



26 June 2015

TRADING STATEMENT for 13 weeks ended 30 May 2015

- **UK like-for-like sales performance improved to (1.3)% despite significant deflation and the impact of reduced couponing**
- **UK like-for-like volumes up 1.4%; transactions up 1.3%; 180,000 more customers shopping with us***
- **Like-for-like sales growth in Central Europe and Turkey; Central European restructure largely complete**
- **Some improvement in performance in Asia, in challenging market conditions**
- **Short-term volatility remains; transformation programme progressing**

Dave Lewis – Chief Executive

“We set out to serve our customers a little better every day and the improvements we are making are starting to have an effect. We are fixing the fundamentals of shopping to win back customers and relying less on short-term couponing. Customers are experiencing better service, better availability and lower, more stable prices and are buying more things, more often, at Tesco.

These improvements have come during the restructuring of our office and store management teams, which testifies to the focus, skill and commitment of colleagues across the business. We have also seen an improved performance in our international markets, as we continue to focus on serving customers better.

Whilst the market is still challenging and volatility is likely to remain a feature of short-term performance, these first quarter results represent another step in the right direction.”

Like-for-Like Sales Performance (Exc. VAT, Exc. Fuel)**

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
UK & ROI	(4.1)%	(5.6)%	(5.3)%	(2.0)%	(1.5)%
UK	(4.0)%	(5.5)%	(5.1)%	(1.7)%	(1.3)%
ROI	(5.6)%	(7.0)%	(6.9)%	(6.7)%	(4.4)%
International	(1.7)%	(3.4)%	(2.9)%	(1.6)%	(1.0)%
C.Europe & Turkey	0.6%	(1.1)%	0.3%	3.1%	2.2%
Asia	(3.2)%	(4.9)%	(5.0)%	(4.7)%	(3.0)%
Group	(3.4)%	(4.9)%	(4.6)%	(1.8)%	(1.3)%

* Data is sourced from Kantar Worldpanel 12 Week Total till roll data to 24 May 2015.

** All numbers are IFRIC 13-compliant, other than those shown in Appendix 2 for comparative purposes.

Trading Update

Group sales for the 13 weeks to 30 May 2015 declined by (0.5)% at constant rates, excluding fuel. At actual rates, sales declined by (1.0)% excluding fuel.

Like-for-like sales performance for the combined **UK and ROI** business was (1.5)%, an improvement on the previous quarter as customers responded well to the investments we are making across our offer.

UK like-for-like sales declined by (1.3)%, an improvement on the decline of (1.7)% in the fourth quarter on the same basis, despite significant deflation driven both by our own price investments and by weakening commodity markets. It also included a drag of around (0.5)% from annualising three national '£5 off £40' campaigns which were not repeated. The contribution to total sales growth from net new stores reduced to 1.0% from 1.6% last quarter due to a significant reduction in new store openings in addition to the store closures we announced in January and completed in April.

Following the significant price cuts on branded products we made in January, we have rolled out similar reductions on more than 300 additional products across the quarter and seen improvements in our pricing against all key competitors. Our range reviews are progressing well, enabling us to simplify our offer, further reduce prices and increase availability. We have now completed initial range reviews in fifteen categories, reducing the number of lines by up to 20%, whilst still retaining a market-leading level of choice.

The steps we have taken so far have resulted in record levels of availability in-store and online, and a continued improvement in customer ratings for service and colleague helpfulness. Whilst we still have much to do, it was encouraging to see this initial progress recognised earlier this month at the Grocer Gold Awards, with customers voting us 'Britain's Favourite Supermarket'.

We have made a significant investment in lower prices for our customers in the Republic of Ireland with prices now frozen across more than 1,300 staple products. This corresponded to an improvement in our like-for-like sales performance against the previous quarter, although this was still held back by a difficult competitive environment including high levels of competitor couponing.

Our **international** like-for-like sales performance improved again this quarter, with a pleasing initial customer response to the focused price investments we have made in fresh food and in core groceries in each of our Asian markets. External conditions remain challenging however, and like-for-like sales in our two largest markets, Korea and Thailand, declined by just over (3)% and (2)% respectively. In Malaysia, an improving underlying trend was more than offset by the negative impact of the introduction of a 'Goods and Services tax' in April.

In **Central Europe and Turkey**, a sustained strong performance in the Czech Republic and a step up in performance in Slovakia contributed to continued positive like-for-like sales growth for the region as a whole. The introduction of new legislation in Hungary, including enforced Sunday closures, is impacting our business where we nevertheless delivered like-for-like growth of almost 3%. A significant restructure of the individual Central European country leadership teams to one regional team is largely complete, creating substantial synergies to be re-invested in the customer offer.

Currency movements significantly impacted our total sales at actual rates in the Republic of Ireland and in Central Europe and Turkey, although this was largely offset by favourable currency movements in Asia.

The expansion of **Tesco Bank's** offer in categories such as loans and mortgages, making our product range accessible to more of our customers, contributed to underlying sales growth of 3.9%. However, reduced interchange income, relating to the introduction of European Commission caps which take full effect within the next year, led to the lower reported level of sales growth of 0.9%.

Contacts

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Appendix 1

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

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
UK & ROI	(2.2)%	(4.1)%	(4.0)%	(0.8)%	(1.0)%
UK	(1.9)%	(3.6)%	(3.5)%	(0.1)%	(0.3)%
ROI	(8.4)%	(12.2)%	(11.3)%	(11.8)%	(14.7)%
International	(8.1)%	(7.6)%	(4.7)%	(1.3)%	(1.0)%
C.Europe & Turkey	(6.5)%	(9.6)%	(7.9)%	(5.2)%	(9.4)%
Asia	(9.0)%	(6.4)%	(2.7)%	1.3%	4.3%
Tesco Bank	4.9%	7.3%	4.0%	(6.3)%	0.9%
Group	(3.9)%	(5.0)%	(4.1)%	(1.0)%	(1.0)%

Total Group sales including VAT and fuel declined by (2.0)%. UK sales including VAT and fuel declined by (1.6)%.

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

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
UK & ROI	(2.1)%	(3.7)%	(3.6)%	(0.3)%	(0.4)%
UK	(1.9)%	(3.6)%	(3.5)%	(0.1)%	(0.3)%
ROI	(5.2)%	(5.7)%	(5.1)%	(4.5)%	(2.7)%
International	1.3%	(0.6)%	(0.7)%	(0.2)%	(0.6)%
C.Europe & Turkey	1.0%	(0.3)%	1.0%	3.1%	1.8%
Asia	1.5%	(0.8)%	(1.8)%	(2.4)%	(2.1)%
Tesco Bank	4.9%	7.3%	4.0%	(6.3)%	0.9%
Group	(1.0)%	(2.6)%	(2.7)%	(0.3)%	(0.5)%

Notes:

All figures quoted are at actual exchange rates, excluding VAT, excluding fuel and are IFRIC 13-compliant unless otherwise stated.

Growth rates are shown on a continuing operations basis and are based on comparable days for the current year and the previous year comparison.

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 30 May 2015 and 31 May 2014 respectively.

For Tesco Bank and India these results are for 92 days for both the current year and the previous year comparison, for the periods ended 31 May 2015 and 31 May 2014 respectively.

For all other countries, these results are for 92 days for the current year and previous year comparison, for the periods ended 31 May 2015 and 1 June 2014 respectively.

Appendix 2
Performance on previous disclosure basis

We are taking a number of steps to align external disclosure with our key internal performance measures, as part of our efforts to improve the clarity and quality of our reporting. These changes include reporting all quarterly sales numbers and growth rates excluding VAT and fuel and on an IFRIC 13-compliant basis going forward. For this trading statement only, we are providing below our results on the previous basis of disclosure. Except where noted, the numbers below are not IFRIC 13-compliant.

Total Sales Performance at Actual Rates (inc. VAT)

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
<i>Including Fuel:</i>					
UK & ROI	(2.3)%	(3.7)%	(2.1)%	(0.4)%	(2.1)%
UK	(2.0)%	(3.2)%	(1.7)%	0.2%	(1.5)%
ROI	(8.7)%	(12.5)%	(10.3)%	(11.8)%	(13.7)%
International	(7.9)%	(7.9)%	(5.0)%	(1.9)%	(1.6)%
C.Europe & Turkey	(6.6)%	(9.9)%	(8.3)%	(6.2)%	(9.8)%
Asia	(8.9)%	(6.4)%	(2.5)%	1.4%	4.3%
Tesco Bank	3.6%	5.8%	2.7%	(3.5)%	(0.9)%
Group	(3.7)%	(4.7)%	(2.8)%	(0.9)%	(2.0)%
<i>Excluding Fuel:</i>					
UK & ROI	(2.1)%	(3.8)%	(3.1)%	(0.1)%	(0.9)%
UK	(1.7)%	(3.3)%	(2.6)%	0.6%	(0.1)%
ROI	(8.3)%	(12.6)%	(10.7)%	(11.7)%	(14.6)%
International	(7.9)%	(7.7)%	(4.8)%	(1.5)%	(1.3)%
C.Europe & Turkey	(6.5)%	(9.6)%	(7.9)%	(5.3)%	(9.3)%
Asia	(8.9)%	(6.4)%	(2.5)%	1.4%	4.3%
Tesco Bank	3.6%	5.8%	2.7%	(3.5)%	(0.9)%
Group	(3.8)%	(4.9)%	(3.5)%	(0.6)%	(1.0)%

Total Sales Performance at Constant Rates (inc. VAT)

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
<i>Including Fuel:</i>					
UK & ROI	(2.2)%	(3.4)%	(1.8)%	(0.1)%	(1.5)%
UK	(2.0)%	(3.2)%	(1.7)%	0.2%	(1.5)%
ROI	(5.5)%	(6.0)%	(4.1)%	(4.5)%	(1.7)%
International	1.3%	(0.8)%	(0.7)%	(0.4)%	(0.7)%
C.Europe & Turkey	0.9%	(0.7)%	0.5%	2.1%	1.3%
Asia	1.5%	(0.9)%	(1.7)%	(2.4)%	(2.1)%
Tesco Bank	3.6%	5.8%	2.7%	(3.5)%	(0.9)%
Group	(1.2)%	(2.5)%	(1.5)%	(0.2)%	(1.3)%
<i>Excluding Fuel:</i>					
UK & ROI	(1.9)%	(3.5)%	(2.7)%	0.3%	(0.3)%
UK	(1.7)%	(3.3)%	(2.6)%	0.6%	(0.1)%
ROI	(5.1)%	(6.1)%	(4.5)%	(4.4)%	(2.6)%
International	1.3%	(0.6)%	(0.6)%	(0.1)%	(0.5)%
C.Europe & Turkey	0.9%	(0.3)%	0.9%	3.0%	1.9%
Asia	1.5%	(0.9)%	(1.7)%	(2.4)%	(2.1)%
Tesco Bank	3.6%	5.8%	2.7%	(3.5)%	(0.9)%
Group	(0.9)%	(2.5)%	(2.0)%	0.1%	(0.3)%

**Like-for-Like Sales Performance
(Inc. VAT, Exc. Fuel)**

	1Q 2014/15	2Q 2014/15	3Q 2014/15	4Q 2014/15	1Q 2015/16
UK & ROI	(3.8)%	(5.5)%	(4.3)%	(1.3)%	(1.1)%
UK	(3.7)%	(5.4)%	(4.2)%	(1.0)%	(1.0)%
<i>UK inc. VAT, inc. fuel</i>	(3.8)%	(5.0)%	(3.2)%	(1.3)%	(2.4)%
<i>UK exc. VAT, exc. fuel</i>	(3.8)%	(5.5)%	(4.4)%	(1.2)%	(1.2)%
<i>UK exc. VAT, exc. fuel, IFRIC 13-compliant</i>	(4.0)%	(5.5)%	(5.1)%	(1.7)%	(1.3)%
ROI	(5.5)%	(7.3)%	(6.2)%	(6.3)%	(4.2)%
International	(1.7)%	(3.3)%	(2.7)%	(1.3)%	(0.7)%
C. Europe & Turkey	0.5%	(1.0)%	0.3%	3.1%	2.4%
Asia	(3.2)%	(4.9)%	(5.0)%	(4.7)%	(2.9)%
Group	(3.2)%	(4.8)%	(3.8)%	(1.3)%	(1.0)%