

**TESCO PLC
CHRISTMAS & NEW YEAR TRADING STATEMENT**

- **Further weakness in the UK grocery market contributed to a decline in UK like-for-like sales performance**
- **Continued investment for customers, reflecting our determination to provide the most compelling Christmas offer:**
 - Over £1bn taken in the five days before Christmas, including our biggest trading day
 - Strong own-brand offer, outperforming branded products
 - No.1 retailer in Grocer 33 Christmas basket challenge
- **Increasingly multichannel Christmas for the retail sector, with Tesco playing a leading role:**
 - £450m UK online sales in just six weeks, up 14%
 - Over 3 million online grocery orders, up 11% and 1.5 million online GM orders, up 25%
 - Positive LFL sales growth in Express convenience store business
 - Recently refreshed large stores also continuing to significantly outperform
- **Improving performance in Europe, with recent political disruption in Thailand weighing on Asian performance**

Philip Clarke – Chief Executive

“We continued to invest in the most compelling offer for the tens of millions of customers who chose to shop with us this Christmas, but further weakness in the grocery market as a whole continued to impact our performance in the UK.

Our ongoing work to Build a Better Tesco in the UK is also driving continued improvements for customers, although the effects are being masked in the short term by the strategic changes we have made to improve the long-term sustainability of our business – the transformation of our general merchandise business and the significant reduction in our new store opening programme.

As expected, this Christmas saw a further consumer shift towards multichannel retailing, and Tesco continues to play a leading role. The increasing focus we have placed in recent years on extending our lead in online grocery and on rolling out our Express format to over 1,600 stores in the UK alone has positioned us well to meet customers’ changing needs.

Our overseas performance has improved since the third quarter, driven by an improving trend in Europe. This is despite continuing external challenges, including the recent political disruption in Thailand.”

Group sales

Group sales in the six weeks to 4 January 2014 declined by (1.2)% including petrol ((1.6)% at actual exchange rates) and declined by (0.6)% excluding petrol ((1.1)% at actual exchange rates).

UK performance

In the UK, total sales including VAT and petrol declined by (1.5)% and by (0.6)% excluding petrol, with like-for-like sales declining by (2.4)%.

These results were driven primarily by a weaker grocery market, and also reflect the impact of a tougher comparative. Our decision to significantly reduce our new store opening programme and our ongoing work to transform our general merchandise offer are also holding back top-line performance in the short term, particularly relative to others in the sector.

The progress we have made since laying out our plans to Build a Better Tesco in the UK contributed to our most compelling Christmas offer at an important time of year for our customers. Despite the

external challenges, we continued to invest in all elements of our customer offer, which contributed to an improving trend through the period. Our refreshed stores also performed more strongly.

Our first place position in the Grocer 33 Christmas basket challenge highlighted the great value available to customers looking to celebrate with their families and friends whilst managing ongoing pressures on their household budgets. The Christmas trading period saw the lowest level of inflation in our reported numbers for over three years.

Our award-winning, re-launched finest* range allowed customers to experience something special this Christmas, helped by more than 200 extra new seasonal finest* products. Our continued investment across our entire range of own-brand products also contributed to an overall outperformance of Tesco-brand versus branded products. This week, we continued our work in this area with the re-launch of our Healthy Living range, with over three-quarters of products newly introduced or improved.

More customers than ever experienced Tesco across more than one channel this Christmas. Over three million online grocery delivery orders were placed within the six weeks covered by this statement, with one third of all orders placed on a mobile device. We saw a marked increase in the number of gifts bought online via Tesco Direct, including of course, our Hudl tablet, which continued to prove very popular. Over 70% of online general merchandise orders were subsequently collected in-store, demonstrating both the convenience of our Click & Collect offer for our customers and the strategic advantage of having over 1,700 well-located Click & Collect facilities within our store network.

In addition to online Clothing sales growth of over 70%, more customers are experiencing our next generation Clothing departments in-store, which we have now rolled out to over 100 locations.

International performance

Total international sales declined by (0.7)% at constant exchange rates, excluding petrol – an improvement from the third quarter, despite continuing external challenges in the majority of our markets. Foreign exchange rates impacted both of our regions negatively for the six-week period, resulting in a total sales decline of (2.2)% at actual rates, excluding petrol.

In Asia, total sales declined by (0.6)% at constant exchange rates, with a slightly weaker like-for-like sales performance than the third quarter, as increasing external pressures in Thailand linked to recent political disruption more than offset a small improvement in Korea.

Total sales in Europe declined by (0.8)% at constant exchange rates, with a better like-for-like sales performance than the third quarter across every market, including positive like-for-like sales growth in Poland and Hungary.

Outlook

Reflecting our continued investment for customers in challenging conditions for the UK market as a whole, we now expect to report full year results within the range of current market expectations[†].

[†]We estimate the market consensus for FY 2013/14 Group trading profit to have a range of £3,157m to £3,416m, with a mean of £3,330m.

Contacts

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Appendix 1 – Segmental Sales Growth Rates

Group	Christmas Period 2013/14 Sales Growth (inc. VAT)					
	Actual rates		Constant rates		Like-For-Like	
	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol
Group	(1.6)%	(1.1)%	(1.2)%	(0.6)%	(3.2)%	(2.8)%
International	(2.1)%	(2.2)%	(0.6)%	(0.7)%	(3.5)%	(3.6)%
Asia	(3.4)%	(3.4)%	(0.6)%	(0.6)%	(5.9)%	(5.9)%
Europe^	(0.9)%	(1.1)%	(0.6)%	(0.8)%	(1.3)%	(1.6)%
UK	(1.5)%	(0.6)%	(1.5)%	(0.6)%	(3.1)%	(2.3)%
Tesco Bank	2.7%	2.7%	2.7%	2.7%	n/a	n/a

Appendix 2 – UK Like-For-Like Growth

	Christmas Period Like-For-Like Growth 2013/14	Third Quarter Like-For-Like Growth 2013/14
UK LFL (inc. VAT, inc. petrol)	(3.1)%	(3.2)%
UK LFL (inc. VAT, exc. petrol)	(2.3)%	(1.4)%
UK LFL (exc. VAT, exc. petrol)	(2.4)%	(1.5)%
UK LFL (exc. VAT, exc. petrol and IFRIC 13 compliant)	(2.5)%	(1.6)%

^Following the introduction of legislation preventing large retailers from selling tobacco in mid-July 2013, the like-for-like sales growth for Europe is calculated using the Hungary like-for-like sales growth on an exc. tobacco basis.

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 constant exchange rates, including VAT and excluding petrol unless otherwise stated.

For UK and ROI, these results are for six weeks for both the current year and the previous year comparison, for the period ended 4 January 2014 and 5 January 2013 respectively.

For Tesco Bank and India, these 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 2014 and 7 January 2013 respectively.

For all other countries, these results are for six weeks for both the current year and the previous year comparison, for the period ended 5 January 2014 and 6 January 2013 respectively.

Our Preliminary Results for 2013/14 will be released on 16 April 2014.