

First Quarter Trading Statement for the 12 weeks to 4 June 2016

Solid start to the year with like-for-like transaction growth across all channels

- **Total Retail sales up 0.3 per cent (excl. fuel), down 0.1 per cent (inc. fuel)**
- **Like-for-like Retail sales down 0.8 per cent (excl. fuel), down 1.0 per cent (inc. fuel)**
- **Like-for-like transaction growth across all channels**

Mike Coupe, Chief Executive, said: “We have made a solid start to the year with like-for-like transaction growth across all our channels and total volume growth. Customers continue to shop with Sainsbury's, knowing we will deliver on our commitment to provide great quality products and services at fair prices, whenever and wherever they wish to shop.

“Sainsbury's is well-positioned. Our core food business offers customers choice, quality and a clear value proposition. General merchandise and clothing continue to perform well with good sales growth across both businesses, and we continue to see encouraging results from Sainsbury's Bank, a significant opportunity for long-term growth.

“Market conditions remain challenging. Food price deflation continues to impact our sales and pressures on pricing mean the market will remain competitive for the foreseeable future. However, we are confident that our strategy to be a trusted multi-channel, multi-product and services retailer is delivering and will enable us to continue to outperform our major peers.”

Strategic and operational highlights

Our vision is to be the most trusted retailer where people love to work and shop. We are focused on delivering the five pillars of our strategy:

We know our customers better than anyone else

In response to customer feedback, we have simplified our pricing and continue to lower the prices of the everyday products that matter most to them.

- In the quarter we implemented our decision to remove Brand Match as part of our simpler trading strategy to offer lower regular prices
- In place of Brand Match, we have lowered the prices of everyday products including our 1.35kg whole chicken from £3.50 to £2.95, our 12 free range woodland medium eggs from £2.00 to £1.75 and our 250g grated Cheddar cheese from £2.00 to £1.75
- Promotional participation levels have reduced further in the quarter and are now tracking at 23 per cent (down from over 30 per cent this time last year)¹; the vast majority of multi-buys will be phased out by August

Great products and services at fair prices

We continue to invest in improving the quality and range of our own-brand food and non-food products.

- We have improved and expanded our allergen-free food range, *Deliciously FreeFrom*. Uniquely, the broadened range of quality products includes more allergen-specific groups than ever before – nut, gluten, wheat, milk, egg, and soya. The products are supported by clear, market-leading labelling and include a range of celebration cakes
- Clothing continues its strong growth, with sales up nearly five per cent. *Admiral* menswear performed well in the quarter, with the latest football inspired range already proving popular ahead of this month's 2016 UEFA European Football Championship
- General merchandise grew at over five per cent. In March, we reintroduced vinyl records after 25 years and are currently the biggest vinyl retailer on the high street, having already achieved eight per cent market share

¹ Nielsen Homescan, % Spend on deal (Total Business, four week data up to 7 May 2016)

- Sainsbury's Bank continued its good performance during the quarter. It consolidated its Travel proposition with a 28 per cent increase in Travel Money transactions and a ten per cent increase in the take-up of Travel Insurance

There for our customers

We continue to invest in our multi-channel strategy to help our customers shop with us whenever and wherever they want.

- Our convenience business achieved growth of over six per cent and we opened seven new convenience stores in the quarter
- Groceries Online performed well with over eight per cent sales growth and nearly a 13 per cent increase in orders
- Our new Sainsbury's groceries online app was launched in the quarter, giving customers greater flexibility with their online shopping

Colleagues making the difference

The high retail and service standards set by our colleagues make the difference to our customers every day.

- A testament to the excellent service our colleagues deliver, our in-store operational metrics for service and availability exceeded our internal targets and have improved year-on-year
- We were named Grocer 33 Store of the Week for the 20th time this year

Our values make us different

Our values underpin our strategy, make good business sense and give us real competitive advantage.

- Waste continues to be a key focus for us as we know it matters to our customers. Our *Waste less, Save more* initiative to tackle household food waste is well under way
- The families in Swadlincote taking part in *Waste less, Save more* are trialling a range of technologies including the latest Bosch fridge with camera technology which allows them to see what is already in their fridge whilst shopping to avoid unnecessary waste

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Notes

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

	FY 2015/16	Q1
Retail sales growth excluding fuel		
Total	0.4%	0.3%
Like-for-like	(0.9)%	(0.8)%
Included in like-for-like sales		
Net contribution from extensions	0.1%	0.0%
Retail sales growth including fuel		
Total	(1.2)%	(0.1)%
Like-for-like	(2.5)%	(1.0)%

3. Store investment programme 2016/2017:

2016/17	Q1
Supermarkets	
New	-
Replacements	-
Extensions	-
Refurbishments	-
Closures	-
Convenience	
New	7
Closures	(6)
Extensions	-
Refurbishments	-

At the end of the quarter, Sainsbury's had 601 supermarkets and 774 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 First Quarter Corporate Responsibility & Sustainability 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 first quarter trading statement section
7. The sale of our Pharmacy business to LloydsPharmacy is expected to complete in the second quarter of 2016/17. The impact of this disposal will be excluded from like-for-like sales for a period of one year from the applicable closing date
8. Sainsbury's will announce its Second Quarter Trading Statement on 28 September 2016