

First Quarter Trading Statement for the 16 weeks to 30 June 2018

- Total retail sales up 0.8 per cent (excl. fuel) with like-for-like sales up 0.2 per cent (excl. fuel)
- Grocery sales grew 0.5 per cent with Groceries Online and Convenience up 7.3 per cent and 3.6 per cent respectively
- General Merchandise sales grew by 1.7% and Clothing sales grew by 0.8%, both outperforming the market

Mike Coupe, Group Chief Executive of J Sainsbury plc, said: “I am pleased with our progress in the quarter. The headline numbers reflect the level of price reductions we have made in key areas like fresh meat, fruit and vegetables since March. Our price position has improved and customers have responded well, resulting in a continuation of the improved volume trend we saw in the second half of last financial year.

“We are transforming our business to meet the changing needs of our customers. We have made fundamental changes to the way we run Sainsbury’s stores. We have completed our store management restructure, which will ensure that our shops are run efficiently and in a way that puts customer service at the heart. We have also confirmed our plans to increase our colleague hourly rate of pay to an industry-leading £9.20 an hour from September and will introduce one simple, fair and consistent contract for all Sainsbury’s store colleagues. Both of these significant changes means we are well set up for the future. We were delighted to win The Grocer Gold Service and Availability awards for the sixth consecutive year, recognising the excellent job our colleagues do for customers in stores every day.

“General Merchandise and Clothing, including Argos, continue to outperform a very challenging market and we are well placed to further grow market share. Argos stores in Sainsbury’s supermarkets continue to grow, *Fast Track* sales were strong and we have now launched *Tu* clothing on the Argos website, a key strategic milestone.

“The market remains competitive. However, we have the right strategy in place and our proposal to combine Sainsbury’s and Asda will create a dynamic new player in UK retail, with the scale to give customers more of what they want today and create a more resilient and adaptable business for the future. We have successfully agreed a financing package of £3.5bn in relation to the proposed combination. The financing has been raised on attractive terms, reflecting the confidence of the lending banks in the outlook for the proposed combined business.”

Like-for-like sales growth (including Argos in the base)	2017/18				2018/19
	Q1	Q2	Q3	Q4	Q1
Like-for-like sales (excl. fuel)	2.3%	0.6%	1.1%	0.9%	0.2%
Like-for-like sales (inc. fuel)	1.6%	0.9%	1.2%	1.8%	2.6%

Total sales growth (including Argos in base)	2017/18				2018/19
	Q1	Q2	Q3	Q4	Q1
Grocery	3.0%	1.4%	2.3%	2.1%	0.5%
General Merchandise	1.0%	(1.6)%	(1.4)%	(1.2)%	1.7%
Clothing	7.2%	6.3%	1.0%	0.4%	0.8%
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	2.7%	0.9%	1.2%	1.3%	0.8%

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 invested £150m to lower prices, which has improved our price position across key categories
- We continue to invest in our food quality and completed 51 range reviews, covering 27 per cent of Grocery sales
- We are investing in growing markets where we can grow share and launched our first baby food range with 'Little Ones' baby food already capturing almost 15 per cent of our Baby Food sales
- We are committed to introducing distinctive products and introduced an exclusive brand created by Jonny Wilkinson, No.1 Kombucha, a great tasting, lightly sparkling fermented green tea drink
- We delivered strong growth across our Groceries Online and Convenience channels and we are making it even easier for customers to shop with us. Same day Groceries Online delivery is now available from 171 stores, covering 57 per cent of UK households. We opened 1 convenience store and experienced our biggest ever sales week in convenience this quarter

Grow General Merchandise and Clothing and deliver synergies

- General Merchandise and Clothing sales continue to gain share in a challenging market. General Merchandise sales were up 1.7 per cent and Clothing sales were up 0.8 per cent
- Argos online sales, including mobile sales, grew 12 per cent. *Fast Track* collection grew by 21 per cent and *Fast Track* delivery grew by 20 per cent
- Argos Net Promoter Score (NPS) has improved three percentage points year-on-year
- We opened 37 Argos stores in Sainsbury's supermarkets, bringing the total to 228. 18 of the 37 stores replaced an existing Argos store, taking the total number of replacement stores to 84
- Argos stores in Sainsbury's supermarkets have grown sales by an average of 15 per cent in their second year of trading
- We expect to open around 90 Argos stores in Sainsbury's supermarkets in the 2018/19 financial year, which will take the total to around 280. We have 174 collection points in our supermarkets, including 37 in convenience stores, where customers can collect Argos, DPD, eBay and *Tu* clothing
- We will deliver £160m of EBITDA synergies (£142m EBIT) from the Argos acquisition by March 2019

Diversify and grow Sainsbury's Bank

- We increased our active Bank customer base by 8 per cent year-on-year
- Our mortgage proposition continues to perform well
- We delivered the new credit card platform and migrated all cards customers as planned. This completes the major elements of the New Bank Programme.

Continue cost savings and maintain balance sheet strength

- We are on track to achieve £200m of cost savings this year
- We have agreed a financing package of £3.5bn in relation to the proposed combination with Asda Stores Limited, working with our existing banks and new institutions. The level of commitments received significantly exceeded our requirements, resulting in scaled back allocations across all tranches
- The existing Sainsbury's RCF would increase from £1.45bn to £2.0bn at transaction close, providing further financial flexibility to the combined Group

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Notes

- A. All sales figures contained in this trading statement are stated including VAT and from 2018/19 onwards in accordance with IFRS 15
- 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 has released its Sustainability Update 2018: Our values make us different. This is available at <http://about.sainsburys.co.uk/making-a-difference/our-values/reports-policies-and-standards#2018>
- D. A conference call will take place at 08:45. 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 2018/19 on 8 November 2018

Total sales growth	2017/18				2018/19
	Q1	Q2	Q3	Q4	Q1
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	24.4%	17.0%	1.2%	1.3%	0.8%
Total Retail (excl. fuel)	22.9%	16.0%	1.2%	1.3%	0.8%
Total Retail (inc. fuel and excl. impact of sale of Pharmacy)	20.1%	14.8%	1.4%	2.3%	3.2%
Total Retail (inc. fuel)	18.9%	14.0%	1.4%	2.3%	3.2%