

Third Quarter Trading Statement for the 15 weeks to 7 January 2017

Good Christmas performance as customers choose Sainsbury's for quality, choice and value

- **Sainsbury's: Total Retail sales¹ up 0.8 per cent (excl. fuel) and like-for-like Retail sales up 0.1 per cent (excl. fuel), with total volumes up and like-for-like volumes flat**
- **Argos: Total sales up 4.1 per cent and like-for-like sales up 4.0 per cent**
- **Combined Sainsbury's and Argos like-for-like sales up 1.0 per cent (excl. fuel)**

Mike Coupe, Group Chief Executive, said: "Sainsbury's offered customers greater quality food, choice and value than ever before, across all channels. We had a record Christmas week, with over 30 million customer transactions at Sainsbury's and over £1 billion of sales across the Group. Thanks to the commitment of all our colleagues, we delivered an excellent shopping experience and helped our customers live well for less over the festive period.

"Our Groceries Online and Convenience channels performed well, achieving over nine and six per cent sales growth respectively and at Argos we saw record levels of online participation. Online sales made up 18 per cent of total Group sales in the quarter.

"Clothing and General Merchandise also had a very strong quarter, with Clothing sales up ten per cent and General Merchandise up three per cent.

"At Argos we delivered strong growth in the quarter, driven by the key Black Friday and Christmas trading periods. Our Argos digital stores in Sainsbury's supermarkets are performing well, as awareness of the convenience of shopping at both Sainsbury's and Argos under one roof grows among our customers.

"The market remains very competitive and the impact of the devaluation of sterling remains uncertain. However, we are well placed to navigate the external environment and remain focused on delivering our strategy."

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

- Sainsbury's has removed the vast majority of multi-buy promotions and continues to implement its simpler pricing and promotional strategy
- Sainsbury's achieved like-for-like transaction growth across all channels, total volumes up and like-for-like volumes flat

Great products and services at fair prices

- We remain focused on offering both quality and value:
 - This year customers paid 14 per cent less for a typical Christmas basket at Sainsbury's than they did two years ago²
 - 25 per cent of Sainsbury's brand food was new or improved this year compared to two years ago, including our *Taste the Difference* party food range, where sales increased by 50 per cent year-on-year

¹ Sainsbury's total Retail sales excluding the impact of the sale of the Pharmacy business. Including the impact of the sale of the Pharmacy business, total Sainsbury's Retail sales were down 0.3 per cent (excl. fuel)

² Based on Sainsbury's internal data

- Our Blanc de Blanc Brut NV champagne and our *Taste the Difference* 18-month aged Cognac-laced Christmas puddings were both named Which? Best Buys this year
- Our turkeys were the best value on the market by 39 pence per kilo³; volumes were up over 30 per cent year-on-year across the range
- Sainsbury's Clothing sales grew by ten per cent and General Merchandise grew by three per cent
- Argos delivered strong sales growth in technology categories (wearable tech, mobile phones, computers, TV and audio), toys, sports and gifts
- Sainsbury's Bank performed well, with credit card new business more than doubling year-on-year, driven by an extended range of market leading products

There for our customers

- Argos had a strong online performance over the key Black Friday period, with 65 per cent of sales taken online and a quarter of a million Fast Track deliveries over that weekend. Over the third quarter, online sales grew by 13 per cent, accounting for 57 per cent of Argos sales
- There are now 30 Argos digital stores and three Habitat stores in Sainsbury's supermarkets and over 200 digital in-store collection points where customers can collect their *Tu* clothing, eBay purchases and DPD parcels
- Groceries Online achieved sales growth of over nine per cent and orders grew by 13 per cent. With a strong operational performance, the business had a record week in the quarter, delivering over 300,000 online orders
- Sainsbury's Convenience business grew six per cent and opened 15 new stores, including six trial franchise stores in Euro Garages' petrol forecourts

Colleagues making the difference

- Our colleagues provided excellent customer service over the Christmas period, when our stores are at their busiest
- Sainsbury's was named Grocer 33 Store of the Week for the 11th time this year⁴, the highest of any grocer this year

Our values make us different

- Sainsbury's brand Christmas advertisement had over 31 million views across social media and raised over £500k for Great Ormond Street Hospital

Investor Relations Enquiries

James Collins +44 (0) 20 7695 0080

Media Enquiries

Louise Evans / Rebecca Reilly +44 (0) 20 7695 7295

Notes

1. All sales figures contained in this trading statement are stated including VAT⁵ and in accordance with IFRIC 13

³ Based on midpoint of weight band for whole standard turkeys

⁴ The Grocer 33 Service & Availability wins year-to-date since 18th June 2016

⁵ Argos sales growth for pre-acquisition periods set out in note 4 excludes VAT

2. Total Retail sales and like-for-like retail sales performances for Sainsbury's, Argos and the Group are set out in the tables below:

| | FY 2015/16 | Q1 | Q2 | H1 | Q3 |
|---|---------------|--------|--------|--------|-----------|
| Sainsbury's Retail sales growth excluding fuel | | | | | |
| Total | 0.4% | 0.3% | (0.4)% | (0.1)% | (0.3)% |
| Total (excl. impact of sale of Pharmacy business) | | | | | 0.6% |
| Like-for-like | (0.9)% | (0.8)% | (1.1)% | (1.0)% | 0.1% |
| Sainsbury's Retail sales growth including fuel | | | | | |
| Total | (1.2)% | (0.1)% | 0.0% | (0.0)% | 1.4% |
| Total (excl. impact of sale of Pharmacy business) | | | | | 2.2% |
| Like-for-like | (2.5)% | (1.0)% | (0.5)% | (0.7)% | 1.7% |
| Argos Retail sales growth | | | | | |
| | | | | | Q3 |
| Total | | | | | 4.1% |
| Like-for-like | | | | | 4.0% |

3. Sainsbury's store investment programme 2016/17

At the end of the quarter, Sainsbury's had 604 supermarkets and 796 convenience stores (including six franchise stores)

| 2016/17 | Q1 | Q2 | H1 | Q3 |
|---------------------|-----|-----|-----|-----|
| Supermarkets | | | | |
| New | - | 1 | 1 | 3 |
| Replacements | - | 1 | 1 | - |
| Extensions | - | - | - | - |
| Refurbishments | - | 4 | 4 | 8 |
| Closures | - | (1) | (1) | (1) |
| Convenience | | | | |
| New | 7 | 9 | 16 | 15 |
| Closures | (6) | - | (6) | (2) |
| Extensions | - | - | - | - |
| Refurbishments | - | 1 | 1 | - |

At the end of the quarter, Argos and Habitat store estate was as follows:

| 2016/17 | H1 | Q3 |
|----------------------|------------|------------|
| Argos Stores | 725 | 723 |
| Argos in Sainsbury's | 15 | 30 |
| Argos in Homebase | 95 | 83 |
| Habitat ⁶ | 4 | 7 |
| Other ⁷ | 4 | 42 |
| Total | 843 | 885 |

⁶ Three Habitat stores, one Habitat store in Argos, three Habitat stores in Sainsbury's

⁷ 36 collection points in Sainsbury's, one collection point in Habitat, four temporary Argos stores, one convenience store

4. Argos' historic total and like-for-like sales performance is set out below. This reflects its pre-acquisition periods: FY2015/16 for the 52 weeks to 27 February 2016; Q1 for the 13 weeks to 28 May 2016; Q2 for the 13 weeks to 27 August 2016; and H1 for the 26 weeks to 27 August 2016

| | FY | Q1 | Q2 | H1 |
|------------------------------------|----------------|-----------|-----------|-----------|
| | 2015/16 | | | |
| Argos sales growth (ex VAT) | | | | |
| Total | 0.0% | 2.6% | 3.0% | 2.8% |
| Like-for-like | (2.6)% | 0.1% | 2.3% | 1.2% |

5. 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
6. Sainsbury's also released today its Third Quarter Corporate Responsibility & Sustainability update. This is available at www.j-sainsbury.co.uk/investor-centre/results-and-presentations/
7. 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 third quarter trading statement section
8. The sale of our Pharmacy business to LloydsPharmacy completed on the 31 August 2016. The impact of this disposal is excluded from like-for-like sales for a period of one year from this date
9. Sainsbury's will announce its Fourth Quarter Trading Statement on 16 March 2017