



## News release...

Wednesday 4<sup>th</sup> December 2013

### TESCO PLC THIRD QUARTER INTERIM MANAGEMENT STATEMENT

- **Group sales growth of +0.6%**
- **UK sales growth of +0.9%**
  - Like-for-like sales decreased by (1.5)%, driven by a weaker grocery market
  - Further progress towards Building a Better Tesco in the UK, including finest\* re-launch, and 108 more stores upgraded as part of our continuing Refresh programme
  - Multichannel focus delivering record online grocery orders and positive LFL in Express
- **International conditions remain challenging, particularly in Thailand and Ireland; our businesses in Poland and Turkey are showing better trends**

#### Philip Clarke – Chief Executive

“Continuing pressures on UK household finances have made the grocery market more challenging for everyone since the summer and our third quarter performance reflects this. The actions we have taken to position the business for the future – including the work currently underway to transform our general merchandise offer and our decision to significantly reduce the amount of new space we open – are also holding back our sales performance in the short-term.

Customers are continuing to respond positively to the changes we are making to the UK business to differentiate our offer and position Tesco as a multichannel leader. These include the re-launch of finest\*, over 100 more store refreshes in the quarter and further investment into our fast-growing online grocery service.

Overseas, the near-term trading environment also remains tough, most notably in Thailand, but we have been able to drive a better performance in Poland and Turkey following the actions taken in the first half.

We are confident that our strategic priorities – strengthening the UK business, establishing multichannel leadership and ensuring capital discipline – are the right ones and that they will drive long-term value and returns.”

#### Group sales

Group sales for the thirteen weeks ending 23 November 2013 increased by 0.6% at actual exchange rates and by 0.2% at constant rates, excluding petrol. Including petrol, Group sales decreased by (0.8)% at actual exchange rates and by (1.2)% at constant rates.

#### UK performance

Total sales in the UK, including VAT and excluding petrol, increased by 0.9%. Like-for-like sales, excluding both VAT and petrol, decreased by (1.5)% for the quarter. The change in performance from Q2 to Q3 is broadly in-line with the weaker growth seen in the UK grocery market as a whole. Consumers are still managing the effects of an unprecedented period of declining real incomes and a higher cost of living; the average spending power of a typical UK household is around 10% below its 2007 peak, in real terms.

Despite the challenging backdrop, our work to Build a Better Tesco for customers in the UK has continued - improving our core customer proposition and doing more to differentiate our offer from that of our

competitors. As just some examples of this work, we successfully completed the re-launch of our finest\* product range and we have individually tailored the range of each one of our 1,600 Express stores to the needs of their local areas. We refreshed over 1.8 million square feet of existing space in the quarter and recent sales uplifts are continuing to outperform average results for the programme to date.

We have also continued with our work to transform our general merchandise business. This has once again held back top-line growth but supported our trading margin, as we migrate from categories with a low level of profitability to more productive, sustainable categories such as Home, Cook & Dine, Papershop and Celebration.

Our work to position Tesco as the leading multichannel retailer remains a strategic priority. Alongside our continuing efforts to better position our large-store portfolio for the future, we have now rolled out one-hour grocery home delivery slots to over 98% of the UK population, we have more than 200 grocery Click & Collect drive-through locations in our stores and have also started a number of trials in non-store locations. Last week saw the official launch of our sixth grocery dotcom centre in Erith. Enhancing our multichannel and digital strategy, the customer response to the launch of our Hudl tablet has been very strong, with over 300,000 units sold to date. This is more than we had originally planned to sell in total in the run-up to Christmas. Hudl has also received critical acclaim as one of the best-value tablets on the market.

### International performance

Total sales in Asia grew by 1.1% at actual exchange rates and by 0.5% at constant rates. Like-for-like sales in Asia declined by (5.1)%. The change versus the second quarter is driven by two factors. First, our Korean business - as expected - experienced a greater year-on-year impact from the regulatory restrictions on opening hours in the third quarter. Second, underlying improvements in the performance of our business in Thailand were more than offset by a tougher comparative, in addition to increasingly challenging conditions for consumers.

Total sales in Europe excluding petrol declined by (1.0)% at actual exchange rates and by (2.9)% at constant rates. Our like-for-like sales performance for the region as a whole improved slightly from the second quarter, at (4.0)%. In Ireland, our performance continues to reflect extremely challenging conditions for consumers, compounded by a more intense competitive environment. Our recent introduction of Price Promise in Ireland will help to improve customer perceptions of our relative price position, allowing us to emphasise points of differentiation in our offer. In Poland, following our decision to invest in our offer during the first half, our like-for-like sales performance has improved markedly, despite increased competitor activity. Turkey also saw an improved performance, with the business continuing to benefit from additional focus.

### Tesco Bank

Sales at Tesco Bank increased by 0.9%, with an increase in interest income from strong lending growth offset by reduced fee income across our insurance business. We remain on track to complete our full range of banking products with the launch of current accounts in the first half of next year.

### Outlook

Despite the challenging conditions in many of our markets, we are performing in line with market expectations\* for the full year.

### Contacts

|                     |                |               |
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\*Source: Vuma consensus estimates published on [www.tescopl.com](http://www.tescopl.com) on 8 November 2013.

## Appendix 1 – Segmental Sales Growth Rates

| Group                | Third Quarter 2013/14 Sales Growth |             |                |               |               |               |
|----------------------|------------------------------------|-------------|----------------|---------------|---------------|---------------|
|                      | Actual rates                       |             | Constant rates |               | Like-For-Like |               |
|                      | Inc. Petrol                        | Exc. Petrol | Inc. Petrol    | Exc. Petrol   | Inc. Petrol   | Exc. Petrol   |
| <b>Group</b>         | <b>(0.8)%</b>                      | <b>0.6%</b> | <b>(1.2)%</b>  | <b>0.2%</b>   | <b>(3.6)%</b> | <b>(2.5)%</b> |
| <b>International</b> | <b>0.0%</b>                        | <b>0.1%</b> | <b>(1.2)%</b>  | <b>(1.2)%</b> | <b>(4.6)%</b> | <b>(4.6)%</b> |
| Asia                 | 1.1%                               | 1.1%        | 0.5%           | 0.5%          | (5.1)%        | (5.1)%        |
| Europe               | (1.0)%                             | (1.0)%      | (2.9)%         | (2.9)%        | (4.0)%        | (4.0)%        |
| <b>UK</b>            | <b>(1.2)%</b>                      | <b>0.9%</b> | <b>(1.2)%</b>  | <b>0.9%</b>   | <b>(3.2)%</b> | <b>(1.4)%</b> |
| <b>Tesco Bank</b>    | <b>0.9%</b>                        | <b>0.9%</b> | <b>0.9%</b>    | <b>0.9%</b>   | <b>n/a</b>    | <b>n/a</b>    |

## Appendix 2 – UK Like-For-Like Growth

|   | Third Quarter Like-For-Like Growth 2013/14 | Second Quarter Like-For-Like Growth 2013/14 |
|---|--|---|
| UK LFL (inc. VAT, inc. Petrol)                        | (3.2)%                                     | (0.2)%                                      |
| UK LFL (inc. VAT, exc. Petrol)                        | (1.4)%                                     | 0.0%  |
| UK LFL (exc. VAT, exc. Petrol)                        | (1.5)%                                     | 0.0%  |
| UK LFL (exc. VAT, exc. Petrol and IFRIC 13 compliant) | (1.6)%                                     | 0.0%  |

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

|                      | Third Quarter Like-For-Like Growth 2013/14 | Second Quarter Like-For-Like Growth 2013/14 |
|----------------------|--|---|
| <b>Asia</b>          | <b>(5.1)%</b>                              | <b>(3.6)%</b>                               |
| Malaysia             | (1.1)%                                     | (1.9)%                                      |
| South Korea          | (4.8)%                                     | (2.4)%                                      |
| Thailand             | (6.9)%                                     | (6.3)%                                      |
| <b>Europe</b>        | <b>(4.0)%</b>                              | <b>(4.3)%</b>                               |
| Czech Republic       | (4.9)%                                     | (5.0)%                                      |
| Hungary <sup>^</sup> | (1.3)%                                     | (0.4)%                                      |
| Poland               | (0.7)%                                     | (4.5)%                                      |
| Slovakia             | (5.7)%                                     | (4.4)%                                      |
| Turkey               | (3.5)%                                     | (10.7)%                                     |
| Republic of Ireland  | (8.1)%                                     | (4.4)%                                      |

<sup>^</sup> 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, Q3 LFL sales growth was (3.8)% and Q2 was (1.6)%.

### Notes:

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

All figures quoted are at actual exchange rates, including VAT and excluding petrol unless otherwise stated.

For UK and ROI, these results are for 91 days for both the current year and the previous year comparison, for the periods ended 23 November 2013 and 24 November 2012 respectively.

For Tesco Bank and India, these results are for 91 days for both the current year and the previous year comparison, for the periods ended 30 November 2013 and 30 November 2012 respectively.

For all other countries, these results are for 91 days for both the current year and the previous year comparison, for the periods ended 24 November 2013 and 25 November 2012 respectively.