



News release....

Thursday 12 January 2012

TESCO PLC CHRISTMAS & NEW YEAR TRADING STATEMENT

DETERMINED TO MOVE FASTER

Philip Clarke – Chief Executive

“In a challenging economic environment, we made good progress internationally but despite record sales, we are disappointed with our seasonal trading performance in the UK.

We will continue the process of change that we started nine months ago to address long-standing business issues, building on the important steps we have already taken in the United States, in Japan and at Tesco Bank, as well as those we have begun to take in the UK. The Big Price Drop is an important first element in this process but there is much more we can do to further improve our shopping trip for customers and we are determined to move faster. We will say more in our Preliminary Results announcement in April.

Our staff and suppliers worked incredibly hard for customers over the period and I would like to thank them for all that they do.”

Group Sales

Group sales in the six weeks to 7 January 2012 increased by 5.2% including petrol (4.2% at actual exchange rates) and by 4.0% excluding petrol (2.9% at actual exchange rates).

UK Performance

In the UK, total sales including VAT and petrol grew by 3.8% and by 1.7% excluding petrol. Net new space performed well, contributing 3.0% growth, but like-for-like sales growth – at (1.3)% including VAT and excluding petrol – was below our expectations and disappointing, particularly in the context of the difficult weather conditions in 2010.

We delivered a very good Christmas shopping experience for our customers but in a highly promotional market, the volume response to our increased investment into lowering prices did not offset the deflation it has driven. The wider improvements in the shopping trip that are an integral part of strengthening our performance are still to work through fully.

In general merchandise, clothing and electricals, we saw growth overall, with an improved performance in electronics in particular being driven by strong sales of tablet computers and e-readers. Like-for-like sales remained below last year but still at a much improved level compared with the first half.

Online sales were strong in both food and non-food with total online sales growth of more than 14%. Approaching one million orders were placed with Tesco Direct during the period, of which over two-thirds were collected in store.

Good progress in international markets

We are pleased with the performance of our international businesses. Total international sales over the period grew at 8.2% (5.0% at actual exchange rates), with strong performances in all three regions: Asia, Europe and particularly the United States.

In Asia, total sales grew by 8.1% (7.0% at actual exchange rates), with modest like-for-like sales growth impacted by slower performance in Thailand, linked to the lingering effects of the recent flooding.

In Europe, total sales grew by 7.0% (2.0% at actual exchange rates). Like-for-like sales growth was pleasing and overall stronger – at 1.0% excluding petrol – than our third quarter performance.

In the United States, Fresh & Easy continued its strong run of form, helped by a very successful Christmas and New Year period. Total sales grew by 41% and like-for-like sales growth also remained strong at 19.3%, driven by the improvements the business has delivered for customers and building on the good progress made earlier in the financial year.

Outlook

In a challenging consumer environment at home, and with early signs of more cautious behaviour emerging elsewhere, we have seen more strain than anticipated on our profitability during the important seasonal trading period. As a result, while underlying profit before tax and earnings per share for 2011/12 will be broadly in line with market consensus forecasts, we expect Group trading profit growth to be around the low end of the current consensus range.

Our plan for 2012/13 now reflects substantially increased investment to deliver an even better shopping trip for customers – particularly in the UK. Consequently, we anticipate minimal Group trading profit growth for the year.

An important element of our plan for 2012/13, as we signalled at our Interim Results, will be reduced levels of capital expenditure as we modify our approach to UK expansion.

Investor and Analyst Call – 8.00am Thursday 12th January:

Philip Clarke and Laurie McIlwee will be hosting a call for investors and analysts this morning at 8.00am.

- Dial-in number: +44 (0)20 3140 0668
- Participant code: 619863#

A recording will be available after the call using the following details:

- Dial-in number: +44 (0)20 3140 0698
- Participant code: 382047#

Appendix 1 – Segmental Sales Growth Rates

	Christmas Period 2011/12 Sales Growth					
	Actual rates		Constant rates		Like-For-Like	
	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol
Group	4.2%	2.9%	5.2%	4.0%	1.2%	(0.3)%
International	5.0%	4.8%	8.2%	7.9%	1.6%	1.4%
Asia	7.0%	7.0%	8.1%	8.1%	1.2%	1.2%
Europe	2.0%	1.6%	7.0%	6.5%	1.4%	1.0%
United States	40.6%	40.6%	41.1%	41.1%	19.3%	19.3%
UK	3.8%	1.7%	3.8%	1.7%	1.1%	(1.3)%
Tesco Bank	3.8%	3.8%	3.8%	3.8%	n/a	n/a

Appendix 2 – UK Like-For-Like Growth

	Christmas Period Like-For-Like Growth 2011/12	Third Quarter Like-For-Like Growth 2011/12
UK LFL (inc. VAT, inc. petrol)	1.1%	3.4%
UK LFL (inc. VAT, exc. petrol)	(1.3)%	0.1%
UK LFL (exc. VAT, exc. petrol)	(2.3)%	(0.9)%
UK LFL (exc. VAT, exc. petrol and IFRIC 13 compliant)	(1.7)%	(0.9)%

Contacts

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Notes:

1. These results have been reported on a continuing operations basis and exclude the results from our operation in Japan which have been treated as discontinued following our decision to sell the business.
2. All figures quoted are at constant exchange rates and including petrol unless otherwise stated.
3. These results are for six weeks for both the current year and the previous year comparison, with the exception of Tesco Bank, whose results are for the month of December and one additional week i.e. 38 days for both the current and the prior year. For UK, ROI, Tesco Bank and the US, these results are for the period ended 7 January 2012 and the previous year comparison is made with the period ended 8 January 2011. For all other countries, these results are for the period ended 8 January 2012 and the previous year comparison is made with the period ended 9 January 2011.
4. Our Preliminary Results for 2011/12 will be released on 18 April 2012.