

Acquisition of Home Retail Group plc

HRG Shareholder Frequently Asked Questions

For queries regarding your New Sainsbury's Shareholding, the Capital Return or the Acquisition, please contact Sainsbury's registrar: *Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZZ. Helpline: +44 (0)370 702 0106**

You can check your holding at computershare.com

Until February 2017, for queries regarding the HRG Share Plans or historic HRG Shareholder matters, please contact HRG's previous registrar: *Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. Helpline: +44 (0)371 664 0437**

After February 2017, please contact Computershare.

* Calls cost the standard geographic rate and vary by provider. Calls outside the UK are charged at the applicable international rate. The helplines are open 9.00 am – 5.30 pm, Monday - Friday excluding public holidays in England and Wales.

Contents

When did the Scheme and the Acquisition take place?.....	2
What happened under the Scheme and Acquisition?.....	2
How were the Mix and Match allocations calculated?.....	2
Why did I receive a fraction payment?	3
Do I need to pay any tax?	3
Do I need to complete Form A (Shareholder Communications Election)?.....	3
Do I need to complete Form B (Bank Mandate)?	4
Do I need to complete the Dividend Reinvestment Form?	4
Should I use the postal share dealing facility to sell my Sainsbury's shares?.....	4
I have a very small shareholding – will Sainsbury's offer a free sale facility in future?.....	4
Why were all HRG Shareholders obliged to 'accept' the Offer?	4
What are Sainsbury's plans following the Acquisition?.....	4
What dividend policy will Sainsbury's apply in future?.....	5
When does Sainsbury's reports its results?.....	5
What effect will the Acquisition have on my HRG credit agreement or insurance plan?.....	5

When did the Scheme and the Acquisition take place?

The Scheme became effective on 1 September 2016, and the Acquisition completed on 2 September 2016.

What happened under the Scheme and Acquisition?

1. Under the Scheme, a new holding company for Home Retail Group plc (Newco) was introduced, with HRG Shareholders receiving Newco Shares on a 1-for-1 basis;
2. Following that, Newco undertook a reduction of capital with Court approval, which enabled the c. £200 million Capital Return largely in connection with the sale of Homebase to be made to HRG (Newco) Shareholders; and
3. Upon the Newco Capital Return becoming effective, all Newco Shares were transferred from HRG (Newco) Shareholders to Sainsbury's in return for the Sainsbury's Offer Consideration.

For each HRG Share, shareholders had a basic entitlement to:

27.8 pence in cash (being the Capital Return)

55 pence in cash and 0.321 New Sainsbury's Shares (being the Sainsbury's Offer Consideration).

How were the Mix and Match allocations calculated?

The Mix and Match Facility enabled HRG Shareholders to elect to receive more cash or more shares instead of the default entitlement under the Sainsbury's Offer Consideration of 55 pence in cash and 0.321 New Sainsbury's Shares. Because all the Share Elections when added together were over-subscribed against the total number of New Sainsbury's Shares available, it was necessary to scale down all valid Share Elections equally to approximately 47.7% of the original election. Cash Elections – being under-subscribed - were satisfied in full.

If you elected some or all of your HRG holding for additional cash:

- You received an additional 130.7881 pence for each HRG Share elected for additional cash (shown as 130.8 pence in the Scheme Document).

If you elected some or all of your HRG holding for additional New Sainsbury's Shares:

- Your Share Election was scaled down to 47.67612% of the original election, rounded down to the nearest whole number of HRG Shares (known as the final allocation)
- Your final allocation received an additional 0.5539521 New Sainsbury's Share for each HRG Share, rounded down to the nearest whole Sainsbury's Share (shown as 0.554 pence in the Scheme Document)
- The remainder of your Share Election received the default Sainsbury's Offer Consideration of 55 pence in cash and 0.321 New Sainsbury's Shares for each HRG Share.

Please see page 29 of the Scheme Document for further information.

Why did I receive a fraction payment?

You will have received a cash payment in lieu of fractions of New Sainsbury's Shares where your HRG Shares did not equate to whole New Sainsbury's Shares:-

- If some or all of your HRG holding qualified for the default Sainsbury's Offer Consideration of 0.321 New Sainsbury's Shares for each HRG Share held; and/or
- If you made a valid Share Election for additional New Sainsbury's Shares.

Fractional entitlements for all HRG Shareholders were aggregated together and sold on the open market at 245.7 pence per New Sainsbury Share. Your fraction payment is shown on your Welcome Letter.

Please see page 22 of the Scheme Document for further information, which can be found at www.j-sainsbury.co.uk/investor-centre/hrg-acquisition-download-centre/.

Do I need to pay any tax?

Shareholders subject to UK Capital Gains Tax should refer to pages 43-45 of the Scheme Document and the Tax Note dated 5 September 2016. Both of these can be found at www.j-sainsbury.co.uk/investor-centre/hrg-acquisition-download-centre/.

HRG employees who received their New Sainsbury's Shares via an HRG Share Plan should refer to their letter from HRG and Sainsbury's dated 5 July 2016. HRG's share plan manager, Capita, are expected write to them on or around 26 September 2016 with details of their exercise(s) and/or vesting(s), the Capital Return and Sainsbury's Offer Consideration due to them (taking account of the final allocation under any Mix and Match Election), and any share sales. For non-tax queries, they should contact the Capita Helpline on +44 (0) 371 664 0437. This helpline is available until February 2017 between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday (except UK public holidays).

Do I need to complete Form A (Shareholder Communications Election)?

Sainsbury's uses electronic communications as its primary means to communicate with its shareholders.

As existing communications elections were transferred to Sainsbury's on completion of the Acquisition, HRG Shareholders who were already receiving electronic communications from HRG do not need to do anything unless they wish to change they registered email address (see Election 1 of Form A).

If you were not already receiving electronic communications from HRG and you wish to do so, you do not need to do anything unless you wish to be notified by email when a shareholder communication has been published. In which case, you should complete Election 1 of Form A sent in your Welcome Pack.

If you were not already receiving electronic communications from HRG and you wish to continue to receive shareholder communications in printed form by post, you should complete Election 2 of Form A sent in your Welcome Pack.

Do I need to complete Form B (Bank Mandate)?

No action is needed if you were previously mandated with HRG, unless your bank or building society account details have changed.

Sainsbury recommends that dividend payments be paid directly into your UK bank or building society account, as it:

- avoids trips to your bank
- avoids the chance of cheques going astray, and
- ensures that you get your money straight away.

Do I need to complete the Dividend Reinvestment Form?

If you wish to have future Sainsbury's dividends reinvested into additional Sainsbury's shares, you will need to complete the DRIP form sent in your Welcome Pack– even if you previously participated in HRG's DRIP, which expired on completion of the Acquisition (2 September 2016).

Should I use the postal share dealing facility to sell my Sainsbury's shares?

Sainsbury's cannot advise you on whether or not to sell your Sainsbury's shares. However, Sainsbury's hopes you will decide to keep them.

For holdings of 4,000 or fewer New Sainsbury's Shares received through the Acquisition, you can sell your Sainsbury's shares via the Acquisition postal share dealing facility at a commission rate of 0.5% plus £8.50 per transaction. Dealing days are Wednesdays and Fridays until 8 March 2017 (being the expiry date, 6 months after Completion). The last deadline for receipt of forms prior to expiry is 4pm on 7 March 2017. Please refer to the Share Dealing Form sent in your Welcome Pack.

An alternative dealing facility is available via www.j-sainsbury.co.uk/investor-centre/shareholder-centre/manage-your-shares-online/buyselltransfer-shares/.

I have a very small shareholding – will Sainsbury's offer a free sale facility in future?

Sainsbury's recognises that there are a number of shareholders with very small holdings, and will actively look into offering some sort of subsidy to help them to sell where it is currently uneconomic to do so. If it is decided to offer a subsidy, it is likely to be around the time of the 2017 AGM.

Why were all HRG Shareholders obliged to 'accept' the Offer?

All HRG Shareholders were given the opportunity to vote on the Scheme and the Acquisition at the shareholder meetings held on 27 July 2016. The Scheme and the Acquisition received 99.95% of votes in favour and were subsequently approved by the Court. Once approved, a Scheme of Arrangement is binding on all shareholders.

What are Sainsbury's plans following the Acquisition?

Please refer to Part 1 of the Prospectus (Details of the Acquisition), which can be downloaded from www.j-sainsbury.co.uk/investor-centre/hrg-acquisition-download-centre/.

What dividend policy will Sainsbury's apply in future?

The Sainsbury's Directors expect that, following Completion, the Combined Group will pay dividends in line with Sainsbury's existing dividend policy of two times cover.

When does Sainsbury's reports its results?

Sainsbury's usually reports its results in May (preliminary results) and November (half year).

See www.j-sainsbury.co.uk/investor-centre/financial-calendar/ for further information.

What effect will the Acquisition have on my HRG credit agreement or insurance plan?

There is no change as a result of the Acquisition – your credit agreement or insurance plan remains in place on the same terms with the same company.

5 September 2016