

A MARKET-LEADING CHRISTMAS PERFORMANCE – UK LFL SALES GROWTH UP 8.1%

	19 weeks	3Q		+	Christmas Trading		=	19 week period	
	Sales £m	Total sales change (constant rates)	LFL sales change		Total sales change (constant rates)	LFL sales change		Total sales change (constant rates)	LFL sales change
UK & ROI	18,182	8.5%	6.1%		8.4%	6.3%		8.5%	6.1%
UK	14,696	7.2%	6.7%		8.4%	8.1%		7.6%	7.2%
ROI	1,013	11.7%	11.8%		12.4%	12.7%		12.0%	12.1%
Booker	2,473	15.1%	0.1%		6.7%	(8.3)%		12.4%	(2.5)%
Central Europe	1,464	0.7%	0.9%		(4.0)%	(4.2)%		(1.0)%	(1.0)%
Group Retail	19,646	7.9%	5.7%		7.3%	5.4%		7.7%	5.6%
Tesco Bank	261	(28.5)%	n/a		(25.7)%	n/a		(27.7)%	n/a
Group	19,908	7.1%	5.7%		6.8%	5.4%		7.0%	5.6%

Ken Murphy, Chief Executive:

“Our focus on looking after our customers, including delivering record availability, robust safety measures and great value has enabled us to maintain strong momentum through the Christmas period, outperforming the market every week.

We delivered a record Christmas across all of our formats and channels. In response to unprecedented demand for online groceries, colleagues delivered over seven million orders containing more than 400 million individual items over the Christmas period. We're now supporting 786,000 vulnerable customers with priority access to online slots and, as lockdown measures continue, we'll keep doing everything we can to ensure everyone can safely get the food and essentials they need.

Our colleagues went above and beyond, rising to every challenge in the most exceptional of circumstances and I thank every one of them for this. We're in great shape to keep delivering in 2021 and beyond.”

Trading update (3Q: 13 weeks to 28 November 2020; Christmas Trading: 6 weeks to 9 January 2021)

A strong UK sales performance was sustained into the third quarter with like-for-like growth of +6.7%, accelerating to +8.1% at Christmas following improved customer metrics across all areas. Our performance was market-leading for every week of the Christmas period with our simple, great value offer and focus on safety resonating well with customers.

UK sales grew across all formats, channels and categories. Online sales growth was particularly marked at over +80% which equates to nearly £1 billion extra sales over the 19-week period. Order numbers after Christmas continued to grow, and we exceeded our all-time records for both home deliveries and click & collect last week. Our performance included the benefit of attracting nearly 100,000 new Delivery Saver subscribers taking the total to over 680,000. Large store sales also grew strongly as customers favoured larger, less frequent shopping trips. UK sales performance over Christmas was driven by food including a +14% increase in sales of Finest* products as customers looked for more opportunities to treat themselves as part of their festive shop. We supported customers with timely promotions including our festive 5 vegetable offer, ‘3 for 2’ party food and 25% off 6+ bottles of wine. We catered for all diets with our largest ever festive range of free-from, vegan and vegetarian products. Sales of plant-based products increased strongly including growth of more than +90% in our Plant Chef range in the run up to Christmas. General merchandise sales grew by +4% driven by strong performance in toys, home and electrical items.

We are committed to delivering great value at a time when our customers need us most. Since we launched Aldi Price Match in March, our value perception has increased by +450 basis points and we are now the most competitive we have been against the entire market in nearly a decade. Following the launch of Clubcard Prices in September, Clubcard penetration has increased by +10% pts to over 80% of sales in Large stores and the Clubcard app has nearly two million more active users. We continue to strengthen our overall relative price position and are gaining customers from all key competitors.

Our response to COVID-19 continues to be guided by doing the right thing for all our stakeholders. In the period, we thanked front-line colleagues with a 10% Christmas bonus, shielded our extremely clinically vulnerable colleagues and welcomed nearly 35,000 additional temporary colleagues. We've continued to support our communities, in total providing more than £60m in support to help charities feed people in need during the pandemic. We were also delighted to achieve our UK target of removing one billion pieces of plastic from products

sold, including removal of shrink wrap from multipacks, covers from greeting cards and plastic gifts from our Christmas crackers.

Our comprehensive preparations and our strong relationships with suppliers have enabled us to maintain strong levels of availability through the initial Brexit transition period.

Booker sales over the 19-week period grew by +12.4% including a c.14% contribution from Best Food Logistics which was acquired in early March. Retail continued to perform well throughout the period with sales up +14%. Catering performance has been strongly correlated to the severity of UK COVID-19 restrictions including a recovery following the 'Eat Out to Help Out' scheme leading into the start of the third quarter. As restrictions have tightened, the severity of the decline in the hospitality sector overall led to a fall in our catering sales of (49)% on a like-for-like basis over the Christmas period, compared to around (30)% for the third quarter. We continue to outperform the catering industry as a whole.

In ROI, like-for-like sales over the 19-week period grew by +12.1% with the strongest contribution from our large stores. We remain the clear online grocery market leader with sales growing by nearly +70% as we increased capacity in response to record demand. In the third quarter, we achieved our highest recorded customer NPS scores as service, value and quality perceptions all stepped forward.

Like-for-like sales in Central Europe grew by +0.9% in the third quarter, as we continued to strengthen our value proposition and traded over a weaker comparable period due to the re-sizing and simplifying of our businesses last year. Since then, the tightening of COVID-19 restrictions - including curfews preventing evening trading, temporary Sunday trading bans, and restrictions on the sale of non-food - have affected all of our markets in the region. In particular, this had a significant impact on our large stores and contributed to a (4.2)% decline in like-for-like sales over the Christmas period.

Tesco Bank sales fell (27.7)% across the 19-week period as activity across banking and money services continued to reflect the ongoing impact of COVID-19.

Sale of our businesses in Thailand and Malaysia

We completed the £8.2bn sale of our businesses in Thailand and Malaysia on 18 December 2020. We have already made a one-off contribution of £2.5bn to the Tesco PLC Pension Scheme and, conditional on obtaining shareholder approval at the General Meeting, we will return c.£5bn to shareholders via a special dividend followed by a share consolidation on or around 26 February 2021.

A circular containing further details of the special dividend and the share consolidation ratio will be sent to Tesco shareholders on or around 25 January 2021.

Looking ahead

We will continue to be guided by our four key priorities in response to the COVID-19 crisis: providing food for all, safety for everyone, supporting our colleagues and supporting our communities. We also remain committed to delivering great value to help customers in increasingly challenging times.

The strong momentum in the business and the benefits of sustained elevated sales are enabling us to offset the additional COVID-19 costs we are now expecting to incur as a result of the increasing severity of the pandemic since we updated the market in October. These incremental costs, such as increased colleague absence, take our current total full year estimate for the UK to £(810)m - an increase of £(85)m since our previous estimate of £(725)m.

As a result, our guidance for the 2020/21 financial year is unchanged: we remain confident that retail operating profit is likely to be at least at the same level as in 2019/20, excluding the repayment of business rates relief.

We continue to expect to report a loss for Tesco Bank of between £(175)m and £(200)m for the 2020/21 financial year.

Contacts

Investor Relations:	Chris Griffith	01707 940 900
	Sarah Titterington	01707 940 693
Media:	Christine Heffernan	0330 678 0639
	Philip Gawith, Teneo	0207 420 3143

A call for investors and analysts will be held today at 09:00am.

Dial in number: 0800 279 6619 (toll free) / +44 (0) 207 192 8338

Access Code: 4998880

All materials, including a transcript and playback facility, will be made available on our website.

We will report our full year results on Wednesday 14 April 2021.

Notes

1. All sales shown on exc. VAT, exc. fuel basis. Sales change shown at constant rates, unless otherwise stated
2. These results have been reported on a continuing operations basis and exclude the results from our business in Poland. We completed the sale of our businesses in Thailand and Malaysia on 18 December 2020

3. Sales change at actual rates:

	3Q	Christmas period	19 week period
UK & ROI	+8.7%	+8.7%	+8.7%
Central Europe	(0.7)%	(3.2)%	(1.6)%
Group Retail	+7.9%	+7.7%	+7.8%

4. Booker total sales includes Best Food Logistics which was acquired in March 2020
5. In order to ensure the best comparability across the festive season year-on-year, sales for the 19 weeks to 9 January 2021 have been reported against sales for the 19 weeks to 11 January 2020