



14 January 2016

A strong Christmas at Tesco
Putting the customer at the heart of everything we do

Trading statement for 19 weeks ended 9 January 2016:

Christmas (six weeks ended 9 January 2016)

- Group like-for-like sales growth of +2.1%
 - UK like-for-like sales growth of +1.3%
 - Customer satisfaction improved – all measures up between +3% and +5%
 - Customer transactions up +3.4%; volumes up +3.5%
 - International like-for-like sales growth of +4.1%

Third Quarter (13 weeks ended 28 November 2015)

- Group like-for-like sales performance of (0.5)%
 - UK like-for-like sales performance of (1.5)%
 - Reflects impact of lapping unsustainable couponing in prior year
 - International like-for-like sales growth of +2.9%

Dave Lewis – Chief Executive

“Our Christmas performance was strong, benefiting from lower prices on an outstanding range of products. Our customer service improved materially and our colleagues went the extra mile. Put simply, we put customers at the heart of everything we did and they responded by buying more of what they needed at Tesco.

International sales have also continued to strengthen, driven once again by improvements across the offer. We continued our strong positive sales momentum in both Europe and Asia, with our Thai business reaching its highest ever market share.

We are continuing to focus our efforts on serving our customers a little better every day and I want to thank my colleagues across the Group for their commitment, passion and energy. There is plenty more to do, but we are making good progress and are trading in line with profit expectations for the full year.”

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

	1Q 2015/16	2Q 2015/16	3Q 2015/16	Christmas Period 2015/16	19 Week Period 2015/16
			(A)	(B)	(C)
UK & ROI	(1.5)%	(1.0)%	(1.5)%	1.4%	(0.5)%
UK	(1.3)%	(1.0)%	(1.5)%	1.3%	(0.5)%
ROI	(4.4)%	(2.9)%	(1.2)%	2.9%	0.2%
International	(0.2)%	2.3%	2.9%	4.1%	3.4%
Europe	2.2%	4.0%	3.3%	4.2%	3.6%
Asia	(3.4)%	0.1%	2.4%	4.0%	3.0%
Group	(1.2)%	(0.3)%	(0.5)%	2.1%	0.4%

Trading Update

Group like-for-like sales grew by 0.4% for the 19 weeks to 9 January 2016 – our first reported increase for over four years. Total sales were in line with last year at constant rates, as the sales reduction from store closures slightly exceeded the contribution from new store openings. At actual rates, sales declined by (2.2)% reflecting the impact on translation to sterling of currency weakness, particularly in Europe.

In the **UK**, our third quarter like-for-like sales performance of (1.5)% reflected an impact of a little under (1)% from not repeating three '£5 off £40' national coupon campaigns from the prior year.

For the six-week Christmas period, like-for-like sales in the UK grew by 1.3% – a significant improvement on recent results. Volumes increased by 3.5% and transactions increased by 3.4% as more customers chose to do more of their Christmas shopping at Tesco.

In addition to the continuous improvements we have been making over the course of the last year, customers also responded well to a stronger seasonal offering. In the peak festive week, we introduced 4,000 additional 'Here to Help' colleagues to stores to give customers an extra helping hand. Through our ongoing investment in lower, more stable prices, we were around five per cent cheaper than last year on the lines that mattered most to our customers at Christmas. 'Brand Guarantee' also played an important role by reassuring customers that if their branded shop could be found more cheaply elsewhere, we would take the money immediately off their bill.

Our strong Christmas performance was evident in all formats and categories, including positive like-for-like sales growth in our Extra format, where customers responded well to our seasonal general merchandise ranges. In clothing, sales grew significantly ahead of the market, with strong ladies fashion and knitwear ranges supported by an attractive Christmas gifting offer.

Customers also benefited at Christmas from the full range of services that we offer. Demand for our grocery home shopping service resulted in a record number of orders delivered in one day on 22 December and over 20,000 customers activated a Tesco Mobile pay-as-you-go mobile handset on Christmas day alone. With over 4.5 million customers in the UK, Tesco Mobile is now the largest UK MVNO and has retained its position as the number one network for customer satisfaction.

Following the completion of six further category range resets in the third quarter including dairy, produce, wines & spirits and impulse, availability reached new record highs. Colleagues across our entire store and distribution network delivered the smoothest operational performance in many years, supported by the changes we have made to simplify our processes and systems.

Our like-for-like sales performance in the Republic of Ireland turned positive over the Christmas period to 2.9% following an improving trend in sales and volume through the course of the year. We have seen a strong customer response to the investments we have been making in our offer throughout the year, particularly in moving to lower, more stable prices on hundreds of key lines.

Our **international** like-for-like sales performance improved through both the third quarter and the six-week Christmas trading period. Our sustained positive like-for-like sales growth in both Europe and Asia is being driven by improvements across the offer, particularly in food. Bringing together our Central European businesses into 'One Europe' is already making a difference, giving us further ability to invest for customers and supporting better availability and improved service. In Asia, our performance in Thailand is particularly pleasing, with strong growth in customer transactions leading to our highest ever market share.

Tesco Bank continued to see strong growth in lending and an increasing number of customers opting for our home insurance products. Despite this, we saw a reduction in sales of (5.2)% over the Christmas period, due to the introduction of European Commission caps on interchange income in December. This followed the initial reduction driven by MasterCard's agreement with the Competition and Markets Authority in April 2015.

Contacts

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Appendix 1

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

	1Q 2015/16	2Q 2015/16	3Q 2015/16 (A)	+	Christmas Period 2015/16 (B)	=	19 Week Period 2015/16 (C)
UK & ROI	(1.0)%	(1.4)%	(1.9)%		0.5%		(1.1)%
UK	(0.3)%	(0.9)%	(1.5)%		0.8%		(0.7)%
ROI	(14.7)%	(12.2)%	(9.3)%		(5.6)%		(8.1)%
International	(3.9)%	(5.2)%	(6.6)%		(5.1)%		(6.1)%
Europe	(9.4)%	(8.3)%	(8.2)%		(7.5)%		(7.9)%
Asia	3.5%	(0.7)%	(4.5)%		(1.4)%		(3.4)%
Tesco Bank	0.9%	(2.5)%	(1.7)%		(5.2)%		(2.7)%
Group	(1.7)%	(2.3)%	(2.9)%		(0.9)%		(2.2)%

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

	1Q 2015/16	2Q 2015/16	3Q 2015/16 (A)	+	Christmas Period 2015/16 (B)	=	19 Week Period 2015/16 (C)
UK & ROI	(0.4)%	(0.9)%	(1.5)%		0.9%		(0.7)%
UK	(0.3)%	(0.9)%	(1.5)%		0.8%		(0.7)%
ROI	(2.7)%	(1.7)%	(0.9)%		3.0%		0.4%
International	(0.5)%	2.1%	2.4%		3.2%		2.7%
Europe	1.8%	3.3%	1.5%		2.5%		1.9%
Asia	(3.5)%	0.3%	3.7%		4.4%		3.9%
Tesco Bank	0.9%	(2.5)%	(1.7)%		(5.2)%		(2.7)%
Group	(0.4)%	(0.3)%	(0.7)%		1.4%		0.0%

Notes:

These results have been reported on a continuing operations basis and exclude the results from our operations in Korea.

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

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 9 January 2016 and 10 January 2015 respectively.

Our Preliminary Results for 2015/16 will be released on 13 April 2016.