

Tesco, the U.K.'s largest supermarket, has forecast retail profits for the current financial year to February 2021 to remain in line with the previous period despite a sales surge over recent months.

The company noted that in the first quarter to May 30, its total sales were up 8% to £13bn (US\$16b) amid the Covid-19 pandemic. This was driven by a 48% increase in online sales, with the online grocery business growing from 9% to over 16% of its total UK sales.

However, Tesco said: "Based on an assumption of a continued easing of lockdown restrictions in the UK, our current expectation is that Retail operating profit in the current year is likely to be at a similar level to 2019-20 on a continuing operations basis."

The company noted that its Covid-19 response has required significant changes to operations which have led to a "substantial increase" in costs, with the main impact in the UK.

The majority of these costs relate to payroll which includes the provision of twelve weeks' paid leave to 26,000 vulnerable colleagues, in addition to the recruitment of 47,000 temporary colleagues to cover absence and meet increased demand.

Tesco estimates extra charges of £840m for the full year. These costs will be partially mitigated by the UK business rates relief of £532m and additional food sales.

Tesco chief executive Dave Lewis said: "In just five weeks, we doubled our online capacity to help support our most vulnerable customers and transformed our stores with extensive social distancing measures so that everyone who was able to shop in store could do so safely."

"The costs of doing this have been significant and only partly offset by business rates relief and increased volume. We see the balance as an investment in supporting our customers at a time when they need it most."

Shares rose 1% to 228.8p on Friday morning.