

Second Quarter Trading Statement for the 16 weeks to 26 September 2015

Strategy progressing well in a challenging market

- **Total Retail sales for second quarter up 0.3 per cent (excl fuel), down 1.8 per cent (inc fuel)**
- **Like-for-like Retail sales for second quarter down 1.1 per cent (excl fuel), down 3.3 per cent (inc fuel)**
- **Volume and transactions grow as customers value our lower regular prices**
- **Full year underlying profit before tax now expected to be moderately ahead of published consensus¹**

Mike Coupe, Chief Executive, said; "During the quarter we saw an improvement in our key trading metrics. Both volume and transactions grew as the decline in average basket spend in supermarkets continued to stabilise. Whilst the market is clearly still challenging, with food deflation impacting many categories, we are making good progress on delivering our strategy.

Our programme to enhance the quality of over 3,000 own-brand products is on track. *Taste the Difference* volume grew by over four per cent in the quarter and was voted the best supermarket range by *Good Housekeeping* for the third year running. We introduced improvements to the taste and texture of our juice ranges and improved the ripeness and quality of our avocados. We also reduced the amount of sugar in our own-brand yoghurt range, supporting our commitment to be the best retailer for food and health.

As we continue to reduce our promotional activity in favour of lower regular prices, we are improving the accuracy of our demand forecasting. This is driving better availability and lower than expected levels of waste. This also results in even better product freshness which supports our commitment to quality. Our customers are telling us that we are communicating our prices and promotions more clearly which, in combination with the price reductions we have made, has seen an increase in price satisfaction scores².

Sainsbury's colleagues continue to deliver excellent customer service and we exceeded our internal targets for both service and availability. To recognise the hard work, talent and dedication of our store colleagues, we announced a four per cent pay increase from 30 August, which is the highest annual pay increase for store colleagues in over a decade.

We opened 27 convenience stores in the quarter and, for the sixth year in a row, we were named 'Convenience Retailer of the Year' at the Retail Industry Awards. Groceries online orders grew at over 15 per cent and we increased our number of Click and Collect sites to 52. We also launched our *Tu* clothing website nationwide. The first six weeks of trading significantly exceeded our expectations and the majority of customers are choosing to collect their orders in store.

Clothing grew by nearly 13 per cent in the quarter, with our *Back to School* campaign proving a great success, selling over 640,000 pairs of boys' trousers from our school uniform range. We worked with *Admiral* to launch a new menswear collection with two different ranges, *Retro* and *Gold*, which are both available exclusively at Sainsbury's.

Sainsbury's Bank opened its 200th Travel Money bureau and saw its best ever month for travel money in July, with a 35 per cent year-on-year increase in transaction volumes.

Year-to-date we have traded well, with both sales and cost savings ahead of expectations. Should current market trends continue, we expect our full year underlying profit before tax to be moderately ahead of our published consensus¹."

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¹ Company-published consensus at statement date is £548 million: <http://www.j-sainsbury.co.uk/investor-centre/analyst-consensus/>

² CSI - Customer Satisfaction Tracking 2015

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 2014/15	Q1	Q2	H1
Retail sales growth excluding fuel				
Total	(0.2)%	(0.6)%	0.3%	(0.1)%
Like-for-like	(1.9)%	(2.1)%	(1.1)%	(1.6)%
Included in like-for-like sales				
Net contribution from extensions	0.2%	0.1%	0.1%	0.1%
Retail sales growth including fuel				
Total	(2.0)%	(2.3)%	(1.8)%	(2.0)%
Like-for-like	(3.6)%	(3.7)%	(3.3)%	(3.5)%

3. Store investment programme 2015/2016:

2015/16	Q1	Q2	H1
Supermarkets			
New	1	1	2
Replacements	1	1	2
Extensions	-	-	-
Refurbishments	-	4	4
Closures	(1)	(1)	(2)
Convenience			
New	10	27	37
Closures	(3)	-	(3)
Refurbishments	4	-	4

At the end of the quarter, Sainsbury's had 599 supermarkets and 741 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 & 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 second quarter trading statement section
7. Sainsbury's will announce its Third Quarter Trading Statement on 13 January 2016