertainty over the future of the Eurozone and the potential impact of any further disruption has resulted in very low consumer confidence, particularly in Central Europe. Our general merchandise, clothing and electrical performance reflects this, with reduced discretionary spend resulting in lower like-for-like sales than for the same period last year.

Fresh & Easy maintained a positive sales momentum despite seeing a moderation in its like-for-like growth rate as it annualises three years of strong sales progress. The business continues to

innovate, with the introduction of Meal Deals, the continued roll-out of the Express format and is now gearing up for its biggest ever change of range in a few weeks' time.

Tesco Bank migration complete

We are pleased to confirm that the final phase of migration for Tesco Bank – transitioning all credit card accounts on to our own systems infrastructure – has been successfully completed. All 2.8 million accounts were migrated in May, with the increased planning, resource and focus given to the project through this important period paying off with minimal disruption to customers.

The extended migration slowed down the progress of Tesco Bank and has contributed to overall revenues being slightly down compared to last year, exacerbated by a more competitive car insurance market.

Outlook

At this early stage of the year, we are performing in line with market expectations for the Group. The outlook for the year as a whole remains unchanged.

Appendix 1 – Segmental Sales Growth Rates

	First Quarter 2012/13 Sales Growth					
	Actual rates		Constant rates		Like-For-Like	
	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol
Group	2.2%	2.2%	3.8%	3.9%	(0.6)%	(0.7)%
International	2.9%	3.0%	7.8%	7.8%	0.5%	0.5%
Asia	9.0%	9.0%	9.1%	9.1%	0.4%	0.4%
Europe	(3.9)%	(4.0)%	6.0%	6.0%	0.5%	0.4%
United States	19.7%	19.7%	17.1%	17.1%	3.6%	3.6%
UK	2.1%	2.0%	2.1%	2.0%	(1.1)%	(1.4)%
Tesco Bank	(3.7)%	(3.7)%	(3.7)%	(3.7)%	n/a	n/a

Appendix 2 – UK Like-For-Like Growth

	First Quarter Like-For-Like Growth 2012/13	Fourth Quarter Like-For-Like Growth 2011/12
UK LFL (inc. VAT, inc. Petrol)	(1.1)%	1.2%
UK LFL (inc. VAT, exc. Petrol)	(1.4)%	(1.0)%
UK LFL (exc. VAT, exc. Petrol)	(1.5)%	(1.6)%
UK LFL (exc. VAT, exc. Petrol and IFRIC 13 compliant)	(0.7)%	(0.1)%

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

	First Quarter Like-For-Like Growth 2012/13	Fourth Quarter Like-For-Like Growth 2011/12
Asia	0.4%	(0.4)%
China	0.6%	1.7%
Malaysia	(1.7)%	(3.4)%
South Korea	(1.1)%	(2.1)%
Thailand	2.5%	2.2%
Europe	0.4%	0.3%
Czech Republic	(4.5)%	(5.5)%
Hungary	0.1%	2.3%
Poland	3.3%	2.8%
Slovakia	3.4%	1.3%
Turkey	(2.7)%	0.2%
Republic of Ireland	0.4%	(0.7)%
United States	3.6%	12.3%

Contacts

Investor Relations:	Chris Griffith	01992 806 149
Press:	Tom Curry Brunswick	01992 644 645 0207 404 5959

Notes:

These results have been reported on a continuing operations basis and exclude the results from our operation in Japan which have been treated as discontinued following our decision to sell the business.

All figures quoted are at actual exchange rates, including VAT 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 26 May 2012 and 28 May 2011 respectively.

For Tesco Bank the results are for 92 days for both the current year and the previous year comparison, for the periods ended 31 May 2012 and 31 May 2011.

For all other countries, these results are for 88 days for both the current year and the previous year comparison, for the periods ended 27 May 2012 and 29 May 2011.