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FOR IMMEDIATE RELEASE

5 JULY 2016

**RECOMMENDED CASH AND SHARE OFFER**

**FOR**

**HOME RETAIL GROUP PLC**

**BY**

**J SAINSBURY PLC**

**PUBLICATION OF SCHEME DOCUMENT AND PROSPECTUS**

On 1 April 2016, the boards of Home Retail Group plc ("**Home Retail Group**") and J Sainsbury plc ("**Sainsbury's**") announced (the "**Rule 2.7 Announcement**") that they had reached agreement on the terms of a recommended cash and share offer (the "**Acquisition**") to be made by Sainsbury's for the entire issued and to be issued share capital of Home Retail Group. The Acquisition is to be implemented pursuant to a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act 2006 (the "**Scheme**") and the steps contemplated by the Scheme as set out in the scheme document relating to the Acquisition (the "**Scheme Document**").

The boards of Home Retail Group and Sainsbury's are pleased to announce that the Scheme Document is being sent, or made available, to Home Retail Group Shareholders today. The Scheme Document sets out, amongst other things, a letter from the Chairman of Home Retail Group, the full terms and conditions of the Scheme and the Acquisition, an explanatory statement, notices of the required meetings, an expected timetable of principal events and details of the actions to be taken by Home Retail Group Shareholders. In addition, the UK Listing Authority has today approved a prospectus in relation to the New Sainsbury's Shares to be issued in connection with the Acquisition (the "**Prospectus**") and the Prospectus has been published today on Sainsbury's website at <http://www.j-sainsbury.co.uk/investor-centre/disclaimer/>.

As described in the Scheme Document, the Scheme will require the approval of Home Retail Group Shareholders at the Court Meeting and the passing of a special resolution at the General Meeting of Home Retail Group Shareholders, and then the approval of the Court.

The Court Meeting and the General Meeting of Home Retail Group Shareholders to approve the Scheme (and the steps contemplated by the Scheme) are scheduled to be held at 11.00 a.m. and 11.10 a.m. respectively on 27 July 2016 at Holiday Inn Milton Keynes, 500 Saxon Gate West, Milton Keynes MK9 2HQ.

Subject to approval at the relevant meetings, Court approval and the satisfaction or waiver of the other Conditions set out in the Scheme Document (including, amongst others, approvals from the CMA and the FCA and the Newco Reduction of Capital having become effective), the Acquisition is expected to become effective on or around 2 September 2016, with the Sainsbury's Offer Consideration (and, if applicable, share certificates) being sent to Home Retail Group Shareholders within 14 days of such date. The expected timetable of principal events is set out in the Appendix to this announcement.

The boards of Sainsbury's and Home Retail Group are pleased to announce that they have received notice of no objection from the Guernsey Financial Services Commission in relation to the Acquisition and, as a result, the Condition set out in paragraph 1(f) of Appendix 1 of the Rule 2.7 Announcement has now been satisfied.

The Scheme Document will be available on the Home Retail Group website at <https://www.homeretailgroup.com/investor-centre/sainsburys-offer/> up to and including the end of the Offer Period.

For information purposes only, the Scheme Document will also be sent, or made available to, holders of options over Home Retail Group Shares and persons with information rights.

The Prospectus will be available, subject to certain restrictions relating to persons resident in, or subject to the laws and/or regulations, of any Restricted Jurisdiction or resident in any jurisdiction where the extension or availability of the Acquisition would breach any applicable law, on Sainsbury's website at <http://www.j-sainsbury.co.uk/investor-centre/disclaimer/> up to and including the date on which the New Sainsbury's Shares are issued to Home Retail Group Shareholders.

Copies of the Scheme Document and the Prospectus, as well as other documents as set out in the Prospectus, will also be made available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including the date on which the New Sainsbury's Shares are issued to Home Retail Group Shareholders at the offices of Clifford Chance LLP at 10 Upper Bank Street, London E14 5JJ. A copy of the Scheme Document and the Prospectus will also be submitted to the National Storage Mechanism, where they will be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM).

Defined terms used but not defined in this announcement have the meanings set out in the Scheme Document.

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*This announcement is for information purposes only. It is not intended to and does not constitute, or form part of, any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Acquisition or otherwise, nor shall there be any sale, issuance or transfer of securities of Sainsbury's or Home Retail Group pursuant to the Acquisition or otherwise in any jurisdiction in contravention of applicable law. The Acquisition will be implemented solely by means of the Scheme Document (or, in the event that the Acquisition is to be implemented by means of a Takeover Offer, the Offer Document) or any document by which the Acquisition is made which will contain the full terms and conditions of the Acquisition, including details of how to vote in respect of the Acquisition.*

*Sainsbury's urges Home Retail Group Shareholders to read the Scheme Document and the Prospectus carefully because they contain important information in relation to the Acquisition and the New Sainsbury's Shares. Any decision or vote in respect of the Acquisition should be made only on the basis of the information contained in the Scheme Document (or, in the event that the Acquisition is to be implemented by means of a Takeover Offer, the Offer Document) and the Prospectus.*

*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.*

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

*Merrill Lynch International ("**Bank of America Merrill Lynch**"), a subsidiary of Bank of America Corporation, is acting exclusively for Home Retail Group plc in connection with the matters set out*

*in this announcement and for no one else and will not be responsible to anyone other than Home Retail Group plc for providing the protections afforded to its clients or for providing advice in relation to the matters set out in this announcement.*

### **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 (including the ability of such Home Retail Group Shareholders to vote their Home Retail Group Shares with respect to the Scheme and the Acquisition at the Home Retail Group Meetings, or to execute and deliver Forms of Proxy appointing another to vote at the Home Retail Group Meetings on their behalf) 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 proposed to be 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 will not be made, directly or indirectly, in, into or from any Restricted Jurisdiction where to do so would violate the laws and/or regulations in that jurisdiction and no person may vote in favour of the Acquisition by any such use, means, instrumentality or form within a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws and/or regulations of that jurisdiction. Accordingly, unless otherwise determined by Sainsbury’s or Home Retail Group plc or required by the Code, and permitted by applicable law and regulation, copies of this announcement and any formal documentation relating to the Acquisition are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving such documents relating to the Acquisition (including agents, custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in, into or from any Restricted Jurisdiction or such jurisdictions where to do so would violate the laws in that jurisdiction. Any person (including, without limitation, any custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this announcement and/or the Scheme Document and/or any other related document to any jurisdiction outside the UK should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. If the Acquisition is implemented by way of a Takeover Offer (unless otherwise permitted by applicable law and regulation), the Takeover Offer may not be made directly or indirectly, in, into or from or by the use of mails or any other means or instrumentality (including, but not limited to, facsimile, e-mail or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or of any facility of a national state or other securities exchange of any Restricted Jurisdiction and the Takeover Offer may not be capable of*

acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.

The availability of the Acquisition to Home Retail Group Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable requirements.

Further details in relation to Home Retail Group Shareholders in overseas jurisdictions are contained in the Scheme Document.

**Note to US holders of Home Retail Group Shares and Home Retail Group ADR Holders**

US holders of Home Retail Group Shares and Home Retail Group ADR Holders should note that the Acquisition relates to the securities of a UK company with a listing on the London Stock Exchange and is proposed to be 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 will be 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 financial information included in this announcement and other documentation related to the Acquisition has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US. If Sainsbury's exercises its right, in the circumstances provided for in this announcement, to implement the Acquisition by way of a Takeover Offer, such Takeover Offer will only be made in the United States if an exemption from the registration requirements of the US Securities Act is available.

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 Home Retail Group ADR Holders 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 and Home Retail Group ADR Holders 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.

**Disclosure requirements of the Code**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror

other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror, save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 pm (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3.

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at <http://www.thetakeoverpanel.org.uk>, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

#### **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 6 July 2016. For the avoidance of doubt, the contents of these websites are not incorporated into and do not form part of this announcement.

Sainsbury's Shareholders and Home Retail Group Shareholders may request a hard copy of this announcement by email at [Shareholder.Services@sainsburys.co.uk](mailto:Shareholder.Services@sainsburys.co.uk) or in writing at Shareholder Services, 3rd Floor, J Sainsbury plc, 33 Holborn, London EC1N 2HT (in the case of Sainsbury's Shareholders) or the Company Secretary of Home Retail Group plc in writing at 489-499 Avebury Boulevard, Milton Keynes MK9 2NW or Capita Asset Services in writing at 40 Dukes Place,

*London EC3A 7NH (in the case of Home Retail Group Shareholders), in each case during business hours. Sainsbury's Shareholders and Home Retail Group Shareholders may also request that all future documents, announcements and information sent to them in relation to the Acquisition be in hard copy form. A hard copy of such document, announcement (including this announcement) or information will not be sent unless so requested.*

***Information relating to Home Retail Group Shareholders***

*Please be aware that addresses, electronic addresses and certain other information provided by Home Retail Group Shareholders, persons with information rights and other relevant persons for the receipt of communications from Home Retail Group may be provided to Sainsbury's during the Offer Period as required under Section 4 of Appendix 4 of the Code.*

## APPENDIX

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS<sup>(1)</sup>

<i>Event</i>	<i>Expected time/date</i>
<b>Latest time for lodging blue Forms of Proxy for use at the Court Meeting<sup>(2)</sup></b>	<b>11.00 a.m. on 25 July 2016</b>
<b>Latest time for lodging yellow Forms of Proxy for use at the General Meeting<sup>(2)</sup></b>	<b>11.10 a.m. on 25 July 2016</b>
Voting Record Time	6.00 p.m. on 25 July 2016
<b>Court Meeting</b>	<b>11.00 a.m. on 27 July 2016</b>
<b>General Meeting<sup>(3)</sup></b>	<b>11.10 a.m. on 27 July 2016</b>
Latest time for receipt of green Forms of Election or Electronic Elections from CREST holders	1.00 p.m. on 30 August 2016
Scheme Court Hearing (to sanction the Scheme)	31 August 2016*
Last day of dealings in and for registration of transfers, and disablement in CREST, of Home Retail Group Shares	31 August 2016*
Suspension of trading in Home Retail Group Shares	4.30 p.m. on 31 August 2016*
Scheme Record Time	6.00 p.m. on 31 August 2016*
Home Retail Group Reduction Court Hearing (to confirm Home Retail Group Reduction of Capital)	1 September 2016*
Effective Date of the Scheme	1 September 2016*
Cancellation of Home Retail Group Shares and issue of Newco Shares to Home Retail Group Shareholders	1 September 2016*
Newco Reduction Record Time	6.00 p.m. on 1 September 2016*
Newco Reduction Court Hearing (to confirm Newco Reduction of Capital)	2 September 2016*
Effective Date of Newco Reduction of Capital	2 September 2016*
Execution of transfer of Newco Shares held by Home Retail Group Shareholders to Sainsbury's	2 September 2016*
New Sainsbury's Shares issued to Home Retail Group Shareholders	by 8.00 a.m. on 5 September 2016*
Admission and commencement of dealings in New Sainsbury's Shares on the London Stock Exchange	8.00 a.m. on 5 September 2016*
Cancellation of listing of Home Retail Group Shares	5 September 2016*
<b>Settlement of Sainsbury's Offer Consideration:</b>	
- CREST accounts of Home Retail Group Shareholders credited with new Sainsbury's Shares	As soon as possible after 8.00 a.m. on 5 September 2016*
- CREST accounts of Home Retail Group Shareholders credited with any cash due	Within 14 days of the Newco Reduction Effective Time



- Despatch of cheques and share certificates of New Sainsbury's Shares to Home Retail Group Shareholders who held Home Retail Group Shares in certificated form	Within 14 days of the Newco Reduction Effective Time
<b>Settlement of Capital Return:</b>	
- Despatch of cheques or settlement through CREST	Within 14 days of the Newco Reduction Effective Time
Long Stop Date	29 March 2017

**Notes:**

- (1) Unless otherwise stated, all references in this document to times are to London times.
- (2) A blue Form of Proxy for the Court Meeting not so lodged may be handed to a representative of Capita at the venue of the Court Meeting or the Chairman of the Court Meeting before the start of the Court Meeting. However, the yellow Form of Proxy for the General Meeting must be lodged by 11.10 a.m. on 25 July 2016 in order to be valid.
- (3) To commence at 11:10 a.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.

*\* The expected date of the Scheme Court Hearing (to sanction the Scheme) and each of the subsequent dates set out in this timetable could be subject to change to earlier or later dates. These dates will depend, among other things, on the date on which the regulatory and other Conditions to the Scheme and the Acquisition are satisfied or, if capable of waiver, waived.*