

Third Quarter Trading Statement for the 15 weeks to 5 January 2019

- Total retail sales down (0.4) per cent (excl. fuel) with like-for-like sales down (1.1) per cent (excl. fuel)
- Grocery sales grew 0.4 per cent with Groceries Online and Convenience up 6.0 per cent and 3.0 per cent respectively
- General Merchandise sales declined by (2.3) per cent and Clothing sales declined by (0.2) per cent

Mike Coupe, Group Chief Executive of J Sainsbury plc, said: “Christmas came late this year and I am pleased with the excellent service and availability that we gave customers across the Group. Sainsbury’s stores were well set up to deal with customers doing their big Christmas shops later than usual and Convenience stores hit a new record on Christmas Eve. Argos *Fast Track* offers customers market-leading delivery and grew strongly in the quarter.

“Sainsbury’s is focused on offering distinctive food at great prices. Grocery sales were solid across the quarter and our price position versus our competitors improved, with our £9 turkey crowns and 30p vegetables proving particularly popular. Groceries Online continues to perform well and, including Argos, 20 per cent of the Group’s sales started online.

“General Merchandise sales grew strongly over the key Christmas weeks and outperformed the market over the quarter. Sales declined in the quarter due to cautious customer spending and our decision to reduce promotional activity across Black Friday. Clothing performed well, with strong full price sales growth in a tough market.

“Retail markets are highly competitive and very promotional and the consumer outlook continues to be uncertain. However, we are well placed to navigate the external environment and remain focused on delivering our strategy.

“Thank you to all of our colleagues for working so hard over this key quarter and delivering great service and availability for our customers in stores and online.”

Like-for-like sales growth (including Argos in the base)	2017/18				2018/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Like-for-like sales (excl. fuel)	2.3%	0.6%	1.1%	0.9%	0.2%	1.0%	(1.1)%
Like-for-like sales (inc. fuel)	1.6%	0.9%	1.2%	1.8%	2.6%	3.4%	0.3%

Total sales growth (including Argos in base)	2017/18				2018/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Grocery	3.0%	1.4%	2.3%	2.1%	0.5%	2.0%	0.4%
General Merchandise	1.0%	(1.6)%	(1.4)%	(1.2)%	1.7%	1.2%	(2.3)%
Clothing	7.2%	6.3%	1.0%	0.4%	0.8%	(3.4)%	(0.2)%
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	2.7%	0.9%	1.2%	1.3%	0.8%	1.7%	(0.4)%

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

- Grocery sales were solid, growing 0.4% in the quarter
- We continue to invest in the quality of our food and our new Christmas Party Food performed well. We launched new lines and improved customer service and more customers used our Christmas Food Ordering service
- Inflation was at its lowest rate for two years which meant we offered customers great value for their Christmas shop, with *by* Sainsbury's turkey crowns available from £9 and 30 pence vegetables
- We are investing in growing markets and, to cater for the demand for meat-alternatives, we now sell over 100 plant-based products. Free From, a category where we outperform the market, grew by 14 per cent in the quarter and now contributes £100 million of sales annually
- Customers can shop with us whenever and wherever they want and Groceries Online and Convenience channels grew 6.0 per cent and 3.0 per cent. We opened three supermarkets and four new convenience stores
- Availability and customer service were strong throughout the key Christmas weeks. Our new customer feedback channel 'Lettuce Know' is helping us understand customer feedback in real time

Grow General Merchandise and Clothing and deliver synergies

- The General Merchandise market is highly competitive and promotional and sales declined (2.3) per cent; margins remain under pressure
- Clothing declined by (0.2) per cent, with strong full price sales growth in a tough market
- Argos outperformed a weak general merchandise market in the quarter, with strong sales growth in the key Christmas weeks. Over the quarter, sales were impacted by a combination of cautious customer spending and our decision to reduce promotional activity across Black Friday
- Our *Fast Track* delivery service is increasingly popular, with sales up 8 per cent. Argos customer service scores across all channels showed strong year on year improvement
- We opened 23 Argos stores in Sainsbury's supermarkets, bringing the total to 274. Six of the 23 stores replaced an existing Argos store, taking the total number of replacement stores to 99
- Argos stores in Sainsbury's supermarkets that have been open for more than one year grew like-for-like sales by over 10 per cent

Diversify and grow Sainsbury's Bank

- Good growth in active Bank customers, up 9 per cent year on year
- Continued strong mortgage growth, with balances now exceeding £1.2 billion

Continue cost savings and maintain balance sheet strength

- We are on track to achieve £200m of cost savings this year

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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. 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
- D. 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
- E. Sainsbury's will announce its Preliminary results for 2018/19 on 1 May 2019

Total sales growth	2017/18				2018/19		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Total Retail (excl. fuel and excl. impact of sale of Pharmacy)	24.4%	17.0%	1.2%	1.3%	0.8%	1.7%	(0.4)%
Total Retail (excl. fuel)	22.9%	16.0%	1.2%	1.3%	0.8%	1.7%	(0.4)%
Total Retail (inc. fuel and excl. impact of sale of Pharmacy)	20.1%	14.8%	1.4%	2.3%	3.2%	3.9%	0.8%
Total Retail (inc. fuel)	18.9%	14.0%	1.4%	2.3%	3.2%	3.9%	0.8%