

First Quarter Trading Statement for the 16 weeks to 1 July 2017

Differentiated strategy delivers strong performance

- Retail sales¹ up 2.7 per cent (excl. fuel)
- Retail like-for-like sales² up 2.3 per cent (excl. fuel)³
- Grocery sales up 3.0 per cent and transaction growth of 1.9 per cent at Sainsbury's
- Outperformed the market in General Merchandise and Clothing

Mike Coupe, Group Chief Executive, said:

“We have delivered a strong performance, driven by our differentiated strategy, offering customers quality, value and choice across food, general merchandise, clothing and financial services. Grocery sales are up three per cent and transactions up two per cent, with like-for-like transaction growth in all channels. We have seen strong food sales where we have invested in product innovation, such as our new Summer eating ranges. Our Produce category, where we know quality matters most to customers, performed particularly well, outperforming the market⁴ with volume growth of over one per cent.

“Customers recognise that we offer a leading combination of quality and value and we have worked with suppliers to improve our price position versus competitors.⁵ We are proud of the service our colleagues give customers day in day out and were delighted to have been recognised for best service and availability for the fifth year in a row.⁶

“Groceries Online sales grew by eight per cent and Convenience delivered strong growth of ten per cent, in line with our strategy of being there for customers whenever and wherever they want to shop.

“General Merchandise and Clothing, including Argos, outperformed the market, with Fast Track delivery and collection seeing a stellar performance during the quarter, particularly during the period of warm weather when customers wanted to buy and receive their products the same day. Argos customers are increasingly choosing to shop with us online, consistent with our objective of being a leading digital retailer.

“The market is competitive and we continue to manage cost price pressures closely. Our strategy is delivering and we are well placed to navigate the external environment.”

Like-for-like sales growth (including Argos in the base)

	2016/17		2017/18
	Q3	Q4	Q1
Like-for-like sales (excl. fuel)	1.0%	0.3%	2.3%
Like-for-like sales (inc. fuel)	2.2%	0.9%	1.6%

Total sales growth (including Argos in base)⁷

	2016/17		2017/18
	Q3	Q4	Q1
Grocery	0.3%	0.3%	3.0%
General Merchandise	3.7%	1.5%	1.0%
Clothing	9.4%	5.2%	7.2%
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	1.6%	0.7%	2.7%

¹ Total Retail sales excluding the impact of the sale of the Pharmacy business and including Argos in the prior year base

² After adjusting for the estimated seasonal impact of the timing of this year's late Mother's Day and Easter, like-for-like sales would have been up 2.0 per cent

³ Total Retail like-for-like sales are based on a combination of Sainsbury's like-for-like sales and Argos like-for-like sales for the 16 weeks to 1 July 2017

⁴ Nielsen Panel, 12 weeks to 3 June 2017

⁵ Kantar Worldpanel, 12 weeks to 18 June 2017

⁶ Sainsbury's was awarded the Grocer Gold award for both Service and Availability for the fifth consecutive year

⁷ General Merchandise, Clothing and Total Retail sales growth performances include Argos in the prior year base

Strategic and operational highlights

We have prioritised four key areas of our business where we can differentiate ourselves, grow and create value:

Further enhance our differentiated food proposition

- We continue to create distinctive food ranges. We offer great quality and value on everyday purchases and are introducing innovative new products, responding to the latest trends
 - We launched 430 new and improved products in the quarter including over 250 new Summer eating lines. We know our customers enjoy fresh, convenient meals and we launched 43 new or improved meals within our *Just Cook* range. We also added ten new lines to our *Slow Cook* range, enabling our customers to make restaurant quality food with ease at home. In total we completed 32 range reviews during the quarter, covering 17 per cent of grocery sales
 - We are working with our suppliers to offer customers market-leading value and have improved our price position versus competitors in the quarter. For example, to celebrate Summer, our customers were able to enjoy fantastic prices on Jersey Royal potatoes and British strawberries
- We continue to invest in channels to meet customers' changing shopping habits:
 - Total transactions grew two per cent
 - We opened one supermarket and ten convenience stores (including one EuroGarages franchise store)

Grow General Merchandise and Clothing and deliver synergies

- General Merchandise sales grew by one per cent on an underlying basis (including Argos in last year's base), outperforming the market despite the impact of closing 78 Argos in Homebase and 84 Habitat in Homebase concessions over the last year
 - Argos continues to perform well, growing market share, with strong growth in Mobile, Audio and Tech categories and good growth in Core Electricals and Toys
 - Online and mobile sales continue to rise at Argos, with online sales up ten per cent. We saw strong growth of Argos Fast Track delivery (up 36 per cent) and collection (up 64 per cent), which were particularly popular during the hot weather, when customers wanted products like paddling pools and fans on the day
- Clothing sales were up over seven per cent, reflecting strong growth both in stores and online
- We opened 36 Argos Digital stores in Sainsbury's supermarkets, bringing the total to 75. 17 of the 36 stores replaced an existing Argos store, taking the total number of replacement stores to 20. We also opened three Mini Habitat stores, bringing the total to 11. We remain on track to open around 135 Argos Digital stores in Sainsbury's supermarkets by the end of 2017/18, which will take the total to 175
- We have 212 digital collection points in our supermarkets, where customers can collect DPD, eBay and *Tu* clothing, 142 of which are enabled for Argos orders. We are trialling six collection points in convenience stores
- We remain confident of delivering £160m of EBITDA synergies from the Argos acquisition by March 2019

Diversify and grow Sainsbury's Bank

- We increased our active customer base in Sainsbury's Bank by six per cent year-on-year and we are on track to deliver our plans

Continue cost savings and maintain balance sheet strength

- We are on track to achieve £145m of cost savings this year, delivering on our three-year target of £500m

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Notes

- A. All sales figures contained in this trading statement are stated including VAT and in accordance with IFRIC 13
- B. 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
- C. 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/
- D. A conference call will take place at 8:45am. To listen to the audio webcast we recommend that you register in advance. To do so please visit <http://www.j-sainsbury.co.uk/investors> prior to the event and follow the on-screen instructions. To view the transcript of the conference call go to <http://www.j-sainsbury.co.uk/investors> and follow the on-screen instructions in the results, reports and presentations section
- E. The sale of our Pharmacy business to LloydsPharmacy completed on 31 August 2016. The impact of this disposal is excluded from like-for-like sales for a period of one year from this date
- F. Sainsbury's will announce its Interim results for 2017/18 on 8 November 2017

Total sales growth (excluding Argos from base)	2016/17		2017/18
	Q3	Q4	Q1
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	33.1%	20.7%	24.4%
Total Retail (excl. fuel)	31.6%	18.9%	22.9%
Total Retail (inc. fuel and excl. impact of sale of Pharmacy)	29.8%	18.2%	20.1%
Total Retail (inc. fuel)	28.6%	16.7%	18.9%