

TWELVE CONSECUTIVE QUARTERS OF GROWTH
UK & ROI CHRISTMAS +2.6% LFL; CORE UK +2.2% LFL

Like-for-like sales performance

			(A)	+	(B)	=	(C)
	1Q 2018/19	2Q 2018/19	3Q 2018/19		Christmas period 2018/19		19 week period 2018/19
UK & ROI	3.5%	4.2%	1.9%		2.6%		2.1%
Tesco UK	2.1%	2.5%	0.7%		2.2%		1.2%
ROI	3.0%	3.1%	(0.2)%		0.3%		(0.0)%
Booker	14.3%	15.1%	11.0%		6.7%		9.6%
Central Europe	(1.0)%	(2.0)%	(3.0)%		(2.4)%		(2.8)%
Asia	(9.0)%	(4.8)%	(8.0)%		(2.8)%		(6.2)%
Group	1.8%	2.7%	0.5%		1.5%		0.8%

Headlines (3Q: 13 weeks to 24 November 2018; Christmas period: 6 weeks to 5 January 2019)

- UK & ROI: Strong Christmas benefiting from an increasingly competitive offer for customers**
 - UK & ROI Christmas LFL sales +2.6%, outperforming market in UK in both volume and value terms
 - Quality and value perception¹ both up significantly year-on-year: +3.5pts and +4.5pts respectively
 - Market outperformance in all key categories: food, clothing and general merchandise
 - UK & ROI 3Q LFL sales +1.9% reflecting transition to new own brands and subsequent resetting of mix in UK
 - ‘Exclusively at Tesco’ roll-out 95% complete by end-3Q, with 82% of customers buying into the range
 - Booker delivering strong growth (LFL excl. tobacco: 3Q 10.7%; Christmas 8.2%); contract wins last year annualise early in Christmas period
- Central Europe: Continuing to improve the quality of our business**
 - Excluding Poland, LFL sales increased in 19-week period, with +1.1% LFL for Christmas
 - 19-week LFL performance is after impact of reducing unprofitable general merchandise (c.(1.8)% impact) and fewer trading days in Poland due to Sunday trading regulations (c.(1.2)%)
 - Polish store portfolio reshaping continuing with 14 stores closed during the period and 32 more planned
- Asia: Stronger underlying performance**
 - LFL performance reflects further changes to pricing, promotions and couponing in Thailand
 - Good progress made with suppliers towards new commercial approach
 - Restructured store operations, reducing costs and underpinning profit recovery

Dave Lewis, Chief Executive:

“As a team we have achieved a lot in the last 19 weeks. In the UK we delivered significant improvements in our competitive offer and this is reflected in a very strong Christmas performance which was ahead of the market. In Central Europe, the reshaping of our business continues and we are confident of the outcome we envisaged. In Asia, negotiations with suppliers are concluding satisfactorily and we can see this in our simpler, clearer, more impactful offer for customers.

We have more to do everywhere but remain bang on track to deliver our plans for the year and as we enter our centenary we are in a strong position.”

Serving shoppers a little better every day

Like-for-like sales in the **UK & ROI** business including Booker grew by 1.9% in the third quarter and 2.6% in the six-week Christmas period.

In the core Tesco UK business, third quarter like-for-like sales increased by 0.7%, representing our twelfth consecutive quarter of growth. In a more challenging market, we made significant further improvements to our customer offer. Over 74% of our 10,000 own brand products had been relaunched by the end of the third quarter, with the roll-out of our 'Exclusively at Tesco' range 95% complete. As expected, and following a step-up in the marketing of 'Exclusively at Tesco', we saw an increase in customers trading into the exceptional value offered by these products. Whilst this, and the initial disruption as we rolled out the new ranges impacted the value of like-for-like sales, by the end of the third quarter overall UK sales volumes were outperforming the market.

This positive momentum continued into the Christmas period where we grew like-for-like sales by 2.2%, outperforming the market in both volume and value terms. Customers responded well to our market-leading seasonal proposition, with quality and value perception¹ up 3.5pts and 4.5pts respectively year-on-year. Our highly competitive 'Festive 5' vegetable offer proved particularly popular with customers, selling 19.7 million units over the three weeks to Christmas. We also supported customers with relevant and timely promotions including half-price lamb and beef joints, which contributed to like-for-like sales growth of 12.2% in total meat joints, as well as repeating last year's 25% off six bottles of wine.

Our online like-for-like sales increased by 2.6% over the Christmas period including our biggest-ever sales week in online grocery, with nearly 51 million items delivered and 776,000 orders. We have also seen a 3.8% year-on-year increase in Delivery Saver subscribers to 491,000, compared to Christmas last year.

In general merchandise the popularity of our exclusive Fox & Ivy homeware and Go Cook cookware ranges contributed to overall like-for-like sales growth of 7.7% in these categories during the 19-week period. This helped to partially offset an overall decline in general merchandise sales which impacted overall UK like-for-like performance in the period by (0.2)% as we continue to reposition our offer. Clothing sales increased by 3.8% during the period, aided by a particularly strong womenswear performance.

Like-for-like sales in the Republic of Ireland were flat over the 19-week period, against a strong performance last year. In a more competitive market, driven by increased couponing activity, customers responded well to our Christmas offer with positive volumes across key fresh categories.

Booker's like-for-like sales grew by 11.0% (10.7% excluding tobacco) during the third quarter with sustained strong underlying growth. Like-for-like sales growth of 6.7% (8.2% excluding tobacco) during the Christmas period reflects the annualisation of contract wins last year. We continue to make good progress in our 'Joining Forces' programme with Booker, with Booker lines now available in 70 Tesco stores. We opened a new Booker distribution centre in Hemel Hempstead in December, which is now serving the vast majority of our One Stop stores with fresh and frozen products.

We are continuing to improve the quality of our business in **Central Europe**, further reducing costs and focusing on sustainable, profitable sales. Excluding Poland, like-for-like sales grew for the 19 week period, including an increase of 1.1% for the Christmas period. General merchandise impacted like-for-like sales for the region by c.(1.8)%, as we further reduced exposure to unprofitable GM categories and activities such as Black Friday. Seven fewer trading Sundays in Poland and additional public holidays at short notice in both Poland and Slovakia impacted like-for-like sales by (1.2)%. We continue to exit unprofitable stores in Poland with 14 closures in the period and 32 more planned as part of an ongoing re-shaping of the portfolio.

In **Asia**, whilst we delivered a stronger underlying performance, like-for-like sales were impacted by the ongoing repositioning of our customer offer in Thailand. We have made good progress in our discussions with suppliers towards a new commercial approach. We also accelerated planned changes to our operating model in Thailand, helping to reduce costs and underpinning our profit recovery. Despite minor changes to the Government-issued welfare cards scheme during the third quarter, it continued to impact sales in Thailand by c.(1)% for the 19-week period.

On an underlying basis, **Tesco Bank's** sales for the 19-week period grew by 2.4% driven mainly by an increase in lending income, partially offset by reduced income from motor insurance in a competitive market.

Looking ahead

We are confident in the outlook for the full year and are firmly on track to deliver the ambitions that we outlined in October 2016.

We are planning to host a briefing for investors and analysts relating to the adoption of IFRS 16 on 15 February 2019 and we will report our full year results on 10 April 2019.

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Notes

1. Year-on-year change in YouGov Brand perception measure of quality and value.

Appendix 1

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

	1Q 2018/19	2Q 2018/19	3Q 2018/19	Christmas period 2018/19	19 week period 2018/19
UK & ROI	16.6%	18.9%	14.5%	14.6%	14.5%
UK & ROI (comparable growth) ^(b)	3.5%	3.5%	0.6%	1.1%	0.8%
UK	1.9%	1.7%	(0.9)%	0.6%	(0.4)%
ROI	9.5%	7.2%	3.4%	3.6%	3.5%
Booker	12.8%	13.7%	9.7%	3.5%	7.6%
Central Europe	0.7%	(5.8)%	(7.2)%	(5.1)%	(6.4)%
Asia	(6.8)%	(1.3)%	(3.3)%	3.4%	(1.0)%
Tesco Bank	7.0%	1.1%	2.2%	17.7%	6.8%
Group	12.1%	13.4%	9.9%	10.9%	10.3%
Group (comparable growth) ^(b)	2.3%	2.0%	(0.5)%	0.8%	(0.1)%

Appendix 2

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

	1Q 2018/19	2Q 2018/19	3Q 2018/19	Christmas period 2018/19	19 week period 2018/19
UK & ROI	16.5%	18.9%	14.5%	14.5%	14.5%
UK & ROI (comparable growth) ^(b)	3.4%	3.5%	0.7%	1.0%	0.8%
UK	1.9%	1.7%	(0.9)%	0.6%	(0.4)%
ROI	6.8%	7.6%	4.1%	2.0%	3.4%
Booker	12.8%	13.7%	9.7%	3.5%	7.6%
Central Europe	(2.9)%	(4.2)%	(5.2)%	(4.9)%	(5.0)%
Asia	(7.2)%	(2.5)%	(6.0)%	(0.6)%	(4.2)%
Tesco Bank	7.0%	1.1%	2.2%	17.7%	6.8%
Group	11.5%	13.5%	9.9%	10.5%	10.1%
Group (comparable growth) ^(b)	1.8%	2.1%	(0.5)%	0.4%	(0.2)%

(a) Sales growth shown on a comparable days basis and includes an adjustment to last year's figures to reflect a change in the reporting of consignment sales.

(b) Comparable total growth presents growth with Booker sales included in the prior year base from Q1 2018/19 onwards.

Like-for-like sales performance is shown at constant exchange rates. Sales growth and like-for-like sales performance are excluding VAT and excluding fuel.

Notes on Appendices

The difference between Group like-for-like sales growth of 0.8% for the 19-week period and total sales decline of (0.2)% at constant exchange rates and (0.1)% at actual exchange rates reflects the closure of Tesco Direct and net store closures, primarily in Central Europe.

Tesco Bank's reported sales growth of 6.8% for the 19-week period includes the one-off benefit in the six-week Christmas period relating to upfront recognition of insurance renewals as required by IFRS 15, following a contract renewal with our pet insurance provider. Excluding this, Tesco Bank's underlying sales growth for the six-week Christmas period was 2.0% and 2.4% for the 19-week period.