



## News release...

Tuesday 7th December 2010

### TESCO PLC THIRD QUARTER INTERIM MANAGEMENT STATEMENT

#### SOLID GROWTH IN GROUP SALES – UP 8.8%<sup>1</sup>

#### Chief Executive, Terry Leahy commented:

“We’ve made good progress in the third quarter with growth from across the Group. Our continued investment in the shopping trip and our new space opening programme across our markets are giving us good sales momentum and market share gains. As the global economic recovery gathers pace, our broad-based strategy, combined with our ongoing focus on productivity savings, is enabling us to maintain growth in a sustainable, profitable way - delivering value for customers and for shareholders.”

#### GROUP SALES

Group sales for the thirteen weeks ending 27 November 2010 increased by 8.8% driven by all parts of our strategy.

#### STRONG PROGRESS IN OUR INTERNATIONAL MARKETS

Our maturing international businesses, supported by an improving global economy, have delivered a strong performance with total international sales increasing by 15.7%.

The sales performance in Asia was strong, with 23.4% growth. The benefits of the investments made during the recession are coming through with a good sales contribution from new store openings. Like-for-like sales in Asia remain solid at 4.3%; this is slightly behind the 5.0% in the second quarter, due to unseasonably warm weather in North Asia. In China, we opened our fourth Lifespace mall – in Anshan – which has opened well with 96% occupancy.

The performance of our businesses in Europe continues to improve with sales up by 7.6%. Like-for-like sales growth at 3.6% continued its recent trend as a result of strong improvements in Hungary and Turkey in particular. Excluding the impact of petrol, all of our European businesses achieved positive like-for-like sales for the first time in three years.

In the United States, sales were up 38.5% with a particularly successful Thanksgiving holiday period. Like-for-like sales growth remained strong at 9.8% driven primarily by increased customer numbers.

## **SOLID PERFORMANCE IN UK**

The UK business continues to perform well, growing faster than the industry as a whole, with total sales up 5.0% (including VAT and excluding petrol).

Like-for-like sales improved to 1.5% (including VAT and excluding petrol) - despite inflation staying low for much of the quarter – with a strengthening performance as we exited the quarter. Our sales contribution from new space is growing with a strong second-half store opening programme. New stores, such as the Extras we've opened in Bishop Auckland, Nottingham Beeston and Accrington, are helping us towards our target of creating 9,000 jobs in the UK.

We're continuing to see evidence of a steady consumer recovery; sales of our *Finest* range for example continue to grow well and - building on growth in the third quarter last year - are now in double-digit growth on a two-year basis. Non-food sales growth also increased compared with our second quarter, with another strong performance from Tesco Direct, which grew sales by 30%.

Clubcard continues to excite customers and earn their loyalty. We have announced that Double Points will be staying for the foreseeable future and we're introducing great new partner rewards such as iTunes and the London Eye. And in our recent Big Clubcard Voucher Exchange 1.5 million customers have doubled the value of their vouchers on selected categories.

Tesco Bank reached two important milestones in October; we launched our new banking platform with the introduction of a fixed rate savings bond – which has proved very popular with customers - and we started writing business on to our new insurance platform. Over the next 12 months we'll be migrating all of our existing banking and insurance customers onto these new systems. We're continuing to grow the number of customer accounts and bad debt levels are lower than this time last year.

Customers will enjoy a great Christmas at Tesco this year with our strongest Christmas range ever and great gift ideas such as the Apple iPad, Xbox Kinect and - exclusively at Tesco - the album celebrating Coronation Street's 50<sup>th</sup> Anniversary "Rogues, Angels, Heroes and Fools". And of course double Clubcard points in store and online.

## **FINANCIAL POSITION**

The business is performing in line with market expectations.

## Segmental Sales Growth Rates

	Third Quarter 2010/11 Sales Growth					
	Actual rates		Constant rates		LFL	
	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol	Inc. Petrol	Exc. Petrol
<b>Group</b>	8.2%	8.8%	6.8%	7.2%	N/A	N/A
<b>International</b>	15.2%	15.7%	10.6%	11.0%	3.8%	4.1%
Asia	23.4%	23.4%	11.6%	11.6%	4.3%	4.3%
Europe	7.0%	7.6%	8.8%	9.4%	3.1%	3.6%
United States	38.5%	38.5%	35.1%	35.1%	9.8%	9.8%
<b>UK*</b>	4.9%	5.0%	4.9%	5.0%	1.6%	1.5%
<b>Tesco Bank</b>	17.8%	17.8%	17.8%	17.8%	N/A	N/A

\* The UK segment excludes Tesco Bank, which is reported separately in accordance with IFRS8 'Operating Segments'.

### Note 1:

All figures quoted are at actual exchange rates and excluding petrol unless otherwise stated. These results are for 91 days for both the current year and the previous year comparison. For UK, ROI and USA, these results are for the period ended 27 November 2010 and the previous year comparison is made with the period ended 28 November 2009. For Tesco Bank and Japan, these results are for the period ended 30 November 2010 and the previous year comparison is made with the period ended 30 November 2009. For all other International countries, these results are for the period ended 28 November 2010 and the previous year comparison is made with the period ended 29 November 2009.

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