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FOR IMMEDIATE RELEASE

2 September 2016

RECOMMENDED CASH AND SHARE OFFER

FOR

HOME RETAIL GROUP PLC

BY

J SAINSBURY PLC

COMPLETION OF ACQUISITION

J Sainsbury plc ("**Sainsbury's**") and Home Retail Group plc ("**Home Retail Group**") are pleased to announce that the recommended Acquisition of Home Retail Group by Sainsbury's has now completed in accordance with its terms. This follows the Scheme by which the Acquisition has been implemented becoming effective yesterday, 1 September 2016, and the Court granting the Newco Reduction Court Order confirming the reduction of capital of Sainsbury's Intermediate Holdings Limited ("**Newco**") to effect the Capital Return earlier today, and the subsequent registration of the Newco Reduction Court Order with the Registrar of Companies.

The entire issued share capital of Home Retail Group is now owned by Newco which is now wholly owned by Sainsbury's.

Admission of New Sainsbury's Shares and de-listing of Home Retail Group

Home Retail Group Shareholders on the register of Home Retail Group at the Scheme Record Time, being 6.00 p.m. on 31 August 2016, will receive 55 pence in cash and 0.321 New Sainsbury's Shares for every Home Retail Group Share held (being the Sainsbury's Offer Consideration) subject to valid Elections (if applicable) made pursuant to the Mix and Match Facility, and 27.8 pence in cash for every Home Retail Group Share held (being the Capital Return).

Applications have been made to the UK Listing Authority and the London Stock Exchange in relation to:

- (i) the admission of 261,115,846 New Sainsbury's Shares to listing on the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities; and
- (ii) the cancellation of Home Retail Group Shares' listing on the Official List and trading on the London Stock Exchange,

each of which are expected to take place at 8.00 a.m. on 5 September 2016.

Results of the Mix and Match Facility

Valid Share Elections in respect of 287,550,604 Home Retail Group Shares, representing approximately 35.3 per cent. of the aggregate number of Home Retail Group Shares at the Scheme Record Time, and valid Cash Elections in respect of 99,488,682 Home Retail Group Shares, representing approximately 12.2 per cent. of the aggregate number of Home Retail Group Shares at the Scheme Record Time, were made by Home Retail Group Shareholders. The ability to satisfy Cash Elections and Share Elections was dependent upon other Home Retail Group Shareholders making equal and opposite elections.

Home Retail Group Shareholders who made valid Cash Elections have had such elections satisfied in full. For Home Retail Group Shares in respect of which a valid Cash Election has been made, Home Retail Group Shareholders will receive 75.8 pence for every 0.321 of a New Sainsbury's Share forgone.

Home Retail Group Shareholders who made valid Share Elections have had such elections scaled down on a pro rata basis to approximately 47.7 per cent. For Home Retail Group Shares in respect of which a valid Share Election has been made and which has been satisfied, Home Retail Group Shareholders will receive 0.233 of a New Sainsbury's Share for every 55 pence forgone. For Home Retail Group Shares in respect of which a valid Share Election has been made and which has not been satisfied due to scale down, the Home Retail Group Shareholders will receive the default Sainsbury's Offer Consideration.

Home Retail Group Shareholders who did not make valid Cash Elections or Share Elections or have not participated in the Mix and Match Facility will receive the default Sainsbury's Offer Consideration.

Settlement of the Sainsbury's Offer Consideration and the Capital Return

As set out in the Scheme Document, for Home Retail Group Shareholders (other than Restricted Overseas Shareholders) who held their Home Retail Group Shares in uncertificated form, New Sainsbury's Shares will be credited to their CREST account as soon as possible after 8.00 a.m. on 5 September 2016. For Home Retail Group Shareholders (other than Restricted Overseas Shareholders) who held their Home Retail Group Shares in certificated form, share certificates representing the New Sainsbury's Shares will be despatched by post within 14 days of this announcement.

Cash consideration due under the Acquisition (including any proceeds from the sale of fractional entitlements) and the Capital Return will be settled via CREST (for uncertificated Home Retail Shareholders) or by cheque (for certificated Home Retail Shareholders) within 14 days of this announcement.

As set out in the Scheme Document, Sainsbury's has arranged for a Dealing Facility to be provided for a period of six months following Completion to enable eligible Home Retail Group Shareholders to sell all (but not part) of the New Sainsbury's Shares they receive pursuant to the Acquisition. The documentation relating to the Dealing Facility (including full terms and conditions) will be posted to eligible Home Retail Group Shareholders together with the share certificates for the New Sainsbury's Shares and the cheques representing the cash consideration and the Capital Return. Home Retail Group Shareholders who do not receive the documentation relating to the Dealing Facility but believe that they may be entitled to use the Dealing Facility should contact the shareholder helpline on +44 (0) 370 702 0106 between the hours of 8.30am and 5.30pm, Monday to Friday (excluding bank holidays).

Board changes

As set out in the Scheme Document, John Rogers has been appointed to the role of Chief Executive of Home Retail Group effective from Completion and will remain a member of the Sainsbury's Board and the Sainsbury's Group Operating Board. Ed Barker has been appointed interim Chief Financial Officer of Sainsbury's and joined the Sainsbury's Group Operating Board with effect from today. All directors of Home Retail Group have resigned from office with effect from Completion.

Capitalised terms used but not defined in this announcement have the meanings set out in the Scheme Document published on 5 July 2016.

Enquiries

Sainsbury's

Joanna Le Neve Foster, Investor Relations Tel: +44 (0) 20 7695 0080
Louise Evans/Rebecca Reilly, Media Relations Tel: +44 (0) 20 7695 7295

Morgan Stanley (Financial Adviser to Sainsbury's)

Paul Baker Tel: +44 (0) 20 7425 8000
Nick Bishop
Anthony Zammit

UBS (Financial Adviser to Sainsbury's)

Hew Glyn Davies Tel: +44 (0) 20 7567 8000
Anna Richardson Brown

Brunswick (PR Adviser to Sainsbury's)

Katie Ioanilli Tel: +44 (0) 20 7404 5959

Home Retail Group

Richard Ashton Tel: +44 (0) 1908 600 291
Mark Willis

Bank of America Merrill Lynch (Financial Adviser to Home Retail Group)

Jonathan Bewes Tel: +44 (0) 20 7628 1000
Eamon Brabazon
Geoff Iles
Luke McMullan

Finsbury (PR Adviser to Home Retail Group)

Rollo Head Tel: +44 (0) 20 7251 3801

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Home Retail Group pursuant to the Acquisition or otherwise in any jurisdiction in contravention of applicable law.

This announcement is an advertisement and does not constitute a prospectus or prospectus equivalent document.

Important notices relating to financial advisers

*Morgan Stanley & Co. International plc ("**Morgan Stanley**"), which is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority in the United Kingdom, is acting as financial adviser to Sainsbury's and no-one else in connection with the Acquisition or any other matter referred to herein. In connection with such matters, Morgan Stanley, its affiliates and their respective directors, officers, employees and agents will not regard anyone other than Sainsbury's as their client, nor will they be responsible to any other person for providing the protections afforded to their clients or for providing advice in relation to the Acquisition, the contents of this announcement or any other matter referred to herein.*

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Overseas Shareholders

The release, publication or distribution of this announcement in or into jurisdictions other than the UK and the availability of the Acquisition to Home Retail Group Shareholders who are not resident in the UK or who are subject to the laws and/or regulations of another jurisdiction may be restricted by the laws and/or regulations of those jurisdictions. Therefore any persons who are not resident in the UK or who are subject to the laws and/or regulations of any jurisdiction other than the UK should inform themselves about, and observe, any applicable legal or regulatory requirements. Any failure to comply with the applicable restrictions may constitute a violation of the laws and/or regulations of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Acquisition disclaim any responsibility or liability for the violation of such restrictions by any person.

*The Acquisition relates to shares of a UK company and is effected by means of a scheme of arrangement under the laws of England and Wales. This announcement has been prepared for the purposes of complying with English law, the Listing Rules, the rules of the London Stock Exchange and the City Code on Takeovers and Mergers (the "**Code**") and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws and/or regulations of jurisdictions outside the United Kingdom.*

Unless otherwise determined by Sainsbury's or required by the Code, and permitted by applicable law and regulation, the Acquisition is not made, directly or indirectly, in, into or from any Restricted Jurisdiction (including without limitation, the Republic of South Africa) where to do so would violate the laws and/or regulations in that jurisdiction.

Note to US holders of Home Retail Group Shares

US holders of Home Retail Group Shares should note that the Acquisition relates to the securities of a UK company with a listing on the London Stock Exchange and is implemented pursuant to a scheme of arrangement provided for under English company law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules or the proxy solicitation rules under the US Exchange Act. Accordingly, the Acquisition is subject to UK procedural and disclosure requirements and practices applicable to a scheme of arrangement involving a target company in England listed on the London Stock Exchange, which are different from the disclosure requirements of the US tender offer and proxy solicitation rules.

The New Sainsbury's Shares to be issued pursuant to the Acquisition have not been registered under the US Securities Act or under any laws or with any securities regulatory authority of any state, district or other jurisdiction, of the United States, and may only be offered or sold in the United States in reliance on an exemption from registration requirements of the US Securities Act including in the case of the proposed scheme of arrangement, Section 3(a)(10) thereunder.

Neither the SEC nor any US state securities commission has approved or disapproved of the New Sainsbury's Shares to be issued in connection with the Acquisition, or determined if this announcement is accurate or complete. Any representation to the contrary is a criminal offence in the United States.

It may be difficult for US holders of Home Retail Group Shares and to enforce their rights and claims arising out of the US federal securities laws, since Sainsbury's and Home Retail Group are located in countries other than the United States, and some or all of their officers and directors may be residents of countries other than the United States. US holders of Home Retail Group Shares may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's judgement.

Note to Home Retail Group ADR Holders

As set out in the Scheme Document, the offer of New Sainsbury's Shares is not extended to holders of Home Retail Group ADRs. The Home Retail Group ADR programme has been terminated with effect from 2 September 2016. The Home Retail Group Depositary will sell the New Sainsbury's Shares it receives pursuant to the Acquisition as agent for and on behalf of Home Retail Group ADR holders, will call for surrender of the Home Retail Group ADRs and, upon those surrenders, will deliver the proceeds of that sale, net of applicable fees, expenses, taxes and governmental charges, together with an amount in respect of the cash element of the Sainsbury's Offer Consideration and in respect of the Capital Return, to the Home Retail Group ADR holders entitled thereto in accordance with the terms of the Deposit Agreement.

Rounding

Certain figures included in this announcement have been subjected to rounding adjustments.

Publication on website and availability of hard copies

A copy of this announcement will be made available on Home Retail Group's website at <https://www.homeretailgroup.com/investor-centre/sainsburys-offer/> and, subject to certain restrictions relating to persons resident in or subject to laws and/or regulations of any Restricted Jurisdictions, on the Sainsbury's website at <http://www.j-sainsbury.co.uk/investor-centre/disclaimer/> by no later than 12 noon (London time) on the Business Day following this announcement. For the avoidance of doubt, the contents of these websites are not incorporated into and do not form part of this announcement.