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29 August, 2014

Trading update

Share

The combination of challenging trading conditions and ongoing investment in our customer offer has continued to impact the expected financial performance of the Group.

The business continues to face a number of uncertainties, including market conditions and the pace at which benefits from the investments we are making flow through in the second half and consequently the Board has revised its outlook for the full year. We now expect trading profit for 2014/15 to be in the range of £2.4bn to £2.5bn. Trading profit for the six months ending 23 August 2014 is expected to be in the region of £1.1bn.

Dave Lewis will now join Tesco as Chief Executive on Monday 1 September. He will be reviewing all aspects of the Group in order to improve its competitive position and deliver attractive, sustainable returns for shareholders.

The Board is focused on maintaining a strong financial position in order to maximise its business and strategic optionality. Reflecting this and our current expectations for future performance, the Board anticipates that it will set the interim dividend at 1.16p per share – a reduction of 75% from last year's interim dividend.

In addition, we are implementing further reductions in capital expenditure. For the current financial year capital expenditure will now be no more than £2.1bn, some £0.4bn less than originally planned and a reduction of £0.6bn from the previous financial year. This will be achieved in a number of areas including IT and the slower roll-out of our store refresh programme.

Sir Richard Broadbent, Chairman, said:

"The Board's priority is to improve the performance of the Group. We have taken prudent and decisive action solely to that end. Our new Chief Executive, Dave Lewis, will now be joining the business on Monday and will be reviewing every aspect of the Group's operations. This will include consideration of all options that create value for customers and shareholders.

The actions announced today regarding capital expenditure and, in particular, dividends have not been taken lightly. They are considered steps which enable us to retain a strong financial position and strategic optionality."

Further details on trading performance will be provided as usual in our Interim results announcement, scheduled for release on 1 October.

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We are a team of over 500,000 people in 12 markets dedicated to providing the most compelling offer to our customers.

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