

**SUSTAINED STRONG PERFORMANCE AT TESCO:  
THIRD SUCCESSFUL CHRISTMAS; +1.1% GROUP LFL GROWTH FOR LAST 19 WEEKS**

**Headlines**

**Third Quarter** (13 weeks ended 26 November 2016)

- Group like-for-like sales growth of 1.5%
  - UK like-for-like sales growth of 1.8%
    - First quarterly market share gain since 2011
    - Eighth consecutive quarter of like-for-like volume growth
  - International like-for-like sales growth of 0.6%, building on last year’s strong performance and reflecting a more competitive environment in Poland

**Christmas** (six weeks ended 7 January 2017)

- Group like-for-like sales growth of 0.3%
  - UK like-for-like sales growth of 0.7%
    - Food like-for-like sales up 1.3%, with significant market outperformance in fresh food
    - Impact of (0.8)% on total UK like-for-like sales from not repeating Clubcard ‘Boost’ promotion, leading to lower general merchandise sales
    - Strong performance in clothing and toys, with sales up 4.3% and 8.5% respectively
  - International like-for-like sales performance of (1.2)% reflects a particularly strong seasonal performance last year in addition to weaker consumer spending in Thailand

**Dave Lewis, Chief Executive:**

“We are very encouraged by the sustained strong progress that we are making across the Group. In the UK, we saw our eighth consecutive quarter of volume growth and delivered a third successful Christmas. Our fresh food ranges proved particularly popular, outperforming the market with great quality, innovative new products and even more affordable prices. Internationally, we have continued to focus on improving our offer for customers in challenging market conditions.

We are well-placed against the plans we shared in October to become more competitive for customers, simpler for colleagues, and an even better partner for our suppliers, whilst creating long-term value for our shareholders.

I would like to thank all of our colleagues for everything they have done to serve our customers brilliantly over this very busy period.”

**Like-for-like sales performance**

			(A)	+	(B)	=	(C)
	1Q 2016/17	2Q 2016/17	3Q 2016/17		Christmas period 2016/17		19 week period 2016/17
<b>UK &amp; ROI</b>	<b>0.3%</b>	<b>0.9%</b>	<b>1.7%</b>		<b>0.7%</b>		<b>1.4%</b>
UK	0.3%	0.9%	1.8%		0.7%		1.4%
ROI	0.3%	0.1%	0.5%		(0.7)%		0.1%
<b>International</b>	<b>3.0%</b>	<b>2.1%</b>	<b>0.6%</b>		<b>(1.2)%</b>		<b>(0.1)%</b>
Europe	2.8%	1.3%	0.7%		(1.5)%		(0.1)%
Asia	3.3%	3.0%	0.4%		(0.7)%		0.0%
<b>Group</b>	<b>0.9%</b>	<b>1.1%</b>	<b>1.5%</b>		<b>0.3%</b>		<b>1.1%</b>

## Trading Update

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**Group** like-for-like sales grew by 1.1% for the 19 weeks to 7 January 2017. With a small number of new store openings largely offsetting the impact of UK non-core business disposals, total sales (exc. VAT, exc. fuel) grew by 1.0% at constant rates. At actual exchange rates, sales grew by 5.7% including a 4.7% positive foreign exchange translation effect due to a weakening of sterling against our European and Asian currencies.

Like-for-like sales growth in the combined **UK & ROI** business over the 19-week period was 1.4%, representing a fourth consecutive reported period of growth. UK volumes rose by 1.1%, and transactions were up 2.1% as more customers chose to shop with us.

We have worked hard throughout the period – in collaboration with our supplier partners – to minimise the impact on our customers of the inflationary pressures that have started to emerge in the market. As a result, while deflation has eased, the price of a typical basket remains nearly 7% cheaper than in September 2014. We will continue to do all that we can to ensure that we offer our customers the best possible prices.

UK like-for-like sales grew by 1.8% in the third quarter and we grew market share for the first time since 2011. We saw the largest increase to date in the number of customers recommending us as a preferred place to shop<sup>1</sup>.

We maintained positive like-for-like sales growth into the Christmas period, building on last year's strong performance. Customers responded well to our seasonal product offering, with particularly good growth across our core Christmas grocery and fresh ranges, including a 24% increase in party food sales and an 18% increase in 'Free From' sales. These ranges contributed to an outperformance of the market in volume growth in all food categories.

Our general merchandise performance, particularly online, was heavily impacted by not repeating last year's Clubcard 'Boost' promotion. Without this impact, total UK like-for-like sales would have been 0.8% higher over the Christmas period.

F&F clothing outperformed the market with 4% like-for-like sales growth over the Christmas period. Within this, seasonal clothing was particularly popular with sales up over 40% year-on-year. We also saw a 17% market outperformance in toys in the run up to Christmas, driven by a significant improvement in the competitiveness of our overall proposition.

As one of a series of 'little helps' to give customers an extra helping hand during a busy time, we recruited an additional 15,000 seasonal colleagues. We have also continued to focus on making it easier for all of our colleagues to serve our customers, simplifying operations and improving the shopping trip in more than 750 stores. These changes included bringing forward the timing of replenishment to earlier in the day, making improvements to our store ordering system and introducing new, combined customer service desks.

We delivered a strong operational performance across our store and distribution network, working with our supplier partners to improve service levels, stock flow and availability. On-time deliveries to our large stores improved to 98.9%, enabling us to reduce our level of stock holding in stores by over £50m year-on-year, whilst improving availability in the peak Christmas week by a further 1%.

The fundamental improvements we have made in our relationships with our supplier partners have been recognised in the annual, independently run, Advantage Report Mirror<sup>2</sup> supplier survey. In addition to being rated top overall retailer for the first time since 2011, we were ranked first in five out of the seven areas surveyed, including 'own label capability', 'category development' and 'business relationship'.

Like-for-like sales in the Republic of Ireland grew by 0.1% over the 19-week period as we invested in further lowering prices - particularly in the Christmas period - which drove strong volume growth and increased customer transactions.

**International** like-for-like sales were down (0.1)% over the 19-week period with a similar performance in both Europe and Asia, as we annualised a strong performance last year. We saw good growth in market share in Thailand, Hungary and Slovakia and maintained our position in the Czech Republic.

In Europe, a sustained strong performance in the third quarter in Hungary, the Czech Republic and Slovakia helped to offset the impact of intense competitive activity in Poland. Our performance over the Christmas period reflects increased promotional activity in the wider market.

1. As per the periodic Customer Spotlight Tracker.

2. Advantage is a business-to-business market research company. Advantage Report™ is based on feedback from over 480 suppliers.

In addition to a particularly strong step up in the comparative, our sales performance in Asia also reflects some weakening in consumer spending in Thailand during the Christmas period. We are proud that our colleagues have continued to serve our customers so well during such a sad time for the nation, following the death of King Bhumibol Adulyadej.

**Tesco Bank** continues to provide a simple, clear product offer for Tesco customers. Sales increased by 6.7% in the 19-week period, due to strong growth in lending. We helped our credit card customers spread the cost of Christmas by giving 0% interest on all Tesco purchases made in November and December. Our total number of active customer accounts is up 2.5% year-on-year, with particularly strong growth in personal current accounts, mortgages and loans.

## Looking ahead

We are well-placed against the medium-term aspirations we outlined in October 2016 and we are on track to deliver at least £1.2bn Group operating profit before exceptional items for the full year.

We will report our full year results on 12 April 2017.

This announcement contains inside information.

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## Appendix 1

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

	1Q 2016/17	2Q 2016/17	3Q 2016/17	Christmas period 2016/17	19 week period 2016/17
<b>UK &amp; ROI</b>	<b>0.7%</b>	<b>1.7%</b>	<b>2.3%</b>	<b>0.9%</b>	<b>1.8%</b>
UK	0.3%	1.0%	1.4%	0.1%	1.0%
ROI	8.7%	15.3%	19.7%	15.8%	18.3%
<b>International</b>	<b>5.6%</b>	<b>16.5%</b>	<b>23.2%</b>	<b>16.3%</b>	<b>20.7%</b>
Europe	8.2%	15.1%	19.6%	12.6%	17.0%
Asia	2.8%	18.2%	27.7%	21.2%	25.4%
<b>Tesco Bank</b>	<b>3.5%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>7.6%</b>	<b>6.7%</b>
<b>Group</b>	<b>1.8%</b>	<b>4.7%</b>	<b>6.5%</b>	<b>4.3%</b>	<b>5.7%</b>

## Appendix 2

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

	1Q 2016/17	2Q 2016/17	3Q 2016/17	Christmas period 2016/17	19 week period 2016/17
<b>UK &amp; ROI</b>	<b>0.3%</b>	<b>1.0%</b>	<b>1.4%</b>	<b>0.1%</b>	<b>0.9%</b>
UK	0.3%	1.0%	1.4%	0.1%	1.0%
ROI	0.2%	(0.3)%	0.0%	(0.8)%	(0.3)%
<b>International</b>	<b>3.6%</b>	<b>2.8%</b>	<b>1.5%</b>	<b>(0.1)%</b>	<b>0.9%</b>
Europe	2.4%	1.2%	0.1%	(2.0)%	(0.7)%
Asia	5.0%	4.8%	3.2%	2.4%	2.9%
<b>Tesco Bank</b>	<b>3.5%</b>	<b>7.2%</b>	<b>6.3%</b>	<b>7.6%</b>	<b>6.7%</b>
<b>Group</b>	<b>1.1%</b>	<b>1.5%</b>	<b>1.5%</b>	<b>0.2%</b>	<b>1.0%</b>

### Notes

Like-for-like sales performance is shown at constant exchange rates and all other figures are quoted at actual exchange rates, excluding VAT and excluding fuel unless otherwise stated.

Growth rates are shown on a continuing operations basis and exclude the results of Turkey, following its proposed sale which was announced on 10 June 2016.

Growth rates for the third quarter, six-week Christmas period and the combined 19 week period are all based on comparable days. For example, for the UK and ROI these results are for the 19 weeks ending 7 January 2017 and 9 January 2016 respectively.