

1 October 2014

Second Quarter Trading Statement for 16 weeks to 27 September 2014

Second quarter sales impacted by deflationary environment

- **Total Retail sales for second quarter down 0.8 per cent (ex fuel), down 2.3 per cent (inc fuel)**
- **Like-for-like Retail sales for second quarter down 2.8 per cent (ex fuel), down 4.1 per cent (inc fuel)**
- **Total Retail sales for the first half flat ex fuel (down 1.4 per cent inc fuel) and like-for-like sales down 2.1 per cent ex fuel (down 3.4 per cent inc fuel)**

Mike Coupe, Chief Executive, said "The market remains dynamic and fiercely competitive. The long-running trend of more frequent, convenient shopping has accelerated, resulting in smaller basket sizes. An increase in price investment and short-term competitor promotional activity, combined with favourable commodity markets, has resulted in deflation in many areas of our food business.

As part of our commitment to help our customers *Live Well for Less*, we have announced a change to the way we set our prices. Customers tell us they find supermarket prices and promotions confusing. We have responded by lowering base prices on thousands of lines within the food business and simplifying *Brand Match* to make it clear that we match Asda's prices on brands - even when they are on promotion.

Given the pace of change in the market, our differentiated offer based on quality food and great service remains important. We won five awards at the Retail Industry Awards last week including Store Manager of the Year. We were also crowned in-store bakery of the year at the Bakery Industry Awards.

Our general merchandise and clothing businesses continue to deliver strong growth. Our clothing brand *Tu* celebrated its tenth anniversary during the quarter with the launch of our largest ever collection, which helped to drive double-digit sales growth. We also successfully launched an online clothing trial to selected customers in the Midlands.

We are focused on serving our customers in the channel of their choice. Our convenience business reached annualised sales of £2 billion and continues to grow strongly, at around 17 per cent. Groceries online grew by around seven per cent, impacted by a high level of competitor customer acquisition activity in the quarter.

During the quarter we opened 23 new convenience stores and refurbished 10 convenience stores. We opened two new supermarkets, three supermarket extensions and refurbished a further two supermarkets. We are on track to deliver five new Netto stores by the end of the year following our announcement on 20 June 2014. We will deliver around 750,000 square feet of new space this year, including around two new convenience stores per week.

In the second quarter, our performance has been impacted by the accelerated pace of change in the grocery market, including significant pricing activity and food price deflation in many areas. These conditions are likely to persist for the foreseeable future and we now expect our like-for-like sales in the second half of the year to be similar to the first half. We will provide a detailed strategic update at our Interim Results on 12 November 2014."

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Notes

1. All sales figures contained in this trading statement include VAT and are in accordance with IFRIC 13.
2. Like-for-like sales include the impact of extensions as follows:

	Q1	Q2	H1
Sales growth including fuel			
Total	(0.3)%	(2.3)%	(1.4)%
Like-for-like	(2.4)%	(4.1)%	(3.4)%
Sales growth excluding fuel			
Total	1.0%	(0.8)%	0.0%
Like-for-like	(1.1)%	(2.8)%	(2.1)%
Included in like-for-like sales			
Net contribution from extensions	0.2%	0.2%	0.2%

We note that recently published market research from Kantar Worldpanel implies, based on four-week data, that there has been a material and linear decline in sales performance over the 16 week period ended 14 September 2014. We do not recognise this sales trend and note that actual sales performance may differ from that seen in published market research. As we have noted in the past, assessing the market performance based on four-week data can be misleading.

3. Store investment programme 2014/15:

	Q1	Q2	H1
Supermarkets			
New	-	2	2
Replacements	-	1	1
Extensions	1	3	4
Refurbishments	3	2	5
Closures	-	(1)	(1)
Convenience			
New	27	23	50
Closures	-	(1)	(1)
Refurbishments	12	10	22

At the end of the quarter, we had 594 supermarkets and 660 convenience stores.

4. Certain statements made in this announcement are forward-looking statements. Such statements are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially from any expected future events or results referred to in these forward-looking statements. Unless otherwise required by applicable law, regulation or accounting standard, we do not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise.
5. Sainsbury's also released today its Second Quarter Corporate Responsibility update. This is available at www.j-sainsbury.co.uk/investor-centre/results-and-presentations/
6. A conference call will take place at 8:30am. To listen to the audio webcast we recommend that you register in advance. To do so please visit www.j-sainsbury.co.uk prior to the event and follow the on-screen instructions. To view the transcript of the conference call go to www.j-sainsbury.co.uk and follow the on-screen instructions in the Second Quarter Trading Statement section.
7. Sainsbury's will announce its Interim Results on 12 November 2014.