

GROWTH PLANS ON TRACK – TOTAL UK & ROI SALES UP 3.5%

Headlines (13 weeks ended 26 May 2018)

- **Delivering positive like-for-like sales growth for a tenth consecutive quarter**
 - Group like-for-like sales growth improved to 1.8% and UK & ROI to 3.5%
 - Booker consolidated from 5 March 2018, with like-for-like sales growth of 14.3%
- **Continued improvement in customer offer**
 - Continued re-launch of over 10,000 own brand products; 2,850 completed to date
 - Further investment in price at the end of 1Q focusing on our exclusive fresh food brands
 - Essential step towards establishing a more sustainable non-food offer by closing Tesco Direct
- **Booker ‘Joining Forces’ programme well underway**
 - Good progress towards accessing new growth opportunities with supplier partners
 - 3,000 Booker products now fulfilled from Tesco Magor distribution centre; Tesco Middleton distribution centre to support Booker growth during the busy Summer trading period
 - Positive initial response to ‘Chef Central’ at Bar Hill; second trial concept opened in Beckton
- **Strong fresh food performance in Central Europe and Asia offset by specific market factors**
 - Fresh food like-for-like sales growth of 1.0% in Central Europe and 4.5% in Asia
 - Loss of six trading days in Poland and four in Slovakia due to regulatory changes
 - Improving performance in Asia towards end of quarter following annualisation of bulk-selling impact in mid-April

Dave Lewis, Chief Executive:

“Our growth plans are on track and we are pleased with the momentum in the business. We remain well-placed to serve our customers better and deliver on our medium-term financial ambitions. We are delighted with initial progress on Booker, and are focused on delivering the synergy benefits that our merger brings.”

Like-for-like sales performance

	1Q 2017/18	2Q 2017/18	3Q 2017/18	4Q 2017/18	1Q 2018/19
UK & ROI	2.2%	2.1%	2.3%	2.4%	3.5%
UK	2.3%	2.1%	2.3%	2.3%	2.1%
ROI	0.2%	2.0%	3.3%	5.3%	3.0%
Booker	n/a	n/a	n/a	n/a	14.3%
Central Europe	(0.4)%	0.6%	0.8%	0.4%	(1.0)%
Asia	(6.0)%	(10.7)%	(9.6)%	(14.0)%	(9.0)%
Group	1.0%	0.6%	0.9%	0.4%	1.8%

Trading Update

Group like-for-like sales grew by 1.8% for the 13 weeks to 26 May 2018, representing a tenth consecutive quarter of positive growth. Total sales at constant exchange rates were up 1.8%. At actual exchange rates, sales grew by 2.3% including a 0.5% positive foreign exchange translation effect.

Like-for-like sales in the combined **UK & ROI** business grew by 3.5% as we continue to improve our customer offer and access new growth opportunities with Booker.

Tesco UK like-for-like sales were up 2.1%. Performance improved through the quarter (after taking the timing of Easter into account), recovering from the impact of adverse weather conditions experienced in March. We continue to focus on improving our customer offer and are now more than a quarter of the way through our re-launch of over 10,000 own brand products. In addition, at the end of the quarter, we invested in a number of price cuts focused on our exclusive fresh food brands to offer even better value for our customers.

Like-for-like sales in Booker grew by 14.3% including tobacco (12.4% growth excluding tobacco), driven by a strong underlying performance and new business wins. Following on from the positive initial response to the 'Chef Central' store at Bar Hill, we opened a second trial concept last week within the Tesco Extra store at Beckton. In addition, we have extended the two-store trial of the top 30 selling Booker lines, rolling out a similar range to over 50 more Tesco stores. In May, we introduced 3,000 Booker lines into our Tesco Magor distribution centre, utilising spare capacity and enabling us to reduce the lead time on orders for Booker customers across the South West. Our Middleton distribution centre will also support growth in Booker during the busy Summer trading period.

During the quarter, we took an important decision to refocus our non-food business by closing Tesco Direct, which will cease trading on 9 July 2018. Customers shopping on Tesco.com can already buy some products from our toys, homeware and cookware ranges and we will selectively build on this offer, creating a simpler online experience for customers. Our like-for-like sales performance for the UK will be adjusted to remove the impact of the closure of Tesco Direct from July onwards.

Our grocery home shopping business performed strongly in the quarter, with both transactions and basket size growing year-on-year, and more customers using our Delivery Saver subscription service. We are continuing to roll out further innovations including the Spoon Guru Lifestyle & Dietary search filters and improvements to our website and customer application.

Clothing like-for-like sales were up 1.7% with full price sales participation in stores increasing by 140 basis points year-on-year to over 87%. Whilst general merchandise as a whole negatively impacted total sales growth as we continue to refine our ranges, seasonal categories performed particularly well.

In May, we opened our new 'Heart' building in Welwyn Garden City, representing the final step in the relocation project from Cheshunt and bringing together all of our innovation and learning capabilities into one place. It includes new Product Development Kitchens and a New Food Experience space allowing our development chefs, product teams and suppliers to work together seamlessly.

Like-for-like sales in ROI grew by 3.0% as customers continued to react positively to our more competitive price position, despite us experiencing store closures across our entire estate for one day, as a result of adverse weather conditions in early March.

Despite a strong underlying performance in **Central Europe**, with growth in fresh food and improving performance in Hungary, overall like-for-like sales were down (1.0)% in the quarter, due to the impact of regulatory changes. In Poland, changes to Sunday trading regulations resulted in six fewer trading days and in Slovakia, changes to public holiday opening times resulted in four fewer days. Combined, this impacted sales for the region by c.(1.0)% to (1.5)%.

Asia like-for-like sales were down (9.0)%, although performance improved towards the end of the quarter as our decision to remove bulk-selling was annualised in April. We are continuing to see a sales impact from the issuance of Government welfare cards which cannot be redeemed in modern retail chains, along with the deflationary effect of our continued price investment. Despite this, the pace of sales decline in Asia eased throughout the period and fresh food performed strongly with like-for-like sales growth of 4.5%.

Tesco **Bank** sales increased by 7.0% in the quarter, with secured lending forming an increasingly significant part of the portfolio. Mortgage products now comprise 27% of the overall lending portfolio, up more than four percentage points year-on-year.

Contacts

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A call for investors and analysts will be held today at 8.00am.

Dial in number: 0800 358 9473 (toll free) / +44 (0) 333 300 0804
Access Code: 37330494#

A recording will be available on +44 (0) 333 300 0819 and access code 301233675# until 15 July 2018.

Appendix 1

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

	1Q 2017/18	2Q 2017/18	3Q 2017/18	4Q 2017/18	1Q 2018/19
UK & ROI	2.0%	2.5%	2.7%	2.9%	3.5%
UK	1.6%	2.1%	2.5%	2.3%	1.9%
ROI	9.2%	10.0%	7.1%	13.3%	9.5%
Booker	n/a	n/a	n/a	n/a	12.8%
Central Europe	8.4%	8.8%	3.1%	4.5%	0.7%
Asia	8.5%	(4.0)%	(8.9)%	(11.5)%	(6.8)%
Tesco Bank	4.8%	4.8%	4.9%	1.1%	7.0%
Group	3.4%	2.7%	1.6%	1.5%	2.3%

Appendix 2

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

	1Q 2017/18	2Q 2017/18	3Q 2017/18	4Q 2017/18	1Q 2018/19
UK & ROI	1.4%	2.1%	2.5%	2.7%	3.4%
UK	1.6%	2.1%	2.5%	2.4%	1.9%
ROI	0.0%	2.1%	3.8%	9.4%	6.8%
Booker	n/a	n/a	n/a	n/a	12.8%
Central Europe	(1.7)%	(1.2)%	(1.3)%	(2.0)%	(2.9)%
Asia	(4.8)%	(10.8)%	(9.6)%	(12.4)%	(7.2)%
Tesco Bank	4.8%	4.8%	4.9%	1.1%	7.0%
Group	0.5%	0.4%	0.9%	0.5%	1.8%

All like-for-like and total sales growth rates shown above include Booker in the base (where relevant).
On a statutory basis (without Booker in the base), total Group sales growth is 12.1%.

Notes

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

Growth rates are shown on a continuing operations basis.

Growth rates are based on comparable days for the current year and the previous year comparison. For example, for UK and ROI, these results are for the 91 days to 26 May 2018 and 27 May 2017 respectively. Following the completion of our merger with Booker on 5 March 2018, Booker results are for the 82 days to 25 May 2018 and 26 May 2017 respectively.