THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Circular or the action you should take, it is recommended that you seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser (who is, if you are resident in the UK, duly authorised under FSMA or, if not, from another appropriately authorised independent financial adviser).

If you sell or have sold or otherwise transferred all of your Existing Tesco Shares, please send this Circular (together with the accompanying documents) as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or the transferee. If you sell or have sold or otherwise transferred only part of your holding of Existing Tesco Shares, you should retain this Circular and any accompanying documents and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take. However, neither this Circular nor any accompanying documents should be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction in which to do so would constitute a breach of the relevant laws of such jurisdiction.

Any person (including, without limitation, custodians, nominees and trustees) who may have a contractual or legal obligation or may otherwise intend to forward this Circular and any accompanying documents to any jurisdiction outside the UK, should seek appropriate advice before taking such action. The distribution of this Circular and any accompanying documents into jurisdictions other than the UK may be restricted by law. Any person not in the UK, into whose possession this Circular and any accompanying documents come should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. In particular, this Circular and any accompanying documents should not be released, published, distributed, forwarded or transmitted, in whole or in part, in, into or from any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Booker Shareholders in that jurisdiction.

This Circular should be read in conjunction with the Prospectus relating to Tesco dated 5 February 2018 in connection with the Merger and which has been published on Tesco's website at www.tescoplc.com. This Circular does not constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell, otherwise dispose of or issue, or any solicitation of any offer to sell, otherwise dispose of, issue, purchase, otherwise acquire or subscribe for, any security.

TESCO

(incorporated and registered in England and Wales with registered number 00445790)

Recommended share and cash merger of Tesco and Booker

Circular to Tesco Shareholders and Notice of the Tesco General Meeting

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This Circular should be read as a whole. Your attention, in particular, is drawn to the risk factors set out in Part II (*Risk Factors*) and to the letter from your Chairman, which is set out in Part I (*Letter from the Chairman*) and which contains the unanimous recommendation of the Tesco Board that you vote in favour of the Tesco Resolutions to be proposed at the Tesco General Meeting.

Notice of the Tesco General Meeting to be held at etc.venues St Paul's, 200 Aldersgate, St Paul's, London, EC1A 4HD at 10.00 a.m. on 28 February 2018 is set out at pages 78 to 81 of this Circular.

The actions to be taken in respect of the Tesco General Meeting are set out in paragraph 19 of Part I (*Letter from the Chairman*) of this document. Shareholders will find enclosed with this document a Proxy Form for use in connection with the Tesco General Meeting. Whether or not you intend to attend the Tesco General Meeting in person, please complete and sign the Proxy Form (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on it and return it to Tesco's Registrars, Equiniti Limited, as soon as possible and, in any event, so as to be received no later than 48 hours (excluding any part of a day that is not a working day) prior to the time appointed for the holding of the Tesco General Meeting. Completion and return of a Proxy Form will not preclude Shareholders from attending and voting in person at the Tesco General Meeting, should they so wish. If you hold Tesco Shares in CREST, you may appoint a proxy by having an appropriate CREST message transmitted. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 10.00 a.m. on 26 February 2018 (or, in the case of an adjournment, not later than 48 hours (excluding non-working days) before the time fixed for the holding of the adjourned meeting). Completion and return of a Proxy Form (or the electronic appointment of a proxy) will not preclude Shareholders from attending and voting in person at the Tesco General Meeting or any adjournment thereof, should they so wish and are so entitled.

If you have any questions about this document, the Tesco General Meeting or on the completion and return of the Proxy Form, please call the Tesco Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (UK time) Monday to Friday (public holidays excepted) on 0371 384 2977 (calls to this number are charged at national rates, calls from a mobile device may incur network extras) or on +44 121 415 7053 from outside the UK. Equiniti may record calls to both numbers for security purposes and to monitor the quality of its services. The Tesco Shareholder Helpline cannot provide advice on the merits of the Merger or give any financial, legal or tax advice.

This Circular and the accompanying documents have been prepared to comply with English law and applicable regulations and the information disclosed may not be the same as that which would have been disclosed if this Circular or the accompanying documents had been prepared in accordance with the laws of jurisdictions outside the UK.

Greenhill, which is authorised and regulated in the UK by the FCA, is acting exclusively for Tesco and no one else in connection with the Merger and will not be responsible to anyone other than Tesco for providing the protections afforded to clients of Greenhill nor for providing advice in relation to the Merger or any other matters referred to in this Circular. Neither Greenhill nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, tort or, under statute or otherwise) to any person who is not a client of Greenhill in connection with this Circular, any statement contained herein, the Merger or otherwise.

Barclays, which is authorised in the UK by the PRA and regulated by the FCA and the PRA in the UK, is acting exclusively for Tesco and no one else in connection with the Merger and will not be responsible to anyone other than Tesco for providing the protections afforded to clients of Barclays nor for providing advice in relation to the Merger or any other matters referred to in this Circular.

Citi, which is authorised by the PRA and regulated by the PRA and the FCA, is acting exclusively for Tesco and no one else in connection with the Merger and will not be responsible to anyone other than Tesco for providing the protections afforded to its clients for providing advice in relation to the Merger or in relation to the contents of this Circular or any transaction or any other matters referred to herein.

Davy, which is authorised and regulated by the Central Bank of Ireland, is acting exclusively for Tesco and no one else in connection with the Merger and will not be responsible to anyone other than Tesco for providing the protections afforded to its clients for providing advice in relation to the Merger or in relation to the contents of this Circular or any transaction or any other matters referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Greenhill, Barclays, Citi and Davy by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of Greenhill, Barclays, Citi, or Davy nor any of their respective subsidiaries, branches or affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Greenhill, Barclays Citi or Davy, for the contents of this Circular, including its accuracy, correctness or for any other statement made or purported to be made by it, or on its behalf in connection with Tesco, the Tesco Group, the Combined Group, the Merger and any other matters referred to in this Circular and nothing in this Circular is to be relied upon as a promise or representation in this respect, whether or not to the past or future. Save for the aforementioned responsibilities and liabilities, if any, which may be imposed under FSMA, Greenhill, Barclays, Citi and Davy and each of their respective subsidiaries, branches and affiliates accordingly disclaim all and any responsibility or liability, whether arising in tort, contract or otherwise which it might otherwise have in respect of this Circular or any other statement. Any reproduction or distribution of this Circular, in whole or in part, and any disclosure of its contents or use of any information contained in this Circular for any purpose other than considering the terms of the Merger is prohibited.

Availability of hard copies

If you have received this document in electronic form or have been notified that this document is available to view on the Tesco website (www.tescoplc.com), you may request a hard copy of this document and/or any information incorporated by reference into this document by calling the Tesco Shareholder Helpline between 8.30 a.m. and 5.30 p.m. (UK time) Monday to Friday (public holidays excepted) on 0371 384 2977 (calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras) or on +44 121 415 7053 from outside the UK. Equiniti may record calls to both numbers for security purposes and to monitor the quality of its services. The Tesco Shareholder Helpline cannot provide advice on the merits of the Merger or give any financial, legal or tax advice. You may also request that all future documents, announcements and information to be sent to you in relation to the Merger should be in hard copy form. Copies of this Circular and any document or information incorporated by reference into this document will not be provided unless such a request is made and you are urged to consider the impact on the environment before making such request.

Information regarding forward-looking statements

This Circular (including information incorporated by reference into this Circular) includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Tesco Group's, the Booker Group's or the Combined Group's control and all of which are based on the Tesco Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned", "anticipates", "confident", "realisation", "consider" or "targets" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Circular and include statements regarding the intentions, beliefs or current expectations of the directors concerning, among other things, the future results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Tesco Group, the Booker Group or the Combined Group and the industry in which they operate or will operate.

These forward-looking statements and other statements contained in this Circular regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Tesco Group, the Booker Group or the Combined Group. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements.

Such forward-looking statements contained in this Circular speak only as of the date of this Circular. Tesco, the Tesco Directors, the Proposed Directors, Booker and the Financial Advisers expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Listing Rules, the Prospectus Rules or the Disclosure Guidance and Transparency Rules of the FCA.

Information not contained in this Circular

No person has been authorised to give any information or make any representations other than those contained in this Circular, the Prospectus and the documents (or parts thereof) incorporated by reference herein and, if given or made, such information or representations must not be relied upon as having been authorised by Tesco, the Tesco Directors, the Proposed Directors, Greenhill, Barclays, Citi or Davy, or any other person involved in the Merger. Neither the delivery of this Circular nor UK Admission nor Irish Admission shall, under any circumstances, create any implication that there has been no change in the affairs of Tesco since the date of this Circular or that the information in this document is correct as at any time subsequent to its date. In particular, the contents of Tesco's and Booker's websites do not form part of this Circular and Tesco Shareholders should not rely on them.

No profit forecast

Save as expressly set out in this Circular, no statement is intended as a profit forecast or a profit estimate and no statement in this document should be interpreted to mean that earnings per Tesco Share for the current or future financial years would necessarily match or exceed the historical published earnings per Tesco Share.

Booker Group's Alternative Performance Measure (non-IFRS metrics)

The Booker Group has adopted the following metric, which is considered to give an understanding of the Booker Group's underlying performance drivers. This measure is referred to as an alternative performance measure (as defined in the ESMA Guidelines on Alternative Performance Measures) ("APMs"). The APM described below is not a measure of financial performance under generally accepted accounting principles, including IFRS, and should not be considered in isolation or as an alternative to the primary financial information relating to the Booker Group referred to in Part III (*Historical Financial Information in relation to Booker and the Booker Group*) of this Circular. Because this measure is not determined in accordance with generally accepted accounting principles and is thus susceptible to varying calculations, it may not be comparable with other similarly titled measures of performance of other companies.

Like-for-like sales

Like-for-like sales is a measure of change in sales from UK operations from prior year to current year. No adjustments to sales are made when individual customers are gained or lost. If a Booker Group business centre is closed, for the twelve months following the closure date the sales of the business centre are removed from the prior comparative. If sales are transferred to a replacement business centre in the same vicinity no such adjustment is made. If a business centre is opened where none previously existed, all sales for the first twelve months will be excluded. Where a business is acquired, sales are excluded until the anniversary of the acquisition.

The reconciliation of Booker's results from revenue to like-for-like sales in respect of the 52 weeks ended 25 March 2016 and the 52 weeks ended 24 March 2017 is as follows:

	52 weeks ended 25 March 2016	52 weeks ended 24 March 2017
	£m	£m
Revenue	4,991.5	5,327.9
Less:		
India[(1)]	26.2	29.8
BRP acquisition[(2)]	0.0	328.7
Closed branches[(3)]	18.7	0.0
Like-for-like sales	**4,946.6**	**4,969.4**

The reconciliation of Booker's results from revenue to like-for-like sales in respect of the 24 weeks ended 9 September 2016 and the 24 weeks ended 8 September 2017 is as follows:

	24 weeks ended 9 September 2016	24 weeks ended 8 September 2017
	£m	£m
Revenue	2,524.4	2,587.3
Less:		
India[(1)]	12.9	13.7
BRP acquisition[(2)]	0.0	0.0
Closed branches[(3)]	5.8	0.0
Like-for-like sales	**2,505.6**	**2,573.5**

Notes:

(1) India sales are deducted for all periods to exclude the impact of sales from non-UK operations.

(2) On 14 September 2015, the Booker Group acquired the entire issued share capital of Musgrave Retail Partners GB Limited (together with its subsidiaries, including Budgens and Londis), which subsequently changed its name to Booker Retail Partners (GB) Limited ("BRP"). Sales attributable to the BRP acquisition are excluded until the anniversary of the acquisition.

(3) Sales for closed branches are excluded from the 52 weeks ended 25 March 2016, the 24 weeks ended 9 September 2016 and the 52 weeks ended 24 March 2017.

Currencies/exchange rate information

Unless otherwise indicated, all references in this Circular to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the UK. All references to the "euro" or "€" are to the currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. All references to "US dollars" or "$" are to the lawful currency of the United States.

The average exchange rates of US dollars and euros are shown relative to pounds sterling below. The rates below may differ from the actual rates used in the preparation of the financial statements and other financial information that appears elsewhere in this Circular. The inclusion of these exchange rates is for illustrative purposes only and does not mean that the sterling amounts actually represent such US dollar or euro amounts or that such sterling amounts could have been converted into US dollars or euro at any particular rate, if at all.

Average rate against pounds sterling

Year	US dollar Period End Ending	Average	High	Low
2011	1.5543	1.6	1.6707	1.5371
2012	1.6242	1.5852	1.6275	1.5318
2013	1.6566	1.5648	1.6566	1.4858
2014	1.5581	1.6474	1.7165	1.5515
2015	1.4734	1.5283	1.5883	1.4632
2016	1.234	1.3553	1.4810	1.2158
2017	1.3513	1.2886	1.3594	1.2068
2018 (through 31 January 2018)	1.4184	1.3814	1.4256	1.3513

Year	Euro Period End Ending	Average	High	Low
2011	1.1987	1.1499	1.2007	1.1066
2012	1.2308	1.2332	1.2863	1.1793
2013	1.2014	1.1779	1.2325	1.1432
2014	1.2797	1.2409	1.2877	1.1911
2015	1.356	1.3776	1.4416	1.2726
2016	1.1731	1.2242	1.3644	1.0983
2017	1.126	1.1416	1.1942	1.0758
2018 (through 31 January 2018)	1.1425	1.1326	1.1456	1.1219

Source: Bloomberg

TESCO SHAREHOLDER HELPLINE:

0371 384 2977

(calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras)

+44 121 415 7053 (FROM OUTSIDE THE UK)

LINES ARE OPEN 8.30 A.M. TO 5.30 P.M. (UK TIME), MONDAY TO FRIDAY (PUBLIC HOLIDAYS EXCEPTED)

EQUINITI MAY RECORD CALLS TO BOTH NUMBERS FOR SECURITY PURPOSES AND TO MONITOR THE QUALITY OF ITS SERVICES. THE TESCO SHAREHOLDER HELPLINE CANNOT PROVIDE ADVICE ON THE MERITS OF THE MERGER OR GIVE ANY FINANCIAL LEGAL OR TAX ADVICE.

THE CONTENTS OF THIS DOCUMENT OR ANY SUBSEQUENT COMMUNICATION FROM TESCO OR ITS SPONSOR OR ANY OF THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, EMPLOYEES OR AGENTS ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. TESCO IS NOT AUTHORISED TO PROVIDE SUCH ADVICE. EACH TESCO SHAREHOLDER SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, STOCKBROKER, BANK MANAGER, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER AUTHORISED UNDER FSMA IF YOU ARE RESIDENT IN THE UK OR, IF YOU RESIDE ELSEWHERE, ANOTHER APPROPRIATELY AUTHORISED FINANCIAL ADVISER, FOR LEGAL, FINANCIAL OR TAX ADVICE.

This Circular is dated 5 February 2018.

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RELEVANT DOCUMENTATION, EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND INDICATIVE STATISTICS

RELEVANT DOCUMENTATION

A prospectus in connection with the issue of the New Tesco Shares has been published by Tesco on its website at www.tescoplc.com and contains information regarding, among other things, the reasons for the Merger, further details concerning Tesco and Booker, historical financial information, the Tesco Directors, the Proposed Directors and the New Tesco Shares.

The Tesco Prospectus is available for inspection in accordance with paragraph 14 of Part VII (*Additional Information*) of this Circular. Paragraph 14 of Part VII (*Additional Information*) of this Circular sets out the various sections of the Tesco Prospectus which are incorporated by reference into this document. Only the parts of the documents identified therein are incorporated by reference in, and form part of, this Circular. The parts of the Prospectus which are not incorporated by reference are either not relevant for investors or are covered elsewhere in this Circular.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

PRINCIPAL EVENTS	TIME AND/OR DATE[1]
Expected timetable of principal events	
Event	**Time and Date**
Prospectus and Circular published	5 February 2018
Scheme Document published	5 February 2018
Latest time and date for receipt of proxy forms and voting instructions for Tesco General Meeting	10.00 a.m. on 26 February 2018[2]
Latest time and date for receipt of proxy forms and voting instructions for Booker Court Meeting	12.00 p.m. on 26 February 2018
Latest time and date for receipt of proxy forms and voting instructions for Booker General Meeting	12.10 p.m. on 26 February 2018
Tesco General Meeting held	10.00 a.m. on 28 February 2018
Booker Court Meeting held	12.00 p.m. on 28 February 2018
Booker General Meeting held	12.10 p.m. on 28 February 2018[3]
High court hearing to sanction Scheme	2 March 2018[4]
Last day for dealings in, and for registration of transfers of, and disablement in CREST of, Booker Shares	2 March 2018[4]
Scheme Record Time and record time with respect to the Closing Dividend	6.00 p.m. on 2 March 2018[4]
Effective Date of the Scheme	by no later than 8.00 a.m. on 5 March 2018[4]
Announcement concerning the extent to which elections under the Mix and Match Facility will be satisfied	5 March 2018[4]
Issue, admission and commencement of dealings of New Tesco Shares on the London Stock Exchange and the Irish Stock Exchange	by 8.00 a.m. on 5 March 2018[4]
Delisting of Booker Shares	5 March 2018[4]
Crediting of New Tesco Shares to CREST accounts	within 14 days of the Effective Date[4]
Despatch of share certificates for New Tesco Shares	within 14 days of the Effective Date[4]
Despatch of cash consideration to Booker Scheme Shareholders	within 14 days of the Effective Date[4]
Longstop Date	30 November 2018[5]

All times are UK times. Each of the times and dates in the above timetable is subject to change without further notice.

Notes:

(1) The dates and times given are indicative only and are based on current expectations and may be subject to change.

(2) Only persons entered in the register of members of Tesco at 6.30 p.m. on 26 February 2018 or, in the event that the meeting is adjourned, 6.30 p.m. on the date which is two working days prior to the reconvened meeting, shall be entitled to attend, speak and vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting or adjourned meeting.

(3) To commence at the time fixed or, if later, immediately after the conclusion of the Booker Court Meeting.

(4) The expected date of the Court hearing to sanction the Scheme and each of the subsequent dates set out in the timetable could be subject to change to earlier or later dates. These dates will depend, among other things, on the date on which: (i) the Conditions to the Scheme are satisfied or, if capable of waiver, waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court order is delivered to the Registrar of Companies.

(5) This is the latest date by which the Scheme may become effective unless Tesco and Booker agree, and (if required) the Court and the Takeover Panel allow, a later date.

INDICATIVE MERGER STATISTICS

Indicative Merger statistics

Consideration to be paid for each Booker Scheme Share	0.861 New Tesco Shares and 42.6 pence
Number of Tesco Shares in issue as at 1 February 2018 (being the Latest Practicable Date)	8,191,798,719
Number of Tesco Shares to be issued pursuant to the Merger	1,543,080,084
New Tesco Shares as a percentage of the Tesco ordinary share capital in issue immediately following Admission(1)	approximately 16 per cent.(1)
Number of Tesco Shares in issue immediately following issue of Merger consideration	9,734,878,803(2)

Notes:

(1) Based on Tesco's issued share capital at the date of this Circular.

(2) On the assumption that no further Tesco Shares are issued between 1 February 2018 (being the Latest Practicable Date) and Admission.

TESCO DIRECTORS, PROPOSED DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Tesco Directors	John Allan CBE (*Non-executive Chairman*) Dave Lewis (*Group Chief Executive*) Alan Stewart (*Chief Financial Officer*) Deanna Oppenheimer (*Senior Independent Director*) Mark Armour (*Independent Non-executive Director*) Steve Golsby (*Independent Non-executive Director*) Byron Grote (*Independent Non-executive Director*) Mikael Olsson (*Independent Non-executive Director*) Simon Patterson (*Independent Non-executive Director*) Alison Platt (*Independent Non-executive Director*) Lindsey Pownall OBE (*Independent Non-executive Director*)
Proposed Directors	Stewart Gilliland (*Independent Non-executive Director*) Charles Wilson (*Executive Director*)
Company Secretary	Robert Welch
Registered and head office of Tesco	Tesco House Shire Park Kestrel Way Welwyn Garden City AL7 1GA UK
Lead Financial Adviser	Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square London W1J 6ER UK
Financial Adviser, Corporate Broker and Sponsor	Barclays Bank PLC, acting through its Investment Bank 5 The North Colonnade Canary Wharf London E14 4BB UK
Financial Adviser, Corporate Broker	Citigroup Global Markets Limited Citigroup Centre Canada Square Canary Wharf London E14 5LB UK
Irish Sponsor	J&E Davy Davy House 49 Dawson Street Dublin 2 Ireland
English legal advisers to Tesco	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS UK

English legal advisers to the Sponsor	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG UK
Reporting Accountants and Auditors	Deloitte LLP 2 New Street Square London EC4A 3BZ UK
Registrars	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6DA UK

Part I

Letter from the Chairman

Registered Office
Tesco House
Shire Park
Kestrel Way
Welwyn Garden City AL7 1GA
United Kingdom

5 February 2018

To Tesco Shareholders and, for information only, to persons with information rights

Dear Shareholder

Recommended share and cash merger of Tesco PLC

and Booker Group plc

and

Notice of General Meeting

1. Introduction

On 27 January 2017, the boards of Tesco and Booker announced that they had reached agreement on the terms of a recommended share and cash merger of Tesco and Booker (the "Merger").

The Merger is intended to be implemented by way of a Court-sanctioned scheme of arrangement under Part 26 of the Act. Further details of the Merger are set out below.

Following the unconditional clearance of the Merger by the CMA announced on 20 December 2017, I am now writing to you to provide you with an explanation of the background to and reasons for the Merger and to explain further why the Tesco Board considers the Merger to be in the best interests of our shareholders as a whole and unanimously recommends that you vote in favour of the Tesco Resolutions, as the Tesco Directors have irrevocably undertaken to do in respect of their own individual holdings.

2. Summary of the terms of the Merger

Under the terms of the Merger, which is conditional on the Conditions (as described below) and subject to the further terms and conditions set out below and in the Scheme Document, Booker Scheme Shareholders at the Scheme Record Time will be entitled to receive:

For each Booker Scheme Share:	0.861 New Tesco Shares; and 42.6 pence in cash.

Based on the Closing Price of 206.3 pence per Tesco Share on the Latest Practicable Date, the terms of the Merger values each Booker Share at 220.2 pence and Booker's existing issued ordinary share capital at approximately £3.9 billion.

The Merger will result in Booker Shareholders owning approximately 16 per cent. of the Combined Group (based on the existing issued ordinary share capital of Tesco and Booker) and sharing in the benefits accruing to the Combined Group via its attractive growth prospects and the realisation of significant revenue and cost synergies. As a result, the voting rights of Existing

Tesco Shareholders will be diluted, such that the Existing Tesco Shareholders would, immediately after the Effective Date, hold voting rights of approximately 84 per cent. of the total voting rights that they had held immediately prior to completion. Please see paragraph 16 of this Part I (*Letter from the Chairman*) for details of how the dilution statistics are calculated.

On completion of the Merger, the Booker non-executive directors will resign as directors of Booker and Charles Wilson, Booker's Chief Executive, and Stewart Gilliland, Chairman of Booker, will join the Combined Group's Board. Charles Wilson will also join the Combined Group's Executive Committee and will be appointed as CEO of Tesco's retail and wholesale operations in the UK & ROI. Matt Davies will continue as CEO of UK & ROI until completion of the Merger, when he will step down and after supporting a handover, will leave the Tesco Group at the end of April 2018. A summary of the terms of employment of Charles Wilson and Stewart Gilliland is included at paragraph 5 of Part VII (*Additional Information*).

Tesco will also provide a Mix and Match Facility (as further described below), which will allow Booker Shareholders to elect, subject to off-setting elections, to vary the proportions in which they receive New Tesco Shares and cash. The Mix and Match Facility will not change the total number of New Tesco Shares to be issued or the maximum amount of cash that will be paid under the terms of the Merger.

The New Tesco Shares will be issued credited as fully paid and will rank *pari passu* in all respects with Tesco ordinary shares in issue at the time the New Tesco Shares are issued pursuant to the Merger, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling on or after the Effective Date. Applications have been made: (a) to the FCA for the New Tesco Shares to be admitted to the premium listing segment of the UK Official List; (b) to the London Stock Exchange for the New Tesco Shares to be admitted to trading on its main market for listed securities; and (c) to the Irish Stock Exchange for the New Tesco Shares to be admitted to listing on the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main market for listed securities.

The Booker Shares will be acquired pursuant to the Merger fully paid and free from all liens, equitable interests, charges, encumbrances, rights of pre-emption and other third party rights of any nature whatsoever and together with all rights attaching to them as at the date of the Merger Announcement or subsequently attaching or accruing to them, save for any Permitted Booker Dividends.

Mix and Match Facility

Booker Shareholders (other than certain Booker Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the UK or the United States) will be entitled to elect to vary the proportions in which they receive New Tesco Shares and cash in respect of their holdings of Booker Shares. However, the total number of New Tesco Shares that will be issued and the maximum amount of cash that will be paid under the terms of the Merger will not be varied as a result of elections made under the Mix and Match Facility. In connection with the Mix and Match Facility, Charles Wilson, the Chief Executive of Booker and a Proposed Director, has irrevocably undertaken to elect to receive 100 per cent. New Tesco Shares in respect of his entire holding of Booker Shares, subject to the elections of other Booker Shareholders.

Elections made by Booker Shareholders under the Mix and Match Facility will be satisfied only to the extent that other Booker Shareholders make off-setting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. As a result, Booker Shareholders who make an election under the Mix and Match Facility will not know the exact number of New Tesco Shares or the amount of cash they will receive until settlement of the Merger Consideration due to them, although an announcement will be made at the Effective Date of the approximate extent to which elections under the Mix and Match Facility will be satisfied.

The Mix and Match Facility will not affect the entitlement of any Booker Shareholder who does not make an election under the Mix and Match Facility. Any such Booker Shareholder will receive 0.861 New Tesco Shares and 42.6 pence in cash for each Booker Share held.

Further details of the Mix and Match Facility (including the action to take in order to make a valid election, the deadline for making elections, and the basis on which entitlement to receive cash may be exchanged for an entitlement to additional New Tesco Shares (or vice versa)) for Booker Shareholders are included in the Scheme Document.

The Mix and Match Facility is conditional upon the Merger becoming effective.

Conditions

At the time of the Merger Announcement the Merger was, amongst other things, subject to satisfaction of the CMA Pre-Condition. On 20 December 2017, the CMA unconditionally cleared the Merger, confirming that Tesco and Booker do not directly compete in most areas in which they operate and that the Merger does not raise competition concerns. In particular, the CMA's inquiry found that existing competition is sufficiently strong in both the wholesale and retail grocery sectors to ensure that the Merger will not lead to higher prices or a reduced service for business customers or consumers. The CMA Pre-Condition has therefore now been satisfied.

The Merger remains subject to the full terms and conditions set out in the Scheme Document, including, amongst other things: (a) approval by a majority in number representing not less than 75 per cent. in value of Booker Shareholders who are on the register of members of Booker at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Booker Court Meeting, (b) the passing of all resolutions required to approve and implement the Scheme and to approve certain related matters by the requisite majority of Booker Shareholders at the Booker General Meeting, (c) the Scheme becoming effective no later than the Longstop Date, (d) the passing of all resolutions required to approve and implement the Scheme and acquisition of the Booker Shares and to approve certain related matters by the requisite majority of Tesco Shareholders at the Tesco General Meeting, (e) the FCA and the London Stock Exchange having acknowledged that UK Admission will become effective, and (f) there having been no material adverse change or deterioration in the business, assets, financial or trading position or profit or prospects of the Booker Group.

As a result of its size, the Merger constitutes a Class 1 transaction for Tesco for the purposes of the Listing Rules. Accordingly, we are required to seek the approval of Tesco Shareholders for the Merger at the Tesco General Meeting, which has been convened for 10.00 a.m. on 28 February 2018 at etc.venues St Paul's, 200 Aldersgate, St Paul's, London, EC1A 4HD. Tesco Shareholders will be asked to vote in favour of the Tesco Resolutions to approve the Merger, the issue and allotment of the New Tesco Shares.

The Prospectus prepared in accordance with the Prospectus Rules, which contains further details of the issue of the New Tesco Shares, has been published on Tesco's website (www.tescoplc.com).

3. Tesco dividend policy and Booker dividends

Reflecting Tesco's improved performance and the Tesco Board's confidence in its future prospects, on 4 October 2017 the Tesco Board announced a return to dividends and on 24 November 2017 paid an interim dividend of 1.0 pence per ordinary share (this follows payment of no dividend in the 52 weeks ended 25 February 2017 and 27 February 2016 and payment of a dividend of 1.16 pence per ordinary share in the 53 weeks ended 28 February 2015). The Tesco Board expects a broadly one-third, two-thirds split between the interim and final dividend (and is intending to pay a final dividend for the 52 weeks ending 24 February 2018 of 2.0 pence per ordinary share (subject to shareholder approval)), with dividends expected to grow progressively from 2017, with the aim of achieving a target cover of approximately 2x earnings per share over the medium term.

Tesco and Booker agreed on announcement of the Merger in January 2017 that Booker Shareholders would be entitled to receive any ordinary interim and final dividends announced, declared or paid by Booker in the ordinary course, in a manner consistent with past practice, and with a record date falling prior to the Effective Date. Tesco and Booker have now agreed that the closing dividend (the "Closing Dividend") that Booker Shareholders are entitled to receive will be 3.7 pence per Booker Share if the Effective Date is on or prior to 31 March 2018, which will be paid by Booker soon after the Effective Date and in any event no later than the date falling 14 days after the Effective Date. This dividend reflects the principle agreed between Tesco and Booker in the Merger Announcement that Booker Shareholders should receive a final dividend payment equal to the accrued but unpaid ordinary dividends that they would otherwise have expected to receive as a Booker Shareholder in respect of the period from the end of the last financial period for which a Booker dividend was announced, made, declared or paid until the Effective Date, such payment to be reduced by any dividends that a Booker Shareholder would be expected to become entitled to receive as a holder of New Tesco Shares after the Effective Date in relation to the same period. If the Effective Date is after 31 March 2018, the Closing Dividend will be re-calculated in accordance with the formula set out in Part X (*Dividends*) or as otherwise agreed between Tesco and Booker and the amount of the Closing Dividend will be announced to Booker Shareholders via a Regulatory Information Service on or prior to the Effective Date.

Further details in respect of the dividend entitlements of Booker Shareholders are set out in Part X (*Dividends*).

4. Background to and reasons for the Merger

The food market is constantly evolving. 'In home' consumption is significant and stable, but the eating out market continues to grow and evolve with delivery and convenience becoming increasingly important to business customers and consumers.

The Tesco Board recognises the attractive opportunity which exists for the Merger to bring together retail and wholesale expertise to create a market leader in products and procurement, with extensive reach, distribution and supply chain capabilities to create the UK's leading food business. The Tesco Directors expect that the Combined Group will be well-positioned to offer a more innovative offer for customers and consumers in a larger and faster growing market.

Booker is the UK's leading food wholesaler

Booker operates a cash and carry network and, through its 198 branches[1], has a delivery capability with national coverage. Through its branches, Booker has the ability to serve independent retailers, catering and small business customers, and also serves national chains of retailers (including symbols groups and franchise networks), cinemas and other organisations.

The Booker Group has grown with its customers. By improving choice, prices and service to its customers, Booker has grown its sales from approximately £3 billion in the 52 weeks ended 30 March 2007 to approximately £5.3 billion in the 52 weeks ended 24 March 2017, which has driven its operating profit from approximately £46.1 million in the 52 weeks ended 28 March 2008 to approximately £176 million in the 52 weeks ended 24 March 2017.

Booker is predominantly engaged in the wholesale supply of food and non-food products to a range of catering, retailer and other small businesses, with a large majority of its profits generated from business customers in the catering sector.

1 The branch known as Makro Park Royal, London is the subject of a compulsory purchase order and discussions remain ongoing in relation to the compensation payable to Booker.

Booker was also voted the UK's best wholesaler by The Grocer in 2017. This is the seventh time this has been achieved in the past eight years.

Tesco is the UK's leading food retailer

Tesco operates as a leading food retailer in the UK via its own distribution channels, with an efficiently managed network of 3,500 directly owned and operated stores. 330,000 skilled colleagues help serve 52 million customer transactions a week in the UK and ROI. It has 16 million active Clubcard customers. Based on strong supplier partnerships Tesco offers leading fresh, own-brand and branded ranges of products. It already has proven leadership in grocery home shopping with 98 per cent. reach of the population through this on-line service.

The Merger will create the UK's leading food group, offering benefits to consumers, customers, suppliers, colleagues and shareholders:

Consumers

The consumers being served by the Combined Group are expected to benefit from:

- improved choice in the range of fresh food available at more, convenient outlets;
- the widest range of food and ingredients in professional catering outlets;
- quality fresh foods at attractive prices at more retail and eating out establishments; and
- an expanded network of up to 8,000 convenient neighbourhood locations to pick up click and collect orders.

Customers – Independent retailers, caterers and small businesses

The Combined Group will be able to improve choice, prices and service for the retail, catering and small business customers that Booker is proud to serve. It is expected that, as a result of the Merger, Booker's customers will benefit from the Combined Group's ability to:

- offer a significant enhancement to the range of food available for independent retailers, caterers and small businesses, including fresh food and the availability of new, own brand ranges;
- improve the value equation through better sourcing, allowing access to competitive prices from larger brands;
- significantly enhance the delivery service by utilising the Combined Group's range and fleet;
- provide access to Tesco banking, mobile and Tesco Pay+ services to support the management of businesses, and the core consumer offering;
- transfer knowledge, skills and innovation ideas across the retail and wholesale markets more readily to develop an enhanced proposition for businesses and consumers; and
- make a positive contribution to local communities through supporting small businesses.

Suppliers

The Combined Group will benefit from a multi-channel supply chain covering the whole spectrum of food, grocery and catering supplies, which will provide opportunities for suppliers. It is expected that, as a result of the Merger, the Combined Group will:

- provide access to a wider range of channels and outlets, opening up broader market opportunities for suppliers. This includes the opportunity to create own label brands as well as supplying existing products to a wider footprint;
- create the opportunity for fresh suppliers to use and sell their full crop. By opening up a broader range of routes to markets the Combined Group anticipates fuller crop procurement and utilisation which will help reduce food waste, lower costs of production and increase efficiencies. The Combined Group anticipates greater opportunities for innovation in food production as a result; and
- help reduce carbon emissions through improved production measures and the utilisation of the most efficient storage and transportation network.

Colleagues

The Combined Group will open up opportunities for colleagues of both Tesco and Booker by broadening the range of experiences, skills and roles in a multi-channel business. It is expected that, as a result of the Merger, the Combined Group will:

- provide stretching growth opportunities by becoming part of a larger business;
- offer broader experiences and skills in a new, multi-channel environment;
- enhance the security of roles by delivering growth; and
- open up further opportunities for colleagues to be involved in and contribute to local community projects.

Shareholders

The Merger is anticipated to create shareholder value by generating new growth, whilst retaining market-leading retail and wholesale expertise. It is expected to:

- provide investors with access to a larger, faster-growing market opportunity for the Combined Group;
- bring together the capacity and capability to accelerate revenue growth;
- improve efficiency and asset utilisation of the Combined Group; and
- realise significant efficiencies with quantified synergies of at least £200 million per annum. by the end of the third year following completion of the Merger (as described in further detail in the section titled "*Financial benefits and effects of the Merger*" below).

As a result, the Tesco Board expects the Merger to:

- generate a Return on Invested Capital in excess of Tesco's cost of capital in the second full financial year following the Effective Date, and significantly in excess of Tesco's cost of capital in the third full financial year as the synergy benefits are delivered;
- be accretive to Tesco's earnings per share (excluding the effects of implementation costs) in the second full financial year following the Effective Date; and
- be beneficial to Tesco's leverage metrics as the benefits of the Merger are delivered.

5. Financial benefits and effects of the Merger

The Tesco Board believes that the Combined Group will bring together the capacity and capability to accelerate revenue growth, from opportunities which:

- help independent retailers grow their business by enabling them to offer an enhanced customer proposition, better value and quality, with strong fresh and own brand ranges;

- help independent caterers by improving the value equation through better sourcing and enhancing the range of food available, including fresh food and own brand ranges;
- better utilise the combined asset base, leading to enhanced delivery service propositions and digital offerings for all customers and improving accessibility to the full offering of the Combined Group;
- accelerate growth in the food service sector, by utilising the Combined Group's combined skills and network;
- attract more catering and symbol group customers due to the enhanced product range and service proposition; and
- bring together complementary capabilities and a new source of consumer and customer insight to drive new innovative offerings.

As the two businesses have begun their preparation and planning to join forces once the Merger completes, a number of detailed growth initiatives are already under evaluation by joint Tesco and Booker working teams (using clean team arrangements where appropriate). In order to ensure that this work focuses on business areas that can deliver maximum returns in the most cost effective way, each initiative has been categorised as being "customer" or "future concept" focused. These growth initiatives will be further developed and could potentially be rolled out by the Combined Group following completion of the Merger. Examples of these growth opportunities include:

- *Range optimisation. (Categorised – Customer Focused)*
    - The two businesses see an opportunity to offer customers new products that are not currently in the other business' product range.
    - As a result of this initiative the Combined Group plans to trial, and then introduce, a number of products following completion of the Merger to improve the range and offer for both Tesco's and Booker's existing customers.
    - Through its broad-based supplier relationships and reach, the Combined Group will be able to bring a wider range of products to Booker's food service and catering customers at competitive prices, with examples under review including key areas such as food ingredients, fresh foods, baked goods and chilled categories.
    - As well as a wide product range to support its network of independent retail partners, Booker has developed a number of innovative products for its food service and catering customers, which the Combined Group believes will also be attractive to Tesco's retail customers.
- *Chef Central implants within larger Tesco stores. (Categorised – Customer Focused)*
    - Booker currently offers a tailored range of products and services for professional chefs and cooks centred on its growing Chef Central business and successful Chef's Larder and Chef's Essentials branded ranges. The Combined Group has identified a number of larger Tesco stores where new Chef Central implant stores could be developed. The Combined Group believes:
        - developing these implant stores will bring this successful offer to more professional chefs and food customers across the country;
        - this will improve space utilisation within Tesco's larger stores, building on other space led initiatives like the Next 'store in store' project;

        - this will potentially increase footfall and sales within these Tesco stores as Chef Central customers will have access to the wider range of Tesco products conveniently co-located, especially fresh; and
        - it will allow the Combined Group to develop a more compelling online and delivered offer for the food service and catering industry, allowing chefs and cooks to source products from both the Booker and the Tesco ranges.
    - An initial Chef Central trial implant store (being operated by Booker under an arms-length commercial relationship with Tesco pending completion of the Merger) is planned to open in late February 2018 at the Tesco Extra in Bar Hill, Cambridge and will provide early learnings to determine future roll out plans.

- *Offering an enhanced Click and Collect, Mobile and Banking service. (Categorised – Future Concept)*
    - In addition to its network of relationships with independent retail partners that operate over 5,000 convenience stores through its banner and wholesale supply arrangements, Booker also supplies over 440,000 catering outlets, including many pubs and restaurants, across the country.
    - A large number of these independent convenience stores and food service outlets have the potential to become click and collect pick up locations for Tesco, increasing the density and availability of Tesco's click and collect network and creating additional footfall and revenue opportunities for Booker's current customers.
    - The Combined Group plans to develop a range of mobile and banking and insurance products and services, leveraging the Tesco Group's skills and capabilities, targeted at servicing the needs of Booker's independent retailers, food service and catering customers in order to add value and service to this key customer segment.

- *An expanded delivered offer for food service and catering customers. (Categorised – Future Concept)*
    - Booker's current delivered offer for food service and catering customers is principally for products that can be delivered at ambient temperatures.
    - Tesco has the UK's largest nationwide fleet of home delivery vans with ambient, chilled and frozen storage compartments.
    - The Combined Group plans to create an enhanced delivery offer targeting food service and catering customers delivering ambient, chilled and frozen products at times that work best for such businesses both increasing sales and also increasing delivery van fleet utilisation and asset returns.

- *New innovative formats. (Categorised – Future Concept)*
    - Tesco and Booker both have a strong heritage and history of customer focused innovation. By joining forces, the Combined Group will have enhanced capabilities and will benefit from the learnings and experience of both businesses as it seeks to develop new formats to better serve customers.

Tesco quantified financial benefits statement

The Merger is expected to enable significant opportunity for revenue synergies. The Merger is also expected to enable significant opportunity for cost synergies across areas including procurement, distribution, central functions and other costs.

The Tesco Directors expect pre-tax synergies for the Combined Group to reach a recurring run-rate of at least £200 million per annum by the end of the third year following completion of the Merger. These anticipated synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

Significant revenue growth potential

The Tesco Board anticipates significant revenue growth opportunities, many of which have not been fully quantified at this stage.

The Tesco Board is able to anticipate recurring incremental operating profit of at least £25 million per annum by the end of the third year following completion of the Merger, primarily through additional revenue generated from an extended catering offering within Tesco's stores, as well as Booker's symbol stores being able to offer an enhanced product range and customer proposition.

Significant cost synergy potential

One of the key drivers of the identified synergies is the efficiencies that the Merger enables given the complementary nature of the businesses. The Tesco Directors expect pre-tax cost synergies for the Combined Group to reach a recurring run-rate of at least £175 million per annum by the end of the third year following completion of the Merger.

The constituent elements of quantified cost synergies are in addition to savings initiatives already underway at Tesco and comprise:

- *Procurement*: approximately 55 per cent. of the identified cost synergies are expected to be generated from improved purchasing cost efficiencies and sharing best practice across each of the three main types of supplier: fresh, own label and branded. These opportunities comprise end-to-end cost reduction, lower waste, new opportunities for shared innovation and better optimisation of supply terms for the Combined Group.
- *Distribution and fulfilment*: approximately 35 per cent. of the identified cost synergies are expected to be generated from opportunities in logistics and delivery, and improved efficiency and service standards. Optimising a joint national distribution system of Tesco and Booker is expected to lead to material benefits, including sharing parts of the delivery fleet. The recent failure of Palmer & Harvey, a national distributor that worked with Tesco, has caused a reassessment of plans for the distribution networks of both businesses and how they will be best brought together. This assessment is underway and will be completed after the Merger.
- *Central functions and other*: less than 10 per cent. of the identified cost synergies are expected to be generated from the reduction of duplicate costs and improved purchase of goods not for resale.

Realisation costs and dis-synergies

The Tesco Directors expect the realisation of the quantified synergies will require estimated one-off cash costs of approximately £145 million incurred in the first three years after the Effective Date.

Aside from the one-off costs referred to above, the Tesco Directors do not expect any material dis-synergies to arise in connection with the Merger.

These statements of identified synergies and estimated savings relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

These anticipated synergies identified reflect both the beneficial elements and the relevant costs.

Further information on the bases of belief supporting the Tesco Quantified Financial Benefits Statement including the principal assumptions and sources of information, is set out in Part V (*Tesco Quantified Financial Benefits Statement*) below.

6. Information on the Tesco Group

Tesco is one of the world's largest retailers, with over 460,000 colleagues serving millions of customers every week, from 6,809 stores in eight countries across the UK, ROI, Central Europe and Asia, and online, and with joint venture operations in China and India. Tesco's primary operations are in retailing, where it has four key categories of fresh food, packaged food & grocery, clothing and general merchandise. Tesco also sells fuel and operates in financial services, primarily through Tesco Bank, mobile telecommunications services and in pharmacies in a number of its markets. Through its dunnhumby subsidiary, Tesco operates in the field of consumer insight.

The Tesco Group places customers at the centre of everything it does to deliver its purpose – serving shoppers a little better every day. Tesco exists to serve customers – listening to them and acting on what is most important in seeking to deliver the best possible shopping trip. To achieve this Tesco has focused on building close and mutually-beneficial relationships with its supplier partners to source the best possible products to meet and anticipate customers' needs. Tesco works through a range of channels, from small shops to large shops and its online business. Tesco continuously looks to reinvest in improving its core proposition to customers.

Competition in all the markets that Tesco operates in is high, with a combination of established operators, new entrants and online operators giving shoppers a wide amount of flexibility and choice in where they shop. The food market is constantly evolving. 'In home' consumption is significant and stable, but the eating out market continues to grow and evolve, with delivery and convenience becoming increasingly important to business customers and consumers. Consumers continue to be attracted to online shopping, whether for browsing or shopping, for in store collection or home delivery. Tesco seeks to offer shopping in whatever form customers choose, at a price level that is economically sustainable.

The progress Tesco has made against the three turnaround priorities first set out in October 2014 has stabilised the Tesco Group. Tesco is more competitive, its balance sheet is more secure, and it is rebuilding trust and transparency in its brand. Tesco has made sustained improvements in price competitiveness, availability, quality and service. Tesco launched a range of new, exclusive fresh food brands in the UK in mid-2016 which are performing ahead of expectations, have improved Tesco's value proposition and have further removed reasons for customers to shop elsewhere.

Whilst it expects the market to remain challenging and uncertain, Tesco has clear plans which the Tesco Directors believe will enable it to deliver more value for all of its stakeholders – its customers, colleagues, supplier partners and shareholders. In October 2016, Tesco published six strategic drivers through which it seeks to strengthen its market position:

1. **A differentiated brand**: A strong brand creates long-term value. Tesco's purpose, to serve shoppers a little better every day, is at the heart of what the Tesco brand stands for.
2. **Reduce operating costs by £1.5 billion by FY19/20:** Tesco has undertaken a thorough review of its entire cost base, to identify further opportunities for meaningful savings.

3. **Generate £9 billion cash from operations**: Cash is the lifeblood of Tesco's business, and Tesco has set a three-year target to generate £9 billion of cumulative retail cash from operations.

4. **Maximise the mix to achieve a 3.5 per cent. to 4.0 per cent. Group operating margin**: Building sustainable profitability across Tesco's businesses, channels and product ranges.

5. **Maximise value from property**: Tesco's property strategy is about releasing value from its estate, and repurposing space to enhance its customer offer.

6. **Innovation**: Tesco's innovation strategy is driven by expertise and insight in its three differentiating capabilities: Product, Channel and Customer.

Increasing sales volumes in key fresh food and grocery categories helps to drive the Tesco business model. In recent times, volumes in these areas have been increasing. The Tesco Group had a strong performance in the 2016/2017 financial year, with group sales (excluding VAT and excluding fuel) of £49.9 billion and group operating profit before exceptional items of £1.28 billion, up from £47.9 billion and £985 million respectively on the previous financial year. In the UK & ROI, the Tesco Group has now seen eight consecutive quarters of like-for-like sales growth.

7. Tesco's current trading, trends and prospects

Tesco has made further progress towards meeting the medium-term ambitions outlined in October 2016. Since Tesco's 3Q and Christmas Trading Update was released on 11 January 2018, the Tesco Group's trading performance has been in line with management's expectations and the Tesco Directors expect the Tesco Group to deliver at least £1.575 billion group operating profit before exceptional items in respect of the financial year ending 24 February 2018. The Tesco Directors further intend to propose that shareholders approve the payment of a final dividend of 2.0 pence per Tesco Share in respect of the financial year ending 24 February 2018 at the 2018 Tesco annual general meeting.

Tesco Profit Forecast

For the purposes of Rule 28 of the City Code, the following statement constitutes a profit forecast for the 52 weeks ending 24 February 2018:

"*The Tesco Directors expect the Tesco Group to deliver at least £1.575 billion group operating profit before exceptional items in respect of the financial year ending 24 February 2018*."

For additional details relating to the basis of preparation for the Tesco Profit Forecast and the bases and assumptions on which it was prepared, please see Part VI (*Tesco Profit Forecast*).

8. Booker's current trading, trends and prospects

For the 16 weeks ended 29 December 2017, based on unaudited management accounts, Booker Group's non-tobacco sales rose by 5.9 per cent. with non-tobacco like-for-likes up 6.2 per cent. Booker Group's tobacco sales declined by 2.6 per cent., with tobacco like-for-likes down 2.1 per cent. As a result, total sales were up 3.4 per cent. and like-for-likes were up 3.8 per cent.

Both the catering and retail sides of Booker Group made good progress. Premier continued to grow and Budgens and Londis performed well. Booker commenced the supply to Shell and MRH forecourt businesses in December 2017. Internet sales increased by 14 per cent. to £381 million (excluding Budgens and Londis) and Booker India continued to make progress.

Booker continues to work to Focus, Drive and Broaden the business to improve choice, prices and service for its customers.

9. Information on the Booker Group

The Booker Group is the UK's leading food wholesaler, offering branded and own label goods which are sold to approximately 117,000 independent retail customers, 569,000 registered digital customers, 441,000 catering customers and 641,000 small business customers, including independent convenience stores, grocers, leisure outlets, pubs and restaurants. The Booker Group currently lists approximately 18,000 product lines, comprising an extensive range of branded and own label grocery, fresh and frozen food, beers, wines, spirits, tobacco and non-food items. The Booker Group now comprises Booker Wholesale, Makro, Booker Direct, Classic Drinks, Ritter Courivaud, Chef Direct, Premier, Family Shopper, Budgens, Londis and Booker India.

In the 52 weeks ended 24 March 2017, sales totalling £3.01 billion were collected by customers from the Booker Group's branches and sales totalling £2.32 billion were delivered to the premises of Booker's customers. The Booker Group currently trades from 198 branches in the UK. The average size of the sales area of these branches is approximately 43,000 sq. ft., although Booker has two branches with sales areas over 100,000 sq. ft. and 20 branches with sales areas under 20,000 sq. ft.

For the 52 weeks ended 24 March 2017, the Booker Group generated profits of £153.8 million, and as at 24 March 2017 the Booker Group had gross assets of £1,436.5 million.

For the 24 weeks ended 8 September 2017, the Booker Group generated profits of £74.7 million, and as at 8 September 2017 had gross assets of £1,389.6 million.

10. Integration Planning, Management, Employees and Locations

Integration planning

The Tesco Board is confident that the benefits of the Merger can be achieved without significant disruption to the underlying operations of either business.

An integration team (the "Joining Forces Team") has been established by Tesco and Booker, bringing together the relevant capabilities of both businesses, to ensure that synergies referred to in paragraph 5 of this Part I (*Letter from the Chairman*) can be maximised and to seek to achieve further growth opportunities beyond those already identified and quantified. The Joining Forces Team consists of senior operational and commercial individuals from each organisation, and reports to Charles Wilson, Booker's Chief Executive and Dave Lewis, Tesco's Chief Executive Officer.

The initial integration plan, which has been drawn up by the Joining Forces Team in recent months and is being further refined following clearance of the Merger by the CMA, is focused on the areas of cash, costs, customer, concept and culture. Senior individuals in each organisation have been designated with responsibility for specific targeted benefits to be achieved as part of the integration and working to achieve these specific targets in each of these areas during the three years following completion of the Merger. As the two organisations come together, the Joining Forces Team will continue to look for further benefits in the areas already examined and identified, including distribution and the central and convenience operations of the Combined Group, and will also look into other areas where benefits have not been identified and/or quantified. The recent failure of Palmer & Harvey, a national distributor that worked with Tesco, has caused a reassessment of plans for the distribution networks of both businesses and how they will be best brought together. This assessment is underway and will be completed after the Merger.

Please see paragraph 5 of this Part I (*Letter from the Chairman*) and Appendix 1 (*Tesco Quantified Financial Benefits Statement*) for details of the expected financial benefits and effects of the Merger (including synergy opportunities).

Management and employees

Tesco attaches great importance to the skills and experience of the existing management and employees of the Booker Group and believes that they will be a key factor in maximising the opportunities that the Merger will present for the Combined Group. Tesco will aim to retain the best talent across the Combined Group and management and employees of the Booker Group will have the possibility of benefiting from potential new opportunities within the Combined Group following the Merger.

On completion of the Merger, the Booker non-executive directors will resign as directors of Booker and Charles Wilson, Booker's Chief Executive, and Stewart Gilliland, Chairman of Booker, will join the Combined Group's Board. Charles Wilson will also join the Combined Group's Executive Committee and will be appointed as CEO of Tesco's retail and wholesale operations in the UK & ROI. Matt Davies will continue as CEO of UK & ROI until completion of the Merger, when he will step down and after supporting a handover, will leave the Tesco Group at the end of April 2018. A summary of the terms of employment of Charles Wilson and Stewart Gilliland is included at paragraph 5 of Part VII (*Additional Information*).

Until combined business planning work has been completed, and specific targeted benefits in the areas of cash, costs, customer, concept and culture identified (and implementation plans to achieve them are finalised) any potential integration steps will not be certain and the impact they will have on employment, the balance of skills and functions of the employees and management and places of business of the Booker Group will not be known.

The Tesco Board recognises that, in order to achieve the expected benefits of the Merger, some operational and administrative restructuring will be required following completion of the Merger. However, the Tesco Board respects and recognises the experience and expertise that Booker's management has in the area of wholesale supply to franchise and food service customers. Accordingly, as areas of potential overlap of functions between the two groups are limited, any headcount reductions are also therefore anticipated to be limited to certain central functions across both the Tesco and Booker business headquarters. If implemented, these are expected to impact approximately 2.5 per cent. of the Combined Group's central functions workforce of approximately 10,000 people primarily through natural attrition over time. The Tesco Board does not expect any other material change to the continued employment of Booker employees or, as a result of the Merger, of Tesco employees. The Tesco Board does not expect any material change to the balance of skills and functions in the Combined Group.

Following completion of the Merger, the existing contractual and statutory employment rights of the Booker employees will be observed and pension obligations (including existing agreed contributions into the Booker pension plans) complied with, in accordance with applicable law. Tesco does not envisage any material changes to the conditions of employment of Booker employees or the existing agreed pension contributions and accrual of benefits for existing members of the Booker pension plans or admission of new members into the existing Booker defined contribution pension plans following completion of the Merger.

Locations

Tesco intends that Booker will continue to operate from its existing headquarters in Wellingborough and other places of business and, except as explained in this paragraph 10 (*Integration planning, management, employees and locations*), has no intentions to materially alter the overall size or nature of operations at the Wellingborough headquarters or elsewhere in the Booker operations or to redeploy the material fixed assets of the Booker Group. Tesco does not intend to materially alter the overall size or nature of operations at its Welwyn Garden City headquarters or elsewhere in the Tesco operations as a result of the Merger.

As leases come to an end across both the Tesco Group and the Booker Group opportunities for rationalisation of premises will be examined. No specific leased premises have been identified for rationalisation. As described further in paragraph 5 of this Part I (*Letter from the Chairman*), Tesco and Booker, through the Joining Forces Team, are also examining the opportunity to work together to create a "Chef Central" operation at selected Tesco sites, to create a catering offer of certain key products for Tesco and Booker customers at those locations.

Research and development

Owing to the nature of its business, Booker does not conduct significant research and development activities, but to the extent any such activities are currently undertaken, they are not expected to be impacted in any material way by the Merger.

11. Structure of the Merger

It is intended that the Merger will be implemented by way of a Court-sanctioned scheme of arrangement between Booker and the Booker Scheme Shareholders, made under Part 26 of the Act. The procedure involves, among other things, an application by Booker to the Court to sanction the Scheme, in consideration for which the Booker Scheme Shareholders will receive the Consideration. The purpose of the Scheme is to provide for Tesco to become the owner of the entire issued and to be issued share capital of Booker, and Booker becoming a wholly owned subsidiary of Tesco.

The Scheme will only become effective if, among other things, the following events occur on or before the Longstop Date:

- a resolution to approve the Scheme is passed by a majority in number representing not less than 75 per cent. in value of Booker Shareholders who are on the register of members of Booker at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Booker Court Meeting;
- all resolutions required to approve and implement the Scheme and to approve certain related matters are passed by the requisite majority of Booker Shareholders at the Booker General Meeting;
- the Scheme is sanctioned (with or without modification, on terms agreed by Tesco and Booker) by the Court;
- a copy of the order of the Court sanctioning the Scheme under Part 26 of the Act is delivered to the Registrar of Companies in England and Wales; and
- all other Conditions having been fulfilled or (if capable of waiver) waived.

Upon the Scheme becoming effective, it will be binding on all Booker Scheme Shareholders, irrespective of whether or not they attended or voted at the Booker Court Meeting or the Booker General Meeting (and if they attended and voted, whether or not they voted in favour), and share certificates in respect of Booker Shares will cease to be valid and entitlements to Booker Shares held within the CREST system will be cancelled shortly thereafter.

If the Scheme does not become effective on or before the Longstop Date, it will lapse and the Merger will not proceed (unless the Takeover Panel otherwise consents).

The Scheme Document will be posted to Booker Shareholders and, for information only, to persons with information rights and to holders of options granted under the Booker Share Schemes, on or about the date this Circular is issued. The Scheme Document includes full details of the Scheme, together with notices of the Booker Court Meeting and the Booker General Meeting. The Scheme Document also contains the expected timetable for the Merger, and specifies the necessary actions to be taken by Booker Shareholders. Subject, amongst other things, to the satisfaction or waiver of the Conditions, it is currently expected that the Scheme will become effective on 5 March 2018.

Fractions of New Tesco Shares will not be allotted to Booker Shareholders but will be aggregated and sold as soon as practicable after the Scheme becomes effective. The net proceeds of such sale (after the deduction of all expenses and commissions including any VAT thereon, incurred in connection with such sale) will then be paid in cash to the relevant Booker Shareholders in accordance with their fractional entitlements (rounded down to the nearest penny).

The Scheme will be governed by English law and will be subject to the jurisdiction of the courts of England and Wales. The Scheme will be subject to the applicable requirements of the City Code, the Takeover Panel, the London Stock Exchange and the FCA.

12. Irrevocable undertakings and lock-up arrangements

Irrevocable undertakings from Booker Directors

Tesco has received irrevocable undertakings from the following Booker Directors to vote in favour of the Scheme at the Booker Court Meeting and the resolutions to be proposed at the Booker General Meeting (and if the Merger is subsequently structured as a Takeover Offer, to accept any Offer made by Tesco) in respect of their entire holdings, amounting to 120,555,793 Booker Shares in aggregate, representing approximately 6.7 per cent. of Booker's existing issued ordinary share capital on 1 February 2018, being the Latest Practicable Date.

Name	Number of Booker Shares	Percentage of issued ordinary share capital of Booker (per cent.)
Charles Wilson[(a)]	108,241,986	6.0396
Jonathan Prentis[(b)]	10,413,807	0.5811
Guy Farrant[(c)]	1,500,000	0.0837
Andrew Cripps	200,000	0.0112
Karen Jones CBE	100,000	0.0056
Stewart Gilliland	50,000	0.0028
Gary Hughes	40,000	0.0022
Helena Andreas	10,000	0.0006
TOTAL	**120,555,793**	**6.7267**

Notes:

(a) The irrevocable undertaking provided by Charles Wilson contains an undertaking in respect of the Mix and Match Facility pursuant to which he has irrevocably undertaken to elect to receive 100 per cent. New Tesco Shares in respect of his entire holding of Booker Shares, subject to the elections of other Booker Shareholders.

(b) Jonathan Prentis may dispose of any additional Booker Shares he acquires upon the exercise of his share options (including vested but unexercised share options).

(c) Guy Farrant may dispose of any additional Booker Shares he acquires upon the exercise of his share options (including vested but unexercised share options).

The obligations of the Booker Directors under the irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- Tesco announces that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Offer is announced in accordance with Rule 2.7 of the City Code at the same time;
- the Scheme or Offer lapses or is withdrawn and no new, revised or replacement Scheme or Offer has been announced, in accordance with Rule 2.7 of the City Code, in its place or is announced, in accordance with Rule 2.7 of the City Code, at the same time;

- the Circular and (if different) the document convening the Tesco General Meeting does not include the Tesco Board Recommendation, or Tesco makes an announcement prior to the publication of such document(s) that: (a) the Tesco Board no longer intends to make such recommendation or intends adversely to modify or qualify such recommendation; or (b) it will not convene the Tesco General Meeting;
- the Tesco Board withdraws, adversely modifies or adversely qualifies the Tesco Board Recommendation or fails to publicly reaffirm or re-issue such unanimous and unqualified recommendation before the earlier of: (a) 5.30 p.m. on the fifth Business Day following Booker's reasonable request to do so; or (b) the time of the start of the Booker General Meeting (it being understood that the issue of any holding statement(s) issued to the Tesco Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn or adversely modified and does not contain a statement that the Tesco Directors intend to withdraw or adversely modify such recommendation) shall not constitute a withdrawal or adverse modification of such recommendation for purposes of this paragraph 12); or
- the Scheme or Offer has not become effective by the Longstop Date.

Charles Wilson – Lock-up Agreement

In connection with the Mix and Match Facility, Charles Wilson, the Chief Executive of Booker, has irrevocably undertaken to elect to receive 100 per cent. New Tesco Shares in respect of his entire holding of Booker Shares, subject to the elections of other Booker Shareholders. In addition, he has entered into the Lock-up Agreement pursuant to which he has agreed not to (subject to certain customary carve-outs) dispose of his current holding of 24,533 Tesco Shares and the New Tesco Shares he will receive pursuant to the Merger without Tesco's consent during the lock-up period of five years from the Effective Date.

Irrevocable undertakings from Tesco Directors

Irrevocable undertakings in respect of Tesco Shares

Booker has received irrevocable undertakings from the following Tesco Directors to vote (or procure the vote) in favour of the resolutions to be proposed at the Tesco General Meeting in respect of their entire holdings, amounting to 678,434 Tesco Shares in aggregate, representing approximately 0.0083 per cent. of Tesco's existing issued ordinary share capital on 1 February 2018, being the Latest Practicable Date:

Name	Number of Tesco Shares	Percentage of issued ordinary share capital of Tesco (per cent.)
John Allan CBE	284,082	0.0035
Dave Lewis	100,459	0.0012
Alan Stewart	50,254	0.0006
Mark Armour	50,000	0.0006
Steve Golsby	42,296	0.0005
Mikael Olsson	20,101	0.0002
Simon Patterson	100,000	0.0012
Alison Platt	11,242	0.0001
Lindsey Pownall OBE	20,000	0.0002
Total	**678,434**	**0.0083**

Irrevocable undertakings in respect of ADRs

Two of the Tesco Directors, Deanna Oppenheimer and Byron Grote, hold their Tesco Shares in the form of ADRs (each ADR represents three Tesco Shares). Each of them has irrevocably undertaken to vote in favour of the Tesco Resolutions to be proposed at the Tesco General Meeting in the event that their holdings convert from the form of ADRs to Tesco Shares (and they therefore become entitled to vote at the Tesco General Meeting), with such undertakings relating to, in aggregate, 352,041 Tesco Shares representing approximately 0.0043 per cent. of the existing issued ordinary share capital of Tesco on 1 February 2018, being the Latest Practicable Date.

Name	**Number of ADRs**	**Number of Tesco Shares**	**Percentage of issued ordinary share capital of Tesco (per cent.)**
Deanna Oppenheimer	36,347	109,041	0.0013
Byron Grote	81,000	243,000	0.0030
Total	**117,347**	**352,041**	**0.0043**

The obligations of the Tesco Directors under the irrevocable undertakings shall lapse and cease to have effect on and from the earlier of the following occurrences:

- Booker announces that it does not intend to proceed with the Merger and no new, revised or replacement Scheme or Offer is announced in accordance with Rule 2.7 of the City Code at the same time;
- the Scheme or Offer lapses or is withdrawn and no new, revised or replacement Scheme or Offer has been announced, in accordance with Rule 2.7 of the City Code, in its place or is announced, in accordance with Rule 2.7 of the City Code, at the same time;
- the Scheme Document does not include a unanimous and unconditional recommendation made by the Booker Board to Booker Shareholders to vote in favour of the Scheme at the Booker Court Meeting and in favour of the Merger at the Booker General Meeting (the "Booker Board Recommendation"), or Booker makes an announcement prior to the publication of the Scheme Document that: (a) the Booker Board no longer intends to make such recommendation or intends adversely to modify or qualify such recommendation; or (b) it will not convene the necessary Booker General Meeting and/or the Booker Court Meeting;
- the Booker Board withdraws, adversely modifies or adversely qualifies the Booker Board Recommendation or fails to publicly reaffirm or re-issue such unanimous and unqualified recommendation before the earlier of (a) 5.30 p.m. on the fifth Business Day following Tesco's reasonable request to do so; or (b) the time of the start of the Tesco General Meeting (it being understood that the issue of any holding statement(s) issued to Booker Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn or adversely modified and does not contain a statement that the Booker Directors intend to withdraw or adversely modify such recommendation) shall not constitute a withdrawal or adverse modification of such recommendation for purposes of this paragraph 12); or
- the Scheme or Offer has not become effective by the Longstop Date.

13. Delisting and re-registration

It is intended that the last day of dealings in Booker Shares will be the Business Day prior to the Effective Date. It is further intended that an application will be made to the FCA for the cancellation of the listing of the Booker Shares on the UK Official List and to the London Stock Exchange for the cancellation of trading of the Booker Shares on the Main Market, with effect as of or shortly following the Effective Date and as at this point, share certificates in respect of Booker Shares will cease to be valid.

It is also intended that, as soon as reasonably practicable following the Scheme becoming effective, Booker will be re-registered as a private company under the relevant provisions of the Act.

14. Fractional entitlements

Fractions of New Tesco Shares will not be allotted to Booker Shareholders but will be aggregated and sold as soon as practicable after the Scheme becomes effective. The net proceeds of such sale (after the deduction of all expenses and commissions including VAT thereon, incurred in connection with such sale) will then be paid in cash to the relevant Booker Shareholders in accordance with their fractional entitlements (rounded down to the nearest penny).

15. Settlement, listing and dealings in Tesco ordinary shares

The Consideration payable to Booker Scheme Shareholders under the terms of the Merger will be despatched by Tesco to Booker Scheme Shareholders no later than 14 days after the Effective Date (subject to any arrangements that are required to be put in place to effect the payment of any income tax or social security contributions by holders of options under the Booker Share Plans who elect to exercise their options conditional on the Court sanctioning the Scheme).

The New Tesco Shares will be issued in registered form and will be capable of being held in certificated and uncertificated form.

The New Tesco Shares will be issued credited as fully paid and will rank *pari passu* in all respects with Tesco ordinary shares in issue at the time the New Tesco Shares are issued pursuant to the Merger, including the right to receive and retain dividends and other distributions declared, made or paid by reference to a record date falling on or after the Effective Date. Applications have been made to the FCA for the New Tesco Shares to be admitted to the premium listing segment of the UK Official List; to the London Stock Exchange for the New Tesco Shares to be admitted to trading on its main market for listed securities; and to the Irish Stock Exchange for the New Tesco Shares to be admitted to listing on the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main market for listed securities.

16. Dilution

Assuming the issue of up to 1,590,000,000 New Tesco Shares pursuant to the Merger, immediately following Admission, the Existing Tesco Shareholders are expected to hold 8,191,798,719 Tesco Shares, representing approximately 84 per cent. of the total number of Tesco Shares in issue at that time (assuming no further Tesco shares are issued between 1 February 2018 (being the Latest Practicable Date) and Admission)).

17. Risk Factors

For a discussion of certain risk factors which should be taken into account when considering whether or not to vote in favour of the Tesco Resolutions, see Part II (*Risk Factors*).

18. Tesco General Meeting and the Tesco Merger Resolution

As described in paragraph 2 of this Part I (*Letter from the Chairman*), as a result of its size, the Scheme is conditional on, among other things, Tesco Shareholders passing the Tesco Merger Resolution at the Tesco General Meeting, which will be held at 10.00 a.m. on 28 February 2018 at etc.venues St Paul's, 200 Aldersgate, St Paul's, London, EC1A 4HD:

- that the Merger be approved as a Class 1 transaction and that the Tesco Directors be authorised to implement the Merger; and
- that the Tesco Directors be authorised to allot the New Tesco Shares up to an aggregate nominal amount of £79,500,000 in connection with any allotment of New Tesco Shares:
  - pursuant to the Scheme; or
  - that would be required to be issued in accordance with certain amendments to be made to the articles of association of Booker in connection with the Scheme.

The authority to allot the New Tesco Shares represents approximately 19.4% of the total issued ordinary share capital of Tesco as at the Latest Practicable Date (as at the Latest Practicable Date, Tesco did not hold any shares in treasury). The passing of the Tesco Merger Resolution requires more than 50% of the votes cast in respect of the Tesco Merger Resolution to be in favour of it. If the Tesco Merger Resolution is passed, this authority will expire on 30 November 2018 (unless previously revoked, renewed, varied or extended).

The full text of the Tesco Merger Resolution and other matters is set out in the Notice of the Tesco General Meeting attached to this Circular. If the Tesco Merger Resolution is not passed, the Scheme will not proceed.

19. Action to be taken

Your support is important to us. Please vote on the Tesco Resolutions. Even if you cannot attend the Tesco General Meeting, you can still vote and I would urge you, regardless of the number of shares you own, to complete, sign and return your Proxy Form (enclosed with this Circular) to Equiniti Limited as soon as possible, but in any event so as to be received by no later than 10.00 a.m. on 26 February 2018, being 48 hours before the time appointed for the holding of the Tesco General Meeting (excluding any part of a day that is not a working day).

Alternatively, Tesco Shareholders may register their proxy appointment and voting instructions electronically by logging on to www.sharevote.co.uk. Further details of the procedure are set out in the Notice of General Meeting set out in Part IX (*Notice of General Meeting*) at the end of this Circular.

CREST members may also choose to use the CREST electronic proxy appointment service in accordance with the procedures set out in the Notice of General Meeting set out in Part IX (*Notice of General Meeting*).

Completion and return of the Proxy Form (or the electronic appointment of a proxy) will not preclude you from attending and voting at the Tesco General Meeting in person if you so wish.

20. Further information

Your attention is drawn to the further information set out in Part II (*Risk Factors*) to Part VII (*Additional Information*) of this Circular, together with the Prospectus and the Scheme Document. In particular, Tesco Shareholders should consider fully and carefully the risk factors associated with the Combined Group and the Merger, which are set out in Part II (*Risk Factors*). **Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.**

21. Financial and Other Advice

The Tesco Directors have received financial advice from Greenhill, Barclays and Citi in relation to the Merger. In providing their advice to the Tesco Directors, Greenhill, Barclays and Citi have relied upon the Tesco Directors' commercial assessment of the Merger.

In late 2016, as part of its evaluation of the potential Merger, the Tesco Board took independent advice from Robey Warshaw LLP.

22. Recommendation

The Tesco Board considers the Merger and the Tesco Resolutions to be in the best interests of Tesco and the Tesco Shareholders as a whole and unanimously recommends that Tesco Shareholders vote in favour of the Tesco Resolutions, as the Tesco Directors have irrevocably undertaken to do, or to procure in respect of, their own individual beneficial holdings, which amount in total to 678,434 Tesco Shares, representing approximately 0.0083% of Tesco's total issued ordinary share capital as at the Latest Practicable Date, or to the extent the Tesco Directors hold their Tesco Shares in the form of ADRs, as they have irrevocably undertaken to do in the event that their holdings convert from the form of ADRs to Tesco Shares (and therefore become entitled to vote at the Tesco General Meeting), with such undertakings relating to, in aggregate, 352,041 Tesco Shares representing approximately 0.0043 per cent. of the existing issued ordinary share capital of Tesco on 1 February 2018, being the Latest Practicable Date.

The Merger has also been unanimously recommended by the Booker Directors, with the Booker Directors having irrevocably undertaken to vote in favour of the Scheme in respect of their own beneficial holdings.

Yours sincerely,

John Allan CBE
Chairman

Part II

Risk Factors

Prior to making any decision to vote in favour of the Tesco Resolutions at the Tesco General Meeting, Tesco Shareholders should consider the factors and the risks associated with the Merger and, in the case of the Combined Group, the business and the industry in which it will operate, together with all other information contained in this Circular including, in particular, the risk factors described below. The Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks. The market price of Tesco Shares may decline due to any of these risks or other factors and Tesco Shareholders may lose all or part of their investment.

The risks disclosed in this Circular are those which: (i) are material risks to the Merger; (ii) will be material new risks to the Combined Group as a result of the Merger; or (iii) are existing material risks for the Tesco Group which will be impacted by the Merger. Due to the fact that some of the Tesco Group's and the Booker Group's operations are similar in nature, some of the risks set out below (not including those specific to the Merger) will not be new risks which arise only on completion of the Merger but will be existing material risks whose potential impact may be increased as a result of the Merger.

There are other risks relating to the Tesco Group and the Tesco Shares which are not within the scope of risk categories outlined above and such risks can be found in the Prospectus. The risks described below and those in the Prospectus are not the only ones which the Tesco Group and the Booker Group face and, if the Merger becomes Effective, the Combined Group will face. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not currently known to Tesco, or those that it currently deems not to be material, may become material and adversely affect the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects and/or the value of Tesco Shares. This Circular also contains estimates and projections that involve risks and uncertainties. The Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's results may differ significantly from those previously projected as a result of certain factors, including the risks which they face, as described below and in other sections of this document and in the Prospectus and/or the Scheme Document.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect on the Tesco Group's, and/or the Combined Group's and/or the Booker Group's business, financial results, financial condition and/or prospects or the market price of the Tesco Shares.

The information given in this section is as of the date of this document and, except as required by the FCA, the London Stock Exchange, the Irish Stock Exchange, the Takeover Panel, the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the City Code or any other applicable law or regulation, will not be updated. Any forward-looking statements are made subject to the reservations specified in "Information regarding forward-looking statements" on pages 3-4 of this Circular.

EXISTING MATERIAL RISKS RELATING TO THE TESCO GROUP WHICH WILL BE IMPACTED IF THE MERGER BECOMES EFFECTIVE

The Tesco Group may fail to achieve its Transformation Programmes and/or the Tesco Group, the Booker Group and, if the Merger becomes Effective, the Combined Group may fail to achieve other business strategy objectives

Whilst the Transformation Programmes are supported by experienced resources, the Tesco Group may fail to implement the Transformation Programmes and/or the Tesco Group, the Booker Group and, if the Merger becomes Effective, the Combined Group may fail to implement and achieve their other business strategy objectives (due to a failure to deliver on the important IT improvements required, poor prioritisation, poor cost management, loss of key resources and/or ineffective change management) resulting in a failure to maintain or increase operating margin and generate sufficient cash to meet business objectives. The Transformation Programmes and other business strategies are based on numerous assumptions and are subject to a number of variables such as the timescale and costs for implementing IT improvements and the costs that would result from failing to implement them properly, future economic conditions and customer preferences. Whilst the Tesco Group regularly reviews the Transformation Programmes, and the Tesco Group and the Booker Group review and, if the Merger becomes Effective, the Combined Group will regularly review other business strategies in order to assess their effectiveness, if any of the underlying assumptions prove to be inappropriate or incorrect or the Transformation Programmes and other business strategies are not effectively prioritised, managed, communicated or implemented, the Tesco Group, the Booker Group and, if the Merger becomes Effective, the Combined Group may not be able to realise the benefits they were expected to deliver either at all or within the expected timeframes and they may, as a result, underperform relative to their competitors which could have a material and adverse effect on their business, results of operations, financial condition and prospects.

A significant failure of IT infrastructure or key IT systems may adversely impact operations, result in financial or regulatory penalties and negatively impact business reputation

The Tesco Group and the Booker Group rely on and, if the Merger becomes Effective, the Combined Group will rely on their own and third party IT infrastructure and IT systems for their day-to-day business operations, including for, amongst other things, processing in-store and online customer transactions, maintaining their websites and other information systems, storing and accessing commercial and operational data, utilising product ordering and other procurement systems, distributions and logistics and maintaining their administrative, and back-office functions. Any failure of, or disruption to, IT infrastructure and IT systems (including those of any third party payment processing service providers), whether caused by human error, ineffective or inadequately designed processes, failure of IT or other systems, improper conduct by employees, failures by outsourced providers or criminal activity (including fraud, theft and cybercrime), computer server or system failures, computer viruses, software performance problems or errors, power or network outages, computer or telecommunications failures, operational errors, failures to have built in sufficient resilience capabilities, security breaches, malicious attacks, natural disasters or otherwise, could:

- impair or prevent the processing (in-store and online) of customer transactions;
- impair the processing and storage of data and the day-to-day management of the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's store and online services;
- affect the Tesco Group's, the Booker Group's or, if the Merger becomes Effective, the Combined Group's ability to procure or distribute appropriate stock to its stores and warehouses or to customers directly through online channels;

- affect the security or availability of the Tesco Group's, the Booker Group's or, if the Merger becomes Effective, the Combined Group's store and online services which could, as a result, prevent or inhibit the ability of customers to access the Tesco Group's, the Booker Group's or, if the Merger becomes Effective, the Combined Group's store and online services;
- result in loss of information, unintended disclosure of sensitive information to third parties, litigation and/or financial or other regulatory penalties; and
- adversely affect the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's income in the short term and may result in a loss of customers and a loss of market share which could result in a reduction in their revenues, margins or profitability.

The occurrence of any of the above events could adversely affect the Tesco Group's, the Booker Group's or, if the Merger becomes Effective, the Combined Group's ability to operate effectively, possibly for a prolonged period of time, and could also damage their brand and reputation, result in a loss of trust and goodwill amongst their customers and suppliers any of which could have a material adverse effect on their business, results of operations, financial condition and prospects.

A failure to adequately prepare for the United Kingdom's withdrawal from the European Union will lead to increased costs and may lead to potential staff shortages, adverse currency impacts and increased regulatory burden

On 23 June 2016, a majority of voters in the United Kingdom elected in a national referendum to withdraw from the European Union (commonly referred to as "Brexit"). The referendum was advisory and the terms of withdrawal are subject to a negotiation period that is expected to last at least two years from 29 March 2017 when the Government of the United Kingdom formally initiated the European Union withdrawal process. The referendum result has created significant political and economic uncertainty about the future relationship between the United Kingdom and the European Union generally, and the United Kingdom's future trading relationship with countries within and outside the European Union specifically, which could make adverse changes in general economic conditions or adverse exchange rate movements more likely to occur and which could, in turn, have a material and adverse effect on the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects. See further "*Risk factors – Risks relating to the Tesco Group and/or the Booker Group and, if the Merger becomes Effective, the Combined Group – An adverse change in macroeconomic conditions, whether domestically or internationally, may adversely affect consumer confidence, consumer spending decisions, their relative competitive position and the cost of doing business*".

Following withdrawal from the European Union, barrier-free trade access between the United Kingdom and other member states of the European Union (including the ROI) could be diminished or eliminated and the United Kingdom may no longer be covered by trade agreements entered into by the European Union which apply to all member states and so will either have to seek to negotiate new trade agreements or join existing trade agreements (such as the World Trade Organisation tariffs) which could result in the transfer of goods between the European Union and the United Kingdom, or between certain non-EU countries and the United Kingdom, becoming subject to import/export duties and/or non-tariff trade barriers (including health and safety, product labelling and other standards, many of which are currently standardised across the EU). Such duties or trade barriers (including duties or trade barriers impacting primary producers and other suppliers in the ROI that jointly supply businesses of the Tesco Group and, if the Merger becomes Effective, the Combined Group in the United Kingdom and ROI) could lead to delays to the Tesco Group's, the Booker Group's, and, if the Merger becomes Effective, the Combined Group's logistics distribution operations and result in the cost of doing business being materially affected if not passed on, in whole or in part, to consumers, caterers and retailers in the form of price increases (which may influence customer spending decisions and priorities and adversely impact their relative competitive position). In addition, it is possible that the economic uncertainty that results from Brexit may depress consumer confidence which may lead to a reduction in customer spending.

Another potential outcome of the United Kingdom's withdrawal from the European Union is that limitations may be placed on the principle of free movement of people which currently permits EU nationals to work in the United Kingdom. Primary producers and suppliers to the Tesco Group and the Booker Group currently employ a significant number of EU nationals and if the United Kingdom's withdrawal from the European Union does lead to restrictions being placed on European Union nationals working in the United Kingdom, the number of people employed by primary producers and suppliers to the Tesco Group, the Booker Group and, if the Merger becomes Effective, the Combined Group may decline which could have a material and adverse effect on their business, results of operations, financial condition and prospects.

A failure to adequately prepare for the United Kingdom's withdrawal from the European Union will lead to increased costs, potential staff shortages, adverse currency impacts and increased regulatory burden and could adversely affect the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects.

RISKS AND OTHER CONSIDERATIONS RELATING TO THE MERGER

In addition to the material risks above that apply generally to the Tesco Group as a whole, and that will be impacted if the Merger becomes Effective, the risks identified below set out the principal risks relating specifically to the Merger. The Merger-related risks described below are those that Tesco currently believes may materially affect the value of Tesco Shares. These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties relating to the Merger. Additional risks and uncertainties relating to the Merger that are not currently known to Tesco, or those that it currently deems not to be material, may become material and adversely affect the Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects and/or the value of Tesco Shares. The Tesco Group's, the Booker Group's and, if the Merger becomes Effective, the Combined Group's business, results of operations, financial condition and prospects could be materially and adversely affected by any of these risks. The market price of Tesco Shares may decline due to any of these risks or other factors and Tesco Shareholders may lose all or part of their investment.

The Combined Group's future prospects will, in part, be dependent on the Combined Group's ability to integrate the Booker Group effectively and realise the synergy benefits estimated to result from the Merger

Tesco believes that the Merger will enable significant opportunity for revenue and cost synergies. The Tesco Directors expect pre-tax synergies for the Combined Group to reach a run-rate of at least £200 million per annum by the end of the third year following the Merger becoming Effective. However, whilst initial work on integration has begun, more detailed analysis will need to be undertaken, before a detailed integration plan is finalised and can be implemented. Accordingly, the ability to integrate Booker and achieve the projected synergies is dependent upon a significant number of factors, some of which may be beyond the control of the Combined Group. For example, there is a risk that the projected synergy benefits will fail to materialise (for example, if the Merger is not completed as contemplated), will take longer to materialise, that such synergy benefits may be materially lower than have been estimated (including if suppliers wish to renegotiate any arrangements with the Combined Group as a result of the Merger,) or that costs or dis-synergies expected to arise in respect of implementation of the Merger may be greater than expected. Any one or more of these factors could result in a loss of reputation, trust and goodwill with investors and/or have a material adverse effect on the Combined Group's business, results of operations, financial condition and prospects. See further Part V (*Tesco Quantified Financial Benefits Statement*) of this Circular.

The implementation of the Merger is subject to the satisfaction or waiver, where applicable, of a number of conditions

Implementation of the Merger is subject to, among other things, the approval of the Scheme by the requisite majority in number and value of Booker Scheme Shareholders, the sanction of the Scheme by the Court, without modification, or with modification on terms acceptable to Tesco and Booker, all resolutions of Booker Shareholders and Tesco Shareholders required to approve and implement the Scheme and the Merger respectively being duly passed, approvals being obtained from the FCA and the London Stock Exchange in relation to Admission and there having been no material adverse change or deterioration in the business, assets, financial or trading position or profit or prospects of the Booker Group.

Whilst the Tesco Group and the Booker Group are confident that all conditions to the Merger can be satisfied or waived, as applicable, there can be no guarantee that the conditions will be met in a timely way or waived, as applicable, on terms acceptable to both the Tesco Group and the Booker Group, or at all or can be met only after undue diversion of financial resources or management time and attention. If this were the case, the Merger may be delayed (which would prolong the period of uncertainty for both the Tesco Group and the Booker Group and may result in additional costs to their businesses), or may not become effective, each of which could have a material adverse effect on the business, results of operations, financial condition, or prospects of the Tesco Group and the Booker Group and, if the Merger becomes Effective, the Combined Group.

Even if a material adverse change to the Booker Group's business or prospects was to occur, in certain circumstances, Tesco may not be able to invoke the conditions and terminate the Merger

Tesco will only be permitted by the Takeover Panel to invoke a condition to terminate the Merger if the Takeover Panel is satisfied that the underlying circumstances which Tesco is relying on to terminate the Merger are considered to be of material significance to Tesco in the context of the Merger, and this is a high threshold to satisfy. In some cases, invoking a condition will require the relevant circumstances to be of very considerable significance and strike at the heart and purpose of the Merger. This test may not align with Tesco's commercial interests. There is, therefore, a risk that Tesco will be required to proceed with the Merger at a time when circumstances have arisen which make, or may make, completion of the Merger commercially undesirable for Tesco. This could have a material adverse effect on the Tesco Group's business, results of operations, financial condition and prospects.

The Tesco Shares and Tesco ADRs may be subject to market price volatility and the market price of the Tesco Shares and Tesco ADRs may fluctuate significantly

The market price of Tesco Shares and Tesco ADRs may be volatile and subject to wide fluctuations. Fluctuations may occur as a result of a variety of factors, including, but not limited to, those factors referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Tesco Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Tesco Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Tesco Group, speculation about the Tesco Group in the press or the investment community, unfavourable press (including in relation to the Merger), an unfavourable view of the stock market in respect of the Merger, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions, regulatory changes and broader market volatility and movements.

Part III

Historical Financial Information in relation to Booker and the Booker Group

Section A

The audited consolidated financial information of Booker for the 52 weeks ended 24 March 2017, the 52 weeks ended 25 March 2016 and the 52 weeks ended 27 March 2015 and the unaudited interim condensed consolidated financial statements for the 24 weeks ended 8 September 2017, together with the unqualified independent audit or accountants reports thereon, as set out in the Prospectus, are hereby incorporated by reference.

Cross Reference List

The following list is intended to enable Tesco Shareholders to identify easily specific items of financial information which have been incorporated by reference into this document.

Each of the financial statements listed below has been extracted without material adjustment (in each case, as originally published) and reproduced in Part 9 (Booker Historical Financial Information) of the Prospectus. Consequently, page numbers and other references may no longer be valid (in particular, there may be references to other parts of the annual reports not reproduced in this Part). The terms used in the Booker historical financial information have the meaning given to them in the relevant annual report and accounts.

The Prospectus, which is available for inspection in accordance with paragraph 14 of Part VII (*Additional Information*) of this Circular, contains financial information in respect of the Booker Group which is relevant to the Merger:

For the 24 weeks ended 8 September 2017

Information incorporated by reference into this Circular	Reference document	Page number in reference document
Consolidated Income Statement	Prospectus	262
Consolidated Statement of Comprehensive Income	Prospectus	262
Consolidated Balance Sheet	Prospectus	263
Consolidated Cash Flow Statement	Prospectus	264
Consolidated Statement of Changes in Equity	Prospectus	265-266
Notes to the Condensed Financial Statements	Prospectus	267-270
Independent review report to Booker Group plc	Prospectus	271-272

For the 52 weeks ended 24 March 2017

Information incorporated by reference into this Circular	Reference document	Page number in reference document
Independent Auditor's Report to the members of to the members of Booker Group plc only	Prospectus	256-261
Consolidated Income Statement	Prospectus	221
Consolidated Statement of Comprehensive Income	Prospectus	221
Consolidated Balance Sheet	Prospectus	222
Consolidated Cash Flow Statement	Prospectus	223
Consolidated Statement of Changes in Equity	Prospectus	224
Notes to the Group Financial Statements	Prospectus	225-255

For the 52 weeks ended 25 March 2016

Information incorporated by reference into this Circular	Reference document	Page number in reference document
Independent Auditor's Report to the members of to the members of Booker Group plc only	Prospectus	217–220
Consolidated Income Statement	Prospectus	182
Consolidated Statement of Comprehensive Income	Prospectus	182
Consolidated Balance Sheet	Prospectus	183
Consolidated Cash Flow Statement	Prospectus	184
Consolidated Statement of Changes in Equity	Prospectus	185
Notes to the Group Financial Statements	Prospectus	186–216

For the 52 weeks ended 27 March 2015

Information incorporated by reference into this Circular	Reference document	Page number in reference document
Independent Auditor's Report to the members of to the members of Booker Group plc only	Prospectus	179–181
Consolidated Income Statement	Prospectus	145
Consolidated Statement of Comprehensive Income	Prospectus	146
Consolidated Balance Sheet	Prospectus	146
Consolidated Cash Flow Statement	Prospectus	147
Consolidated Statement of Changes in Equity	Prospectus	148
Notes to the Group Financial Statements	Prospectus	149–178

Section B

The Tesco Directors confirm that no material adjustment needs to be made to the financial information of the Booker Group for the 52 weeks ended 24 March 2017, 25 March 2016 or 27 March 2015 or for the 24 weeks ended 8 September 2017 to achieve consistency with the Tesco Group's accounting policies for the 52 weeks ended 25 February 2017. The Booker Group's accounting policies under which this financial information was prepared are not materially different to the Tesco Group's accounting policies.

Part IV

Unaudited Pro Forma Financial Information of the Combined Group

Unaudited pro forma financial information

The unaudited pro forma income statement for the 52 weeks ended 25 February 2017 and statement of net assets as at 26 August 2017 of the Combined Group set out below have been prepared to illustrate the effect of the Merger on the income statement of Tesco as if it had taken place on 28 February 2016, and on the net assets of Tesco as if it had taken place on 26 August 2017.

The information has been produced for illustrative purposes only and by its nature addresses a hypothetical situation and, therefore, does not purport to represent what the Combined Group's financial position or results of operations actually would have been if the Merger had been completed on the date indicated nor does it purport to represent the results of operations for any future period or financial position at any future date. The unaudited pro forma financial information is compiled on the basis set out in the notes below and in accordance with the accounting policies of Tesco for the year ended 25 February 2017. The unaudited pro forma financial information does not constitute financial statements within the meaning of section 434 of the Act. Investors should read the whole of this Circular and not rely solely on the unaudited financial information in this Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*). Deloitte's report on the unaudited pro forma financial information is set out in Section B of this Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*).

Section A

Unaudited consolidated pro forma income statement of the Combined Group

£m	52 weeks ended				Pro forma income statement for the Combined Group
	Tesco 25 February 2017(i)	Booker 24 March 2017(ii)	Finance Income(iii)	Acquisition adjustments(iv)	
Revenue	**55,917**	**5,328**	**–**	**–**	**61,245**
Cost of sales	(53,015)	(5,036)	–	–	(58,051)
Gross profit	**2,902**	**292**	**–**	**–**	**3,194**
Administrative expenses	(1,995)	(116)	–	62	(2,173)
Profits arising on property-related items	110	–	–	–	110
Operating profit/(loss)	**1,017**	**176**	**–**	**(62)**	**1,131**
Share of post-tax losses of joint ventures and associates	(107)	–	–	–	(107)
Finance income	109	–	(2)	–	107
Finance costs	(874)	(2)	–	–	(876)
Profit/(loss) before tax	**145**	**174**	**(2)**	**(62)**	**255**
Taxation	(87)	(20)	–	–	(107)
Profit/(loss) for the year from continuing operations	**58**	**154**	**(2)**	**(62)**	**148**
Discontinued operations					
Loss for the year from discontinued operations	(112)	–	–	–	(112)
Profit/(loss) for the year	**(54)**	**154**	**(2)**	**(62)**	**36**

£m	52 weeks ended Tesco 25 February 2017[(i)]	Booker 24 March 2017[(ii)]	Finance Income[(iii)]	Acquisition adjustments[(iv)]	Pro forma income statement for the Combined Group
Attributable to:					
Owners of the Parent	(40)	154	(2)	(62)	50
Non-controlling interests	(14)	–	–	–	(14)
	(54)	**154**	**(2)**	**(62)**	**36**

Notes:

(i) The Tesco income statement has been extracted without material adjustment from the audited income statement within Tesco's 2017 Annual Report and Financial Statements.

(ii) The Booker income statement has been extracted without material adjustment from the consolidated income statement within the financial statements of the Booker Group for the 52 weeks ended 24 March 2017, as set out in Part 9 ("*Booker Historical Financial Information*") of the Prospectus. There were no accounting policy adjustments to align to policies adopted by Tesco.

(iii) Adjustments for finance income reflect an amount of interest which accrued on cash held in ring-fenced accounts until released as cash consideration on completion of the Merger as shown in note (iii a) to the unaudited pro forma net assets statement. For the purpose of the pro forma, this is treated as if the cash consideration was paid on 28 February 2016 and therefore represents an adjustment for a 12 month period. The nature of this adjustment means that an adjustment of a similar nature will have a continuing impact on the Combined Group. The tax impact of this adjustment is not considered to be material.

(iv) a) No pro forma impairment charge has been applied to the goodwill balance (arising from the acquisition accounting as set out in the pro forma statement of net assets below) in the period presented. No additional depreciation and amortisation charge has been applied for the IFRS 3 Business Combinations fair values of intangible assets and property, plant and equipment, as the fair value adjustments are considered impractical to do at this date.

b) For the purposes of the unaudited pro forma income statement, it is expected that total transaction costs of circa £88 million will be incurred in relation to the Merger, of which £26 million had been recorded in Tesco's financial information for the 52 weeks ended 25 February 2017. The adjustment to the income statement is related to the transaction costs of circa £42 million and stamp duty costs of circa £20 million that have not been recorded in either Tesco's financial information for the 52 weeks ended 25 February 2017 or in Booker's financial information for the 52 weeks ended 24 March 2017. No tax benefit has been assumed for the transaction costs.

c) No adjustment has been made to reflect synergies that may arise subsequent to the Merger as these are dependent upon the future actions of management.

d) No adjustment has been made to reflect the financial results of either Tesco or Booker since 25 February 2017 and 24 March 2017 respectively.

Unaudited consolidated pro forma statement of net assets of the Combined Group

£m	Tesco As at 26 August 2017[(i)]	Booker As at 8 September 2017[(ii)]	Acquisition adjustments[(iii)]	Pro forma statement of net assets Combined Group
Non-Current Assets				
Goodwill, software and other intangible assets	2,752	465	3,403	6,620
Property, plant and equipment	18,429	211	–	18,640
Investment property	74	–	–	74
Investment in joint ventures and associates	750	2	–	752
Other investments	832	–	–	832
Trade and other receivables	170	–	–	170
Loans and advances to customers	6,362	–	–	6,362
Derivative financial instruments	1,238	–	–	1,238
Deferred tax assets	82	28	–	110
	30,689	**706**	**3,403**	**34,798**
Current Assets				
Other investments	122	–	–	122
Inventories	2,488	356	–	2,844
Trade and other receivables	1,674	163	–	1,837
Loans and advances to customers	4,400	–	–	4,400
Derivative financial instruments	274	–	–	274
Current tax assets	10	–	–	10
Short-term investments	2,388	–	–	2,388
Cash and cash equivalents	4,319	165	(763)	3,721
	15,675	**684**	**(763)**	**15,596**
Assets of the disposal group and non-current assets classified as held for sale	127	–	–	127
	15,802	**684**	**(763)**	**15,723**
Current Liabilities				
Trade and other payables	(8,965)	(718)	(57)	(9,740)
Borrowings	(2,950)	–	–	(2,950)
Derivative financial instruments	(71)	–	–	(71)
Customer deposits and deposits from banks	(7,043)	–	–	(7,043)
Current tax liabilities	(343)	(21)	–	(364)
Provisions	(534)	–	–	(534)
	(19,906)	**(739)**	**(57)**	**(20,702)**
Liabilities of the disposal group classified as held for sale	–	–	–	–
Net current liabilities	**(4,104)**	**(55)**	**(820)**	**(4,979)**
Non-current liabilities				
Trade and other payables	(340)	(24)	–	(364)
Borrowings	(8,638)	–	–	(8,638)
Derivative financial instruments	(550)	–	–	(550)
Customer deposits and deposits from banks	(2,790)	–	–	(2,790)
Post-employment benefit obligations	(2,945)	(47)	–	(2,992)
Deferred tax liabilities	(102)	–	–	(102)
Provisions	(671)	(37)	–	(708)
	(16,036)	**(108)**	**–**	**(16,144)**
Net Assets	**10,549**	**543**	**2,583**	**13,675**

Notes:

(i) The Tesco net assets have been extracted without material adjustment from Tesco's 2017/2018 Interim Results.

(ii) The Booker net assets are based on the consolidated balance sheet as at 8 September 2017 without material adjustment as set out within the financial statements in Part 9 ("*Booker Historical Financial Information*") of the Prospectus. There were no accounting policy adjustments to align to policies adopted by Tesco. The order of line items and the presentational format matched those of Tesco's balance sheet.

(iii) a) The unaudited pro forma statement of net assets has been prepared on the basis that the Merger will be treated as an acquisition of Booker by Tesco in accordance with IFRS 3 Business Combinations. The pro forma statement of net assets does not reflect the fair value adjustments to the acquired assets and liabilities as the fair value measurement of these items will only be performed subsequent to completion of the Merger. For the purposes of the pro forma statement of net assets, the excess purchase consideration over the carrying amount of the net assets acquired has been attributed to goodwill and no pro forma impairment charge has been applied to the goodwill balance in the period presented. When finalised following the completion of the Merger, the fair value adjustments may be material. The preliminary goodwill arising has been calculated as follows:

	£ million
Cash consideration transferred[(1)]	763
Share consideration[(2)]	3,183
Less carrying amount of net assets acquired	543
Goodwill (before measurement of the net assets acquired and liabilities at their fair value)	3,403

(1) The calculation assumes that there will be 1,792,195,220 Booker Shares in issue (taken from the Latest Practicable Date) and that each Booker Shareholder will receive 42.6 pence per Booker Share. It is assumed that this amount will be cash settled without the issuance of new debt by Tesco.

(2) The calculation is based on the Closing Price of Tesco Shares of 206.3 pence and assumes that there will be 1,792,195,220 Booker Shares in issue (all taken from the Latest Practicable Date) and that each Booker Shareholder will receive 0.861 New Tesco Shares per Booker Share.

b) For the purposes of the unaudited pro forma net asset statement, £88 million of transaction costs are expected to be incurred in relation to the Merger, of which £31 million had been recorded in Tesco's financial information as at 26 August 2017. The adjustment to the net assets statement is related to the transaction costs of circa £37 million and stamp duty costs of circa £20 million that have not been expensed in either Tesco's financial information up to 26 August 2017 or in Booker's financial information up to 8 September 2017. No tax benefit has been assumed for these transaction costs. These costs are not expected to be incurred on an ongoing basis in the Combined Group.

c) No adjustment has been made to reflect any synergies that may arise subsequent to the Merger as these are dependent upon the future actions of management. No adjustment has also been made to reflect the impact of any subsequent trading activities.

d) No adjustment has been made to reflect the financial results of either Tesco or Booker since the respective balance sheet dates.

Section B

Accountant's report on the unaudited *pro forma* financial information of the Combined Group

The Board of Directors
on behalf of Tesco PLC
Tesco House, Shire Park,
Kestrel Way,
Welwyn Garden City,
AL7 1GA

Barclays Bank PLC, acting through its Investment Bank
5 The North Colonnade
Canary Wharf
London
E14 4BB

5 February 2018

Dear Sirs,

Tesco PLC (the "Company")

We report on the pro forma financial information (the "Pro forma financial information") set out in Part V of the Class 1 circular dated 5 February 2018 (the "Investment Circular"), which has been prepared on the basis described in the notes to the Pro forma financial information, for illustrative purposes only, to provide information about how the transaction might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the 52 weeks ended 25 February 2017 and the unaudited condensed financial information for the 26 weeks ended 26 August 2017. This report is required by the Commission Regulation (EC) No 809/2004 (the "Prospectus Directive Regulation") as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro forma financial information and to report that opinion to you in accordance with Annex II item 7 of the Prospectus Directive Regulation as applied by Listing Rule 13.3.3R.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and which we may have to the Company's Shareholders as a result of the inclusion of this report in the Investment Circular, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Listing Rule 13.4.1R (6), consenting to its inclusion in the Investment Circular.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Part V

Tesco Quantified Financial Benefits Statement

A. Quantified financial benefits statement

1. Tesco quantified financial benefits statement

The Merger is expected to enable significant opportunity for revenue synergies. The Merger is also expected to enable significant opportunity for cost synergies across areas including procurement, distribution, central functions and other costs.

The Tesco Directors expect pre-tax synergies for the Combined Group to reach a recurring run-rate of at least £200 million per annum by the end of the third year following completion of the Merger. These anticipated synergies will accrue as a direct result of the Merger and would not be achieved on a standalone basis.

Significant revenue growth potential

The Tesco Board anticipates significant revenue growth opportunities, many of which have not been fully quantified at this stage.

The Tesco Board is able to anticipate recurring incremental operating profit of at least £25 million per annum by the end of the third year following completion of the Merger, primarily through additional revenue generated from an extended catering offering within Tesco's stores, as well as Booker's symbol stores being able to offer an enhanced product range and customer proposition.

Significant cost synergy potential

One of the key drivers of the identified synergies is the efficiencies that the Merger enables given the complementary nature of the businesses. The Tesco Directors expect pre-tax cost synergies for the Combined Group to reach a recurring run-rate of at least £175 million per annum by the end of the third year following completion of the Merger.

The constituent elements of quantified cost synergies are in addition to savings initiatives already underway at Tesco and comprise:

- *Procurement*: approximately 55 per cent. of the identified cost synergies are expected to be generated from improved purchasing cost efficiencies and sharing best practice across each of the three main types of supplier: fresh, own label and branded. These opportunities comprise end-to-end cost reduction, lower waste, new opportunities for shared innovation and better optimisation of supply terms for the Combined Group.

- *Distribution and fulfilment*: approximately 35 per cent. of the identified cost synergies are expected to be generated from opportunities in logistics and delivery, and improved efficiency and service standards. Optimising a joint national distribution system of Tesco and Booker is expected to lead to material benefits, including sharing parts of the delivery fleet. The recent failure of Palmer & Harvey, a national distributor that worked with Tesco, has caused a reassessment of plans for the distribution networks of both businesses and how they will be best brought together. This assessment is underway and will be completed after the Merger.

- *Central functions and other*: less than 10 per cent. of the identified cost synergies are expected to be generated from the reduction of duplicate costs and improved purchase of goods not for resale.

Realisation costs and dis-synergies

The Tesco Directors expect the realisation of the quantified synergies will require estimated one-off cash costs of approximately £145 million incurred in the first three years after the Effective Date.

Aside from the one-off costs referred to above, the Tesco Directors do not expect any material dis-synergies to arise in connection with the Merger.

These statements of identified synergies and estimated savings relate to future actions and circumstances which by their nature involve risks, uncertainties and contingencies. As a consequence, the identified synergies and estimated savings referred to may not be achieved, may be achieved later or sooner than estimated, or those achieved could be materially different from those estimated.

These anticipated synergies identified reflect both the beneficial elements and the relevant costs.

Further information on the bases of belief supporting the Tesco Quantified Financial Benefits Statement including the principal assumptions and sources of information, is set out below.

Bases of Belief for the Tesco Quantified Financial Benefits Statement

- Following initial discussions regarding the Merger, a synergy development team was established to evaluate and assess the potential synergies available for the integration and undertake an initial planning exercise (the "Synergy Team"). The Synergy Team comprises senior personnel representing both Tesco and Booker. Collectively, the Synergy Team brings significant experience of operations, distribution, commercial, procurement and central/other activities across both organisations. The Synergy Team has worked collaboratively to identify and quantify potential synergies as well as estimate any associated costs on behalf of the Tesco Directors.
- In preparing a detailed synergy plan, the Synergy Team has worked alongside and with the support of external consultants engaged by Tesco.
- In supporting this exercise, Booker and Tesco have shared certain operating and financial information with each other, in order to facilitate a detailed analysis of the potential synergies available from the combination of the Tesco and Booker businesses. This has included the use of a clean team process, where each of Tesco and Booker has shared detailed operating and financial metrics, visibility of which is limited to specific clean team personnel within the Synergy Team.
- As is typical of these exercises, confidentiality considerations and legal restrictions have limited the scale of the Synergy Team to being formed of a small number of specialists and experts from each of Tesco and Booker. Nevertheless, the Synergy Team has, to the extent allowed by such confidentiality considerations, engaged with relevant Tesco and Booker functional heads and other personnel to provide input into the development process and to agree on the nature and quantum of the identified synergy initiatives. Specifically this has included the input of the Chief Executive of Booker, as well as the Tesco executive leadership team.
- In circumstances where data has been limited due to lack of access to the relevant Tesco or Booker experts or data, the Synergy Team has made estimates and assumptions to aid its development of individual synergy initiatives. The assessment and quantification of the potential synergies have in turn been informed by Tesco and Booker management's industry experience and knowledge of the existing businesses.
- The cost and revenue bases used as the basis for the quantified exercise (which was finalised in January 2017) are those contained in Tesco's Annual Report and Financial Statements 2016 and Booker's Annual Report and Financial Statements 2016, supported

where relevant by specific data points from Tesco's and Booker's financial year 2017 cost bases.

- The cost synergies are within the influence of Tesco's management, albeit the procurement synergies are dependent upon confirmation of agreements with suppliers. Delivery of the revenue synergies is complex and is dependent on a number of tests and trials.

In general, the synergy assumptions have in turn been risk adjusted, exercising a degree of prudence in the calculation of the estimated synergy benefit set out above.

2. Reports

As required by Rule 28.1(a) of the City Code, Deloitte, as reporting accountants to Tesco, and Greenhill, as lead financial adviser to Tesco, provided the reports required under that rule at the time of the Merger Announcement in respect of the Tesco quantified financial benefits statement. Copies of these reports were included in Appendix 5 to the Merger Announcement.

In addition, Barclays and Citi, as financial advisers to Tesco, have now provided a report as required under Rule 28.1(a) of the City Code in respect of the Tesco quantified financial benefits statement and a copy of this report is set out at Section B of this Part V (*Quantified Financial Benefits Statement*) below.

3. Confirmation of validity

As required by Rule 27.2(d)(i) of the City Code, the Tesco Directors confirm that the Tesco Quantified Financial Benefits Statement remains valid.

As required by Rule 27.2(d)(ii) of the City Code, each of Deloitte and Greenhill has confirmed that their respective reports dated 27 January 2017 and produced in connection with the Tesco Quantified Financial Benefits Statement continue to apply ("the Company's Confirmation Statement"). Such reports were issued solely to comply with Rule 28.1(a) of the City Code and do not form part of this Circular.

4. Notes

The statements of estimated synergies referred to above relate to future actions and circumstances which, by their nature, involve risks, uncertainties and contingencies. As a result, the synergies referred to may not be achieved, or may be achieved later or sooner than estimated or those achieved could be materially different from those estimated.

In future, there may be additional changes to the Combined Group's operations. As a result, and given the fact that the changes relate to the future, the resulting synergies may be materially greater or less than those estimated.

Save as expressly set out in this Circular, no statement should be construed as a profit forecast or interpreted to mean that the Combined Group's earnings in the first full financial year following completion of the Merger, or in any subsequent period, would necessarily match or be greater than or less than those of Tesco and/or Booker for the relevant preceding financial period or any other period.

In arriving at the estimate of synergies set out above, it has been assumed that:

- there will be no significant impact on the underlying operations of either business;
- there will be no material change to macroeconomic, political or legal conditions in the markets or regions in which in the Combined Group operates which will materially impact on the implementation of or costs to achieve the proposed cost savings; and
- there will be no material change in exchange rates.

B. Report from Barclays Bank PLC, acting through its Investment Bank and Citigroup Global Markets Limited

The Directors
Tesco PLC
Shire Park
Kestrel Way
Welwyn Garden City
AL7 1GA
United Kingdom

Registered in England and Wales with registered number 00445790

Date 5 February 2018

Dear Ladies and Gentlemen,

Recommended share and cash merger between Tesco PLC ("Tesco") and Booker Group plc ("Booker") by way of a scheme of arrangement (the "Merger")

We refer to the Quantified Financial Benefits Statement, the bases of belief thereof and the notes thereto (together, the "Statement") as set out in Part V (*Tesco Quantified Financial Benefits Statement*) of the class 1 circular dated 5 February 2018 (the "Circular") for which the Board of Directors of Tesco PLC (the "Directors") are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "Code").

We have discussed the Statement (including the assumptions, accounting policies, bases of calculation and sources of information referred to therein), with the Directors and those officers and employees of Tesco and Booker who have developed the underlying assessment. The Statement is subject to uncertainty as described in the Circular and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Tesco and/or Booker, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the quantified financial benefits identified by the Directors.

On the basis of the foregoing, we consider that the Statement, for which the Directors are solely responsible, for the purposes of the Code, has been prepared with due care and consideration.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Tesco, Booker or their shareholders or any person other than the Directors of Tesco in respect of the contents of this letter. Each of (i) Barclays Bank PLC, acting through its Investment Bank (acting as financial adviser, corporate broker and sponsor to Tesco) ("Barclays"); and (ii) Citigroup Global Markets Limited (acting as corporate broker and financial advisor) ("Citigroup") are acting exclusively for Tesco and no one else in connection with the Merger and it was for the purpose of complying with Rule 28.1(a)(ii) of the Code that Tesco requested Barclays and Citigroup to prepare this report on the Statement in addition to the report already provided by Greenhill & Co. International LLP as financial advisers to Tesco in Part C of Appendix 6 of the Rule 2.7 announcement dated 27 January 2017. No person other than the Directors of Tesco can rely on the contents of, or the work undertaken in connection with, this letter, and to the fullest extent permitted by law, we expressly exclude and disclaim all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter.

Yours faithfully,

Barclays Bank PLC, acting through its Investment Bank and Citigroup Global Markets Limited

Part VI

Tesco Profit Forecast

A. Tesco Profit Forecast

In this Circular, Tesco includes the following statement, which for the purposes of Rule 28 of the City Code constitutes a profit forecast for the financial year ending 24 February 2018:

"*The Tesco Directors expect the Tesco Group to deliver at least £1.575 billion group operating profit before exceptional items in respect of the financial year ending 24 February 2018*."

Basis of preparation

The Tesco Directors hereby confirm that the Tesco Profit Forecast has been properly compiled on the basis stated below and that the basis of accounting used is consistent with Tesco's accounting policies, which are in accordance with IFRS and are those that Tesco will apply in preparing its financial statements for the 52 weeks ending 24 February 2018. The Tesco Directors have prepared the profit forecast based on the unaudited interim financial results for the 26 weeks ended 26 August 2017, the unaudited management accounts for the 18 weeks ended 30 December 2017 and a forecast for the remaining period ending 24 February 2018.

In preparing the Tesco Profit Forecast, the Tesco Directors made the following assumptions:

Factors outside the influence or control of the Tesco Directors

- no change to current prevailing global macroeconomic and political conditions during FY2018 which is material in the context of the Tesco Profit Forecast;
- no change in legislation or regulation impacting on the Tesco Group's operations or its accounting policies and standards to which it is subject which is material in the context of the Tesco Profit Forecast;
- no change in inflation, interest or tax rates in Tesco's principal markets compared with Tesco's estimates which is material in the context of the Tesco Profit Forecast;
- no change in market conditions within the retail or financial services industry in relation to either demand or competitive environment which is material in the context of the Tesco Profit Forecast;
- no change in the exchange rates compared with Tesco's estimates which is material in the context of the Tesco Profit Forecast;
- no change in labour costs, including pension and other post-retirement benefits; and
- there will be no adverse event that will have an impact on Tesco's financial performance which is material in the context of the Tesco Profit Forecast.

Factors within the influence or control of the Tesco Directors

- no material acquisitions, joint venture agreements or disposals will be made by Tesco prior to 24 February 2018;
- the level of loan related provisions within Tesco Bank appropriately covers future losses under the relevant loans and there are no events or circumstances arising which would cause a change in the level of loan related provisions in Tesco Bank that would be material to the Tesco Profit Forecast; and
- no change in Tesco's strategy.

B. Report from Deloitte

The Board of Directors on behalf of Tesco PLC
Tesco House, Shire Park, Kestrel Way
Welwyn Garden City
United Kingdom
AL7 1GA

Greenhill & Co. International LLP
Lansdowne House
57 Berkeley Square
London
W1J 6ER

Barclays Bank PLC, acting through its Investment Bank
5 The North Colonnade
Canary Wharf
London
E14 4BB

Citigroup Global Markets Limited
Citigroup Centre
Canada Square
Canary Wharf
London
E14 5LB

5 February 2018

Dear Sirs

Merger of Tesco PLC and Booker Group plc

We report on the profit forecast comprising group operating profit before exceptional items of Tesco PLC (the "Company") and its subsidiaries (together the "Tesco Group") for the 52 weeks ending 24 February 2018 (the "Tesco Profit Forecast"). The Tesco Profit Forecast, and the material assumptions upon which it is based, are set out in section A of Part VI of the class 1 circular (the "Circular") issued by the Company dated 5 February 2018.

Responsibilities

It is the responsibility of the directors of the Company (the "Directors") to prepare the Tesco Profit Forecast in accordance with the requirements of Rule 28 of the City Code on Takeovers and Mergers (the "Takeover Code").

It is our responsibility to form an opinion as required by Rule 28.1(a) of the Takeover Code as to the proper compilation of the Tesco Profit Forecast and to report that opinion to you.

This report is given solely for the purposes of complying with Rule 28.1(a)(i) of the Takeover Code and for no other purpose. Therefore, to the fullest extent permitted by law we do not assume any other responsibility to any person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Rule 23.2 of the Takeover Code, consenting to its inclusion in the Circular.

Basis of Preparation of the Tesco Profit Forecast

The Tesco Profit Forecast has been prepared on the basis stated in section A of Part VI of the Circular and is based on the unaudited interim financial results for the 26 weeks ended

26 August 2017, the unaudited management accounts for the 18 weeks ended 30 December 2017 and a forecast for the remaining period ending 24 February 2018. The Tesco Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Tesco Group.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Tesco Profit Forecast has been prepared and considering whether the Tesco Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Tesco Group. Whilst the assumptions upon which the Tesco Profit Forecast are based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the assumptions adopted by the Directors which, in our opinion, are necessary for a proper understanding of the Tesco Profit Forecast have not been disclosed or if any material assumption made by the Directors appears to us to be unrealistic.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Tesco Profit Forecast has been properly compiled on the basis stated.

Since the Tesco Profit Forecast and the assumptions on which it is based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Tesco Profit Forecast and differences may be material.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices. We have not consented to the inclusion of this report and our opinion in any registration statement filed with the SEC under the US Securities Act of 1933 (either directly or by incorporation by reference) or in any offering document enabling an offering of securities in the United States (whether under Rule 144A or otherwise). We therefore accept no responsibility to, and deny any liability to, any person using this report and opinion in connection with any offering of securities inside the United States of America or who makes a claim on the basis they had acted in reliance on the protections afforded by United States of America law and regulation.

Opinion

In our opinion, the Tesco Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Tesco Group.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

C. Report from Greenhill

The Board of Directors
Tesco PLC
Tesco House, Shire Park, Kestrel Way
Welwyn Garden City
AL7 1GA

5 February 2018

Merger of Tesco PLC and Booker Group plc

We report on the Tesco Profit Forecast (the “Statement”) made by Tesco PLC (“Tesco”) and set out in Part VI (*Tesco Profit Forecast*) of the class 1 circular dated 5 February 2018 (the “Class 1 Circular”) for which the Directors of Tesco are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the “Code”).

We have discussed the Statement with the Tesco Directors. The Statement is subject to uncertainty as described in the Class 1 Circular and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Tesco, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the Statement.

We have also reviewed the work carried out by Deloitte LLP and have discussed with them the opinion set out in Part VI (*Tesco Profit Forecast*) of the Class 1 Circular.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Tesco, its shareholders or any person other than the Tesco Directors in respect of the contents of this letter. No person other than the Tesco Directors can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which the Tesco Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Greenhill & Co. International LLP

D. Report from Barclays

The Board of Directors
Tesco PLC
Tesco House, Shire Park, Kestrel Way
Welwyn Garden City
AL7 1GA

5 February 2018

Merger of Tesco PLC and Booker Group plc

We report on the Tesco Profit Forecast (the “Statement”) made by Tesco PLC (“Tesco”) and set out in Part VI (*Tesco Profit Forecast*) of the class 1 circular dated 5 February 2018 (the “Class 1 Circular”) for which the Directors of Tesco are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the “Code”).

We have discussed the Statement with the Tesco Directors. The Statement is subject to uncertainty as described in the Class 1 Circular and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Tesco, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the Statement.

We have also reviewed the work carried out by Deloitte LLP and have discussed with them the opinion set out in Part VI (*Tesco Profit Forecast*) of the Class 1 Circular.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Tesco, its shareholders or any person other than the Tesco Directors in respect of the contents of this letter. No person other than the Tesco Directors can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which the Tesco Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Barclays Bank PLC, acting through its Investment Bank

E. Report from Citi

The Board of Directors
Tesco PLC
Tesco House, Shire Park, Kestrel Way
Welwyn Garden City
AL7 1GA

5 February 2018

Merger of Tesco PLC and Booker Group plc

We report on the Tesco Profit Forecast (the "Statement") made by Tesco PLC ("Tesco") and set out in Part VI (*Tesco Profit Forecast*) of the class 1 circular dated 5 February 2018 (the "Class 1 Circular") for which the Directors of Tesco are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "Code").

We have discussed the Statement with the Tesco Directors. The Statement is subject to uncertainty as described in the Class 1 Circular and our work did not involve an independent examination of any of the financial or other information underlying the Statement.

We have relied upon the accuracy and completeness of all the financial and other information provided to us by or on behalf of Tesco, or otherwise discussed with or reviewed by us, and we have assumed such accuracy and completeness for the purposes of providing this letter.

We do not express any view as to the achievability of the Statement.

We have also reviewed the work carried out by Deloitte LLP and have discussed with them the opinion set out in Part VI (*Tesco Profit Forecast*) of the Class 1 Circular.

This letter is provided to you solely in connection with Rule 28.1(a)(ii) of the Code and for no other purpose. We accept no responsibility to Tesco, its shareholders or any person other than the Tesco Directors in respect of the contents of this letter. No person other than the Tesco Directors can rely on the contents of this letter, and to the fullest extent permitted by law, we exclude all liability (whether in contract, tort or otherwise) to any other person, in respect of this letter, its contents or the work undertaken in connection with this letter or any of the results that can be derived from this letter or any written or oral information provided in connection with this letter, and any such liability is expressly disclaimed except to the extent that such liability cannot be excluded by law.

On the basis of the foregoing, we consider that the Statement, for which the Tesco Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Citigroup Global Markets Limited

Part VII

Additional Information

1. Responsibility Statement

The Tesco Directors, whose names appear below, and Tesco accept responsibility for the information contained in this Circular. To the best of the knowledge of the Tesco Directors and Tesco (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Circular is in accordance with the facts and this Circular does not omit anything likely to affect the import of such information.

2. Tesco Information

Tesco was incorporated on 27 November 1947 under the Companies Act 1929 as a private limited company with the name of Tesco Stores (Holdings) Limited. Tesco subsequently re-registered as a public limited company under the Companies Acts 1948 to 1980 and changed its name on 14 December 1981 to Tesco Stores (Holdings) public limited company. On 25 August 1983 Tesco changed its name to Tesco PLC. It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Act, with registered number 00445790. Tesco is a resident of the UK for UK tax purposes.

Tesco's principal and registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom and the telephone number of its registered office is +44 (0) 1992 632 222.

The principal laws and legislation under which Tesco operates are the Act and the regulations made thereunder.

3. Tesco Directors

John Allan CBE (*Non-executive Chairman*)
Dave Lewis (*Group Chief Executive*)
Alan Stewart (*Chief Financial Officer*)
Deanna Oppenheimer (*Senior Independent Director*)
Mark Armour (*Independent Non-executive Director*)
Steve Golsby (*Independent Non-executive Director*)
Byron Grote (*Independent Non-executive Director*)
Mikael Olsson (*Independent Non-executive Director*)
Simon Patterson (*Independent Non-executive Director*)
Alison Platt (*Independent Non-executive Director*)
Lindsey Pownall OBE (*Independent Non-executive Director*)

4. Booker Key Individuals

Charles Wilson (*Chief Executive of Booker*)

5. Proposed Directors' terms of employment and remuneration

Stewart Gilliland

The appointment of Stewart Gilliland will be for an initial period of three years after which it will be reviewed. In line with the Governance Code, Stewart Gilliland will submit himself for re-election by shareholders every year at Tesco's annual general meeting.

Stewart Gilliland will not have a service contract, but will have a letter of appointment with Tesco. The letter of appointment will be available for shareholders to view at Tesco's registered office with effect on and from the Effective Date.

Stewart Gilliland will receive a fee of £72,000 per annum. Tesco will reimburse Stewart Gilliland for reasonable expenses incurred in performing his duties and may settle any tax incurred in relation to these. Stewart Gilliland will not be paid a pension and will not participate in any Tesco Employee Share Plans. The non-executive director appointment will be terminable by either party without notice and Stewart Gilliland will have no entitlement to compensation on termination (except that he shall be entitled to accrued fees or expenses up to the date of termination).

Stewart Gilliland will be subject to confidentiality undertakings without limitation in time. He will also be subject to a non-compete restrictive covenant for the duration of his appointment and for six months after the termination of his appointment. Stewart Gilliland will also have the benefit of a qualifying third-party indemnity from Tesco (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

Charles Wilson

Charles Wilson will be appointed as an Executive Director of Tesco with effect from the completion of the Merger. He will be entitled to receive a salary of £575,000 per annum, such salary will normally be reviewed annually, with changes being effective from 1 July. Charles Wilson will be entitled to participate in the Tesco Retirement Savings Plan, a defined contribution pension scheme, into which he will be eligible to receive a contribution from Tesco of 20 per cent. of base salary which he will, as an alternative, be entitled to take as a cash allowance in lieu of his pension. He will also be entitled to receive a car benefit, staff discount and healthcare benefits.

Charles Wilson will be entitled to 30 working days' paid holiday per annum in addition to bank and public holidays.

Charles Wilson may receive an annual bonus. His entitlement to, and the extent of, any annual bonus is assessed by the Tesco Remuneration Committee by reference to financial and non-financial targets that are set at the start of the performance period by the Tesco Remuneration Committee. In determining the final level of bonus payable, the Tesco Remuneration Committee also considers the wider performance of the Tesco Group. In line with the approved remuneration policy, 50 per cent. of any bonus paid will be deferred into Tesco Shares for three years.

Charles Wilson will also be entitled to participate in the Tesco Performance Share Plan. His participation in the Tesco Performance Share Plan and his annual bonus entitlement is in line with the approved remuneration policy.

The Tesco Remuneration Committee has the discretion to scale back deferred share awards and performance share awards prior to the satisfaction of such awards in certain circumstances. The Tesco Remuneration Committee also has discretion to claw back awards which have been settled under the Tesco Performance Share Plan up to the fifth anniversary of the date of grant of awards and cash bonus payments up to the third anniversary of payment, in certain circumstances.

Charles Wilson's service agreement with Tesco will be terminable on not less than six months' notice given by either party. Tesco will be entitled to terminate Charles Wilson's employment by making a payment in lieu of notice, equal to: (i) the basic salary that would have been payable; and (ii) the value of the contractual benefits (comprising car-related benefits, healthcare benefits, health insurance and colleague discount but excluding payments in respect of pension, bonus and share plan awards), for any unexpired portion of the notice period. Charles Wilson has more than 12 years of continuous employment (which takes into account his employment with Booker) and until he has 15 years of service at the date of termination he will be paid a percentage of the payment in lieu on termination and the remainder in instalments. If he has at least 15 years of service at the date of termination he will be entitled to all of the payment in lieu on termination. In the event that Charles Wilson secures alternative employment, Tesco's obligation to pay any unpaid amount of the payment in lieu will cease. If Charles Wilson's employment is terminated or Tesco gives notice to terminate his employment within 12 months of a change of control, he will be entitled to the payment in lieu of notice in full on termination.

Tesco will be entitled to dismiss Charles Wilson without notice in certain circumstances, such as wilful neglect of a material aspect of his duties having a substantially adverse effect on the business of any Tesco Group company or following any repeated breach of duties.

Charles Wilson will be subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-dealing restrictive covenants for a period of six months after the termination of his employment arrangement with Tesco.

Charles Wilson will have the benefit of a qualifying third-party indemnity from Tesco (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

6. Material contracts

Tesco

Section A: Merger-related contracts

Confidentiality Agreement and Confidentiality and Joint Defense Agreement

On 20 June 2016, Tesco and Booker entered into the Confidentiality Agreement, pursuant to which each of Tesco and Booker has undertaken, amongst other things, to (a) keep confidential information relating to the Merger and the other party and not to disclose it to third parties (other than certain permitted parties) unless required by law or regulation and (b) use the confidential information for the sole purpose of evaluating, negotiating, advising on or implementing the potential Merger. These confidentiality obligations remain in force for a period of 24 months after the date of the Confidentiality Agreement.

Tesco and Booker also entered into the Confidentiality and Joint Defense Agreement to ensure that any exchange and/or disclosure of confidential information which was required for the purpose of applying for CMA approval to satisfy the CMA Pre-Condition did not diminish in any way the confidentiality of such information and does not constitute a waiver of any privilege, right or immunity otherwise available. Either party may terminate the Confidentiality and Joint Defense Agreement by serving notice on the other party. The confidentiality obligations of each party will remain in place for a period of two years following such termination.

Clean Team Confidentiality Agreement

On 12 December 2016, Tesco and Booker also entered into the Clean Team Confidentiality Agreement, which sets out how any confidential information that is competitively sensitive can be disclosed, used or shared for the purposes of due diligence, synergies evaluation, planning transition and integration and regulatory clearance.

Additional Confidentiality Agreements

The General Counsel of Booker entered into a confidentiality agreement with Tesco dated 19 December 2016 and two legal advisers to Booker have each entered into a confidentiality agreement with Tesco dated 15 December 2016 (together, the "Additional Confidentiality Agreements") pursuant to which they have agreed, in relation to information provided to them around certain legal and regulatory issues relating to Tesco (the "Information"), that (a) they will keep confidential any Information provided to them, whether verbally or in written form, during or shortly after a meeting at Freshfields Bruckhaus Deringer LLP on 15 December 2016, and (b) the provision of any Information to them shall not waive any privilege in relation to such Information.

Lock-up Agreement

On 27 January 2017, Charles Wilson, Booker's Chief Executive, and Tesco entered into the Lock-up Agreement, pursuant to which Charles Wilson agreed that he will not, without Tesco's consent, dispose of any Tesco Shares at any time during the lock-up period of five years commencing on the Effective Date (subject to certain customary carve-outs). The Lock-up Agreement is conditional upon and shall come into force upon the Effective Date, and the lock-up period continues until the date falling five years following the Effective Date.

Service Agreement Amendment Deed

On 27 January 2017, Charles Wilson, Booker's Chief Executive, Tesco and Booker entered into an agreement to amend Charles Wilson's service agreement with Booker in which Charles Wilson waived his right to rely on (a) in connection with the Merger, or (b) in the event of an intra-group transfer of Booker following the Effective Date, the change of control provision contained in his existing service contract with Booker.

Co-operation Agreement

Tesco and Booker entered into the Co-operation Agreement on 27 January 2017, pursuant to which Tesco and Booker agreed to use their reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy the CMA Pre-Condition and the Regulatory Conditions.

Tesco and Booker have agreed to certain undertakings to co-operate and provide each other with reasonable information, assistance and access in relation to the filings, submissions and notifications to be made in relation to such regulatory clearances and authorisations. Tesco and Booker have also agreed to provide each other with reasonable information, assistance and access for the preparation of the key shareholder documentation.

The Co-operation Agreement shall be terminated with immediate effect if (a) Tesco and Booker so agree in writing, (b) if the Merger is, with the permission of the Takeover Panel, withdrawn or lapses in accordance with its terms prior to the Longstop Date, (c) if the Scheme has not become effective by the Longstop Date, or (d) on the Effective Date.

Tesco has the right to terminate the Co-operation Agreement if (a) the Booker Board withdraws, intends to modify or modifies its recommendation of the Scheme (or it fails to publicly reaffirm or re-issue its recommendation when requested by Tesco), (b) Booker announces that it will not convene the Booker Meetings or that it does not intend to post the Scheme Document, (c) where a competing proposal is recommended by the Booker Directors or effected, or (d) any

Condition is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Takeover Panel) by the Longstop Date.

Booker has the right to terminate the Co-operation Agreement if (a) the Tesco Board withdraws, intends to modify or modifies its recommendation (or it fails to publicly reaffirm or re-issue its recommendation when requested by Booker), (b) Tesco announces that it will not convene the Tesco General Meeting or that it does not intend to post this Circular, or (c) where the Merger is implemented by way of the Scheme, the Tesco General Meeting is not held within five Business Days of the Booker Meetings.

In addition, either party has the right to terminate the Co-operation Agreement if the requisite resolutions are not passed at the Booker Meetings or the Tesco General Meeting.

The Co-operation Agreement records Tesco's and Booker's intention to implement the Merger by way of the Scheme, subject to the ability of Tesco to proceed by way of a Takeover Offer in the circumstances described in the Merger Announcement.

The Co-operation Agreement also contains provisions that will apply in respect of the Booker Share Schemes and certain other employee incentive arrangements.

Section B: Other

Tender offer

In June 2017, Tesco conducted a liability management exercise pursuant to which noteholders were invited to tender for purchase by Tesco outstanding US dollar denominated notes issued by Tesco (the "US Notes"), simultaneously with an invitation to tender for purchase by Tesco certain euro and sterling denominated notes from five series of outstanding notes issued by Tesco (the "Non-US Notes"). Tesco accepted and settled $300,000,000 aggregate principal amount of its US Notes and, across two series, £268,974,989 of aggregate principal amount of its Non-US Notes.

In October 2017, a further liability management exercise was conducted by Tesco pursuant to which noteholders were invited to tender for purchase by Tesco notes from six selected series of outstanding sterling denominated notes issued by Tesco (the "Sterling Notes"), simultaneously with a liability management exercise conducted by Tesco Corporate Treasury Services PLC, a wholly owned subsidiary of Tesco (Tesco being guarantor of such notes) pursuant to which noteholders were invited to tender for purchase by Tesco selected series of euro denominated notes issued by Tesco Corporate Treasury Services PLC (the "Euro Notes"). Tesco accepted and settled £671,830,393 aggregate principal amount of its Sterling Notes and £128,171,000 aggregate principal amount of the Euro Notes.

See further '*Historic accounting practices and overstatement of expected profits*' section in paragraph 7 below for details of two additional material contracts: (a) a Deferred Prosecution Agreement; and (b) Tesco Compensation Scheme, entered into by Tesco or another member of the Tesco Group.

Booker

Booker is party to each of the Confidentiality Agreement and Confidentiality and Joint Defense Agreement; Clean Team Confidentiality Agreement; Service Agreement Amendment Deed; and Co-operation Agreement described above.

7. Litigation

Tesco

Historic accounting practices and overstatement of expected profits

On 10 April 2017, the Tesco Group announced that its subsidiary, TSL, had obtained Court approval and entered into a Deferred Prosecution Agreement ("DPA") with the UK Serious Fraud Office ("SFO") regarding historic accounting practices. The DPA relates to false accounting by Tesco's subsidiary, TSL, between February 2014 and September 2014. The DPA is a voluntary agreement under which TSL will not be prosecuted provided the business fulfils certain requirements, including paying a financial penalty of £129 million.

On 23 August 2017, the Tesco Compensation Scheme ("Compensation Scheme") opened for eligible shareholders and bondholders. The establishment of the Compensation Scheme followed an agreement between the Tesco Group and the FCA to a finding of market abuse in relation to its trading statement announced on 29 August 2014. In making its finding, the FCA expressly stated that it is not suggesting that the Tesco Board knew, or could reasonably be expected to have known, that the information contained in that trading statement was false or misleading. The Tesco Group agreed with the FCA (under its statutory powers) to establish the Compensation Scheme which will compensate certain net purchasers of Tesco Shares and listed bonds between 29 August 2014 and 19 September 2014 inclusive. The cost of the compensation payable is estimated by both Tesco and the FCA to be in the region of £85 million excluding interest. Tesco has appointed KPMG to administer the Compensation Scheme, with oversight from the FCA.

Additionally, law firms in the UK have announced the intention of forming claimant groups to commence litigation against the Tesco Group for matters arising out of or in connection with this overstatement of expected profits, and purport to have secured or to be seeking third party funding for such litigation. In this regard, the Tesco Group has received two High Court claims against Tesco. The first was received on 31 October 2016 from a group of 112 investors, 35 of whom have now discontinued their claim, and the second was received on 5 December 2016 from an investment company and a trust company. The merit, likely outcome and potential impact on the Tesco Group of any such litigation that either has been or might potentially be brought against the Tesco Group is subject to a number of significant uncertainties and therefore, the Tesco Group cannot make any assessment of the likely outcome or quantum of any such litigation as at the date of this Circular.

Claims in respect of Homeplus sale

Following the disposal of its Korean operations ("Homeplus"), Tesco received claims from the purchasers, comprising two investment vehicles controlled by MBK Partners and one investment vehicle controlled by Canada Pension Plan Investment Board, relating to the sale of Homeplus. The claims are being vigorously defended. The merit, likely outcome and potential impact on the Tesco Group of the claims is subject to a number of significant uncertainties. Consequently, the Tesco Group cannot make any assessment of the likely outcome or quantum of the claims as at the date of this Circular.

VAT costs relating to Clubcard rewards

The Tesco Group has recently been successful in an appeal to the First-Tier Tribunal (Tax) on a dispute with HM Revenue & Customs ("HMRC") relating to VAT on costs incurred to reward partners under the Tesco Clubcard scheme. The amount in dispute (which HMRC has now repaid) in respect of the periods currently included in the appeal is approximately £166 million (plus interest). HMRC has commenced an appeal against the decision of the First-Tier Tribunal (Tax) and, if HMRC is ultimately successful, amounts repaid will fall to be returned by the Tesco

Group, with interest. Later periods than those under the existing appeal will also be affected. The ultimate outcome of the litigation remains uncertain.

Tesco Bank fraudulent attack

In November 2016, Tesco Bank's debit cards were the subject of an online fraudulent attack. Tesco Bank was informed that the incident had been referred to the FCA's Enforcement Division for investigation. Whilst this investigation may lead to a public censure and a penalty, such amount is not known at the current time as the investigation is still ongoing. Tesco Bank is working closely with the FCA and will update the market on the outcome as and when appropriate.

Save as disclosed above, there are no other governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened, of which Tesco is aware) during the 12 months preceding the date of this Circular which may have, or have had in the recent past, a significant effect on Tesco's and/or the Tesco Group's financial position or profitability.

Booker

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Tesco is aware) during the 12 months preceding the date of this Circular, which may have, or have had in the recent past, a significant effect on Booker and/or the Booker Group's financial position or profitability.

8. Working Capital

In the opinion of Tesco, the working capital available to the Combined Group is sufficient for its present requirements, that is for at least the next 12 months following the date of this Circular.

9. Tesco's Current Trading, Trends and Prospects

Tesco has made further progress towards meeting the medium-term ambitions outlined in October 2016. Since Tesco's 3Q and Christmas Trading Update was released on 11 January 2018, the Tesco Group's trading performance has been in line with management's expectations and the Tesco Directors expect the Tesco Group to deliver at least £1.575 billion group operating profit before exceptional items in respect of the financial year ending 24 February 2018. The Tesco Directors further intend to propose that shareholders approve the payment of a final dividend of 2.0 pence per Tesco Share in respect of the financial year ending 24 February 2018 at the 2018 Tesco annual general meeting.

Tesco Profit Forecast

In this Circular, Tesco includes the following statement, which for the purposes of Rule 28 of the Code constitutes a profit forecast for the financial year ending 24 February 2018 constitutes a profit forecast for the financial year ending 24 February 2018:

"*The Tesco Directors expect the Tesco Group to deliver at least £1.575 billion group operating profit before exceptional items in respect of the financial year ending 24 February 2018*."

A. Basis of preparation

The Tesco Directors hereby confirm that the Tesco Profit Forecast has been properly compiled on the basis stated below and that the basis of accounting used is consistent with Tesco's accounting policies, which are in accordance with IFRS and are those that Tesco will apply in preparing its financial statements for the financial year to 24 February 2018. The Tesco Directors have prepared the profit forecast based on the unaudited interim financial results for the

26 weeks ended 26 August 2017, the unaudited management accounts for the 18 weeks ended 30 December 2017 and a forecast for the remaining period ending 24 February 2018.

B. *Assumptions*

In preparing the Tesco Profit Forecast, the Tesco Directors made the following assumptions:

Factors outside the influence or control of the Tesco Directors

- no change to current prevailing global macroeconomic and political conditions during FY2018 which is material in the context of the Tesco Profit Forecast;
- no change in legislation or regulation impacting on the Tesco Group's operations or its accounting policies and standards to which it is subject which is material in the context of the Tesco Profit Forecast;
- no change in inflation, interest or tax rates in Tesco's principal markets compared with Tesco's estimates which is material in the context of the Tesco Profit Forecast;
- no change in market conditions within the retail or financial services industry in relation to either demand or competitive environment which is material in the context of the Tesco Profit Forecast;
- no change in the exchange rates compared with Tesco's estimates which is material in the context of the Tesco Profit Forecast;
- no change in labour costs, including pension and other post-retirement benefits; and
- there will be no adverse event that will have an impact on Tesco's financial performance which is material in the context of the Tesco Profit Forecast.

Factors within the influence or control of the Tesco Directors

- no material acquisitions, joint venture agreements or disposals will be made by Tesco prior to 24 February 2018;
- the level of loan related provisions within Tesco Bank appropriately covers future losses under the relevant loans and there are no events or circumstances arising which would cause a change in the level of loan related provisions in Tesco bank that would be material to the Tesco Profit Forecast; and
- no change in Tesco's strategy.

10. Booker's Current Trading, Trends and Prospects

For the 16 weeks ended 29 December 2017, based on unaudited management accounts, Booker Group's tobacco sales rose by 5.9 per cent. with non-tobacco like-for-likes up 6.2 per cent. Booker Group's tobacco sales declined by 2.6 per cent., with tobacco like-for-likes down 2.1 per cent. As a result, total sales were up 3.4 per cent. and like-for-likes were up 3.8 per cent.

Both the catering and retail sides of Booker Group made good progress. Premier continued to grow and Budgens and Londis performed well. Booker commenced the supply to Shell and MRH forecourt businesses in December 2017. Internet sales increased by 14 per cent. to £381 million (excluding Budgens and Londis) and Booker India continued to make progress.

Booker continues to work to Focus, Drive and Broaden the business to improve choice, prices and service for its customers.

11. No Significant Change

The Tesco Group

There has been no significant change in the financial or trading position of the Tesco Group since 26 August 2017, the date to which Tesco's last published unaudited interim financial statements were prepared.

The Booker Group

There has been no significant change in the financial or trading position of the Booker Group since 8 September 2017, the date to which Booker's last published unaudited interim financial statements were prepared.

12. Consents

Barclays, who has acted as sponsor, financial adviser and corporate broker to Tesco and whose registered address is at 1 Churchill Place, London, E15 5HP, has given and has not withdrawn its written consent to the inclusion in this Circular of its report on: (i) the quantified financial benefits statement included at Part V (*Tesco Quantified Financial Benefits Statement*); and (ii) the profit forecast set out in Section D of Part VI (*Tesco Profit Forecast*), in each case in the form and context in which it appears.

Greenhill, who has acted as lead financial adviser to Tesco and whose registered address is at Lansdowne House, 57 Berkeley Square, London, W1J 6ER, has given and has not withdrawn its written consent to the inclusion in this Circular of its report on the profit forecast set out in Section C of Part VI (*Tesco Profit Forecast*) in the form and context in which it appears.

Citi, who has acted as financial adviser and corporate broker to Tesco and whose registered address is at Citigroup Centre, Canada Square, Canary Wharf, London, E14 5LB, has given and has not withdrawn its written consent to the inclusion in this Circular of its report on: (i) the quantified financial benefits statement included at Part V (*Tesco Quantified Financial Benefits Statement*); and (ii) the profit forecast set out in Section E of Part VI (*Tesco Profit Forecast*), in each case in the form and context in which it appears.

Davy, who has acted as Irish Sponsor to Tesco and whose registered address is at Davy House, 49 Dawson Street, Dublin 2, D02 PY05, Ireland has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which it appears.

Deloitte, who has acted as auditor and reporting accountant to Tesco and whose registered address is at 2 New Street Square, London, EC4A 3BZ, has given and has not withdrawn its written consent to the inclusion of its accountant's report on: (i) the unaudited *pro forma* financial information of the Combined Group set out in Section B of Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*) in this Circular; and (ii) the profit forecast set out in Section B of Part VI (*Tesco Profit Forecast*), in each case in the form and context in which it appears.

Deloitte and Greenhill has each given and not withdrawn its written consent to the inclusion of its name within the confirmation statement required by Rule 27.2(d) (ii) of the City Code set out in paragraph 3 of Part V (*Tesco Quantified Financial Benefits Statement*) of this Circular (the "Company Confirmation Statement") in the form and context in which it is included. Each of Deloitte and Greenhill has given its consent solely for the purpose of complying with Listing Rule 13.4.1R(6) and for no other purpose.

Robey Warshaw LLP, who provided initial independent advice as part of Tesco's initial evaluation of the proposed Merger, and whose registered address is at 31 St James's Place, London, SW1A 1NR, has given and has not withdrawn its written consent to the inclusion in this Circular of references to its name in the form and context in which it appears.

No adviser has an interest in the Merger that is material.

13. Information Incorporated by Reference

The following sections of the Prospectus are incorporated by reference into this Circular. Where the information described below itself incorporates further information by reference to another document, that further information is not intended to form part of this Circular for any purpose.

The Prospectus has been published by Tesco and can be viewed on its website (www.tescoplc.com). The Prospectus contains information regarding, among other things, the reasons for the Merger, further details concerning Tesco, Booker and the Combined Group, historical financial information of Tesco, the Tesco Directors, the Proposed Directors and the New Tesco Shares.

Information incorporated by reference	Sections of the Prospectus incorporated by reference	Prospectus page number(s)
Information on Tesco		
Taxation	Part 14	290-296
Interests of the Tesco Directors, Proposed Directors and Tesco senior management in Tesco Shares	Part 15	306-310
Tesco Directors' terms of employment	Part 15	311-315
Tesco employee share schemes	Part 15	322-337
Major shareholders	Part 15	310
Related party transactions	Part 15	346-349
Information on Booker		
Booker Historical Financial Information	Part 9	145-273

14. Documents available for inspection

Copies of the following documents are available for inspection for a period beginning on the date of this Circular and ending on the Effective Date at www.tescoplc.com:

- the Tesco Articles of Association;
- the Prospectus;
- this Circular;
- the Scheme Document;
- the Announcement;
- Tesco's Annual Report and Financial Statements 2015;
- Tesco's Annual Report and Financial Statements 2016;
- Tesco's Annual Report and Financial Statements 2017;
- Tesco's Interim Results 2016;
- Tesco's Interim Results 2017;

- the report by Deloitte set out in Part IV (*Unaudited Pro Forma Financial Information of the Combined Group*);
- the report by Barclays set out in Part V (*Tesco Quantified Financial Benefits Statement*);
- the report by Citi set out in Part V (*Tesco Quantified Financial Benefits Statement*);
- the consent letters referred to in paragraph 12 of this Part VII (*Additional Information*); and
- the Profit Forecast Reports.

Part VIII

Definitions

The following definitions apply throughout this Circular unless the context requires otherwise:

"**3Q and Christmas Trading Update**"	the Tesco third quarter and Christmas trading statement 2017/18 which was released on 11 January 2018;
"**£**", "**Sterling**", "**pence**" or "**p**"	pound sterling, the lawful currency of the UK;
"**Act**"	the Companies Act 2006, as amended from time to time;
"**Additional Confidentiality Agreements**"	has the meaning set out in paragraph 6 of Part VII (*Additional Information*) of this Circular;
"**Admission**"	UK Admission and Irish Admission;
"**ADR**"	American Depositary Receipt;
"**APM**"	the alternative performance measures defined in the ESMA Guidelines on Alternative Performance Measures and described on page 4 of this Circular;
"**Announcement**"	the Merger Announcement;
"**Barclays**"	Barclays Bank PLC, acting through its Investment Bank;
"**Booker**"	Booker Group plc, incorporated in England and Wales with registered number 05145685;
"**Booker's Annual Report and Financial Statements 2016**"	the annual report and audited financial statements of Booker for the year ended 25 March 2016;
"**Booker Board**"	the Booker Directors collectively;
"**Booker Board Recommendation**"	has the meaning set out in paragraph 12 of Part I (*Letter from the Chairman*) of this Circular;
"**Booker Court Meeting**"	the meeting of the holders of the Booker Shares, convened by order of the Court pursuant to Part 26 of the Act to consider and, if thought fit, approve the Scheme with or without modification, including any adjournment thereof;
"**Booker Directors**"	the directors of Booker as at the date of the Merger Announcement or, where the context so requires, the directors of Booker from time to time;
"**Booker General Meeting**"	the general meeting of Booker to be convened in connection with the Scheme and the Merger, notice of which will be set out in the Scheme Document, including any adjournment thereof;
"**Booker Group**"	Booker, its subsidiaries and its subsidiary undertakings from time to time;
"**Booker Meetings**"	the Booker Court Meeting and the Booker General Meeting;

“Booker PSP” the Booker Performance Share Plan 2008 (including the tax-favoured appendix as amended from time to time);

“Booker Scheme Shareholders” holders of Booker Scheme Shares;

“Booker Scheme Shares” Booker Shares:

- in issue as at the date of the Scheme Document;
- (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and
- (if any) issued on or after the Scheme Voting Record Time and before the Scheme Record Time, either on terms that the original or any subsequent holders thereof shall be bound by the Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by the Scheme,

but in each case other than the Excluded Shares;

“Booker Share Schemes” the Booker PSP and the Booker Savings Related Share Option Plan 2008 as amended from time to time;

“Booker Shareholders” the registered holders of Booker Shares from time to time;

“Booker Shares” ordinary shares of one penny each in the capital of Booker;

“BRP” Booker Retail Partners (GB) Limited;

“Business Day” a day, other than a Saturday, Sunday or public or bank holiday, when banks are open for business in London;

“Circular” this document, which is to be sent by Tesco to Tesco Shareholders summarising the background to and reasons for the Merger and which includes a notice convening the Tesco General Meeting;

“Citi” Citigroup Global Markets Limited;

“City Code” the UK City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Takeover Panel;

“Clean Team Confidentiality Agreement” the clean team confidentiality agreement between Tesco and Booker dated 12 December 2016;

“Closing Dividend” has the meaning set out in paragraph 3 of Part I (*Letter from the Chairman*) of this Circular;

“Closing Price” means the closing middle market quotations of a share derived from the daily official list of the LSE;

“CMA” the Competition and Markets Authority;

“CMA Pre-Condition” the CMA deciding, as a pre-condition to the Merger, in terms reasonably satisfactory to Tesco: (a) not to make a Phase 2 CMA Reference (pursuant to Sections 33 or 73 of the Enterprise Act 2002); or (b) where the CMA has made a Phase 2 CMA Reference, confirmation having been received by Tesco from the CMA that: (i) the Merger may proceed without any undertakings, conditions or orders; or (ii) the

	Merger may proceed subject to the giving of such undertakings by, or the imposition of such conditions or orders on, Tesco and/or Booker, on terms reasonably satisfactory to Tesco, and all necessary approvals or consents for clearance having been provided by the CMA;
"Combined Group"	the enlarged group following the Merger comprising the Tesco Group and the Booker Group;
"Combined Group's Board"	the directors comprising the Tesco Board as at the date of completion of the Merger, Stewart Gilliland and Charles Wilson;
"Combined Group's Executive Committee"	the executive committee of Tesco as at the date of completion of the Merger and Charles Wilson;
"Compensation Scheme"	has the meaning set out in paragraph 7 of Part VII (*Additional Information*) of this Circular;
"Conditions"	the conditions to the implementation of the Merger (including the Scheme) as set out in the Scheme Document;
"Confidentiality Agreement"	the confidentiality agreement between Tesco and Booker dated 20 June 2016;
"Confidentiality and Joint Defense Agreement"	the confidentiality and joint defense agreement between Tesco and Booker dated 28 June 2016;
"Consideration"	the basic consideration payable to Booker Shareholders in connection with the Merger comprising a share component of 0.861 New Tesco Shares per Booker Share and a cash component of 42.6 pence per Booker Share, subject to final allocations under the Mix and Match Facility;
"Co-operation Agreement"	the co-operation agreement between Tesco and Booker dated 27 January 2017;
"Court"	the High Court of Justice of England and Wales;
"CREST"	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form;
"Deloitte"	Deloitte LLP;
"Disclosure Guidance and Transparency Rules"	the disclosure rules made by the FCA and forming part of the FCA Handbook of Rules and Guidance, as amended from time to time;
"Davy"	means J&E Davy;
"DPA"	has the meaning set out in paragraph 7 of Part VII (*Additional Information*) of this Circular;

"Effective Date"	means the date upon which either: ● the Scheme becomes effective in accordance with its terms; or ● if Tesco elects to implement the Merger by way of an Offer, the date on which the Offer becomes or is declared unconditional in all respects;
"Equiniti"	means Tesco's Registrar, Equiniti Limited;
"Euro Notes"	means selected series of euro denominated notes issued by Tesco Corporate Treasury Services PLC as defined in paragraph 6 of Part VII (*Additional Information*) of this Circular;
"Excluded Shares"	any Booker Shares beneficially owned by Tesco or any other member of the Tesco Group immediately prior to the Scheme Record Time;
"Existing Tesco Shares"	means the Tesco Shares in issue at the Latest Practicable Date;
"Existing Tesco Shareholders"	means the holders of Existing Tesco Shares (any such holder being an "Existing Tesco Shareholder");
"FCA"	the Financial Conduct Authority or its successor from time to time;
"FCA Handbook"	the FCA Handbook of Rules and Guidance as amended from time to time;
"Financial Advisers"	Barclays, Greenhill and Citi;
"FSMA"	the Financial Services and Markets Authority 2000, as amended from time to time;
"Greenhill"	Greenhill & Co. International LLP;
"Governance Code"	UK Corporate Governance Code;
"HMRC"	HM Revenue & Customs;
"Homeplus"	Tesco Group's Korean operations prior to disposal, made up of Homeplus Co. Limited, Homeplus Tesco Co. Limited and related subsidiaries;
"IFRS"	International Financial Reporting Standards;
"Irish Admission"	admission of the New Tesco Shares to the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main market for listed securities;
"Irish Official List"	the Official List maintained by the Irish Stock Exchange;
"Irish Sponsor"	means Davy;
"Irish Stock Exchange"	the Irish Stock Exchange plc;
"Information"	has the meaning set out in paragraph 6 of Part VII (*Additional Information*) of this Circular;

"Joining Forces Team"	has the meaning set out in paragraph 10 of Part I (*Letter from the Chairman*) of this Circular;
"Latest Practicable Date"	means 1 February 2018, being the latest practicable date prior to the publication of this Circular;
"Listing Rules"	the listing rules made by the FCA pursuant to Part 6 of the FSMA, referred to in Section 73A(2) of the same, and contained in the FCA's publication of the same name;
"Lock-up Agreement"	the lock-up agreement between Charles Wilson, Chief Executive of Booker, and Tesco, entered into on 27 January 2017;
"London Stock Exchange"	London Stock Exchange plc, together with any successors thereto;
"Longstop Date"	30 November 2018 or such later date as may be agreed in writing by Booker and Tesco (with the Takeover Panel's consent and as the Court may approve (if such approval(s) are required));
"Main Market"	the Main Market of the London Stock Exchange;
"Makro"	Makro Self Service Wholesalers Limited and Makro Properties Limited;
"Merger"	the proposed acquisition of the entire issued and to be issued share capital of Booker by Tesco, to be implemented by way of the Scheme or (should Tesco so elect, subject to the consent of the Takeover Panel) by way of the Offer;
"Merger Announcement"	the announcement of the Merger dated 27 January 2017;
"Mix and Match Facility"	the mix and match facility provided for in the Scheme under which Booker Shareholders (other than holders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction) may, subject to off-setting elections made by other Booker Shareholders, elect to vary the proportion of New Tesco Shares and cash received under the terms of the Merger;
"New Tesco Shares"	the new Tesco Shares which are to be issued pursuant to the Merger;
"Non-US Notes"	Certain euro and sterling denominated notes issued by Tesco as defined in paragraph 6 of Part VII (*Additional Information*) of this Circular;
"Notice of General Meeting"	the notice of the Tesco General Meeting included at Part IX (*Notice of General Meeting*) of this Circular;
"Offer"	should Tesco elect to implement the Merger by way of a takeover offer (as defined in section 974 of the Act), the recommended offer to be made by or on behalf of Tesco to acquire all of the issued and to be issued Booker Shares on the terms and subject to the Conditions set out in Part III (*Historical Financial Information in relation to Booker and the Booker Group*) of the Scheme Document and to be set

	out in the Offer Document and, where the context admits, any subsequent revision, variation, extension or renewal of such Offer;
"**Permitted Booker Dividend**" or "**Permitted Booker Dividends**"	has the meaning set out in Part X (*Dividends*) of this Circular;
"**PRA**"	the Prudential Regulation Authority or its successor from time to time;
"**Profit Forecast Reports**"	the reports from Deloitte, Greenhill, Barclays and Citi contained in Part VI (*Tesco Profit Forecast*) in respect of the Profit Forecast;
"**Proposed Directors**"	those Booker Directors, being Stewart Gilliland and Charles Wilson, who as at the date of completion of the Merger will become members of the Combined Group's Board;
"**Prospectus**"	the prospectus to be published by Tesco at or around the same time as the Scheme Document and this Circular in respect of the New Tesco Shares to be issued to Booker Shareholders in connection with the Merger and for the purpose of UK Admission;
"**Prospectus Rules**"	the prospectus rules made by the FCA pursuant to Part 6 of the FSMA, referred to in Section 73A(4) of the same, and contained in the FCA publication of the same name;
"**Proxy Form**"	the form of proxy in connection with the Tesco General Meeting, which shall accompany the Notice of General Meeting;
"**Regulatory Conditions**"	the Conditions set out in Part III (*Historical Financial Information in relation to Booker and the Booker Group*) of the Scheme Document;
"**Restricted Jurisdiction**"	any jurisdiction where local laws or regulations may result in a significant risk of civil, regulatory or criminal exposure if information concerning the Merger is sent or made available to Booker Shareholders in that jurisdiction, or the Mix and Match Facility is made available to Booker Shareholders in that jurisdiction;
"**Return on Invested Capital**"	the sum of Booker's post-tax earnings and post-tax synergies, divided by the purchase price plus transaction-related costs net of tax;
"**ROI**"	the Republic of Ireland;
"**Scheme**"	the scheme of arrangement proposed to be made under Part 26 of the Act between Booker and the Booker Scheme Shareholders as set out in the Scheme Document, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Booker and Tesco;
"**Scheme Document**"	the document to be sent to (among others) Booker Shareholders containing and setting out, among other

	things, the full terms and conditions of the Scheme and containing the notices convening the Booker Court Meeting and Booker General Meeting;
"Scheme Record Time"	the time and date specified in the Scheme Document, expected to be 6.30 p.m. on the Business Day immediately prior to the Effective Date;
"Scheme Voting Record Time"	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined;
"Service Agreement Amendment Deed"	the service agreement amendment deed between Charles Wilson, Tesco and Booker dated 27 January 2017;
"SFO"	the UK Serious Fraud Office;
"Sponsor"	Barclays;
"Sterling Notes"	sterling denominated notes issued by Tesco as defined in paragraph 6 of Part VII (*Additional Information*) of this Circular;
"Synergy Team"	the synergy development team comprising senior personnel representing both Tesco and Booker which was established to evaluate and assess the potential synergies available for the integration and undertake an initial planning exercise;
"Takeover Offer"	a takeover offer as defined in Part 28 of the Act;
"Takeover Panel"	the UK Panel on Takeovers and Mergers;
"Tesco"	Tesco PLC, incorporated in England and Wales with registered number 00445790;
"Tesco's Annual Report and Financial Statements 2015"	the annual report and audited financial statements of Tesco for the year ended 28 February 2015;
"Tesco's Annual Report and Financial Statements 2016"	the annual report and audited financial statements of Tesco for the year ended 27 February 2016;
"Tesco's Annual Report and Financial Statements 2017"	the annual report and audited financial statements of Tesco for the year ended 25 February 2017;
"Tesco Articles of Association"	the Articles of Association of Tesco from time to time;
"Tesco Board"	the Tesco Directors collectively;
"Tesco Board Recommendation"	the unanimous and unconditional recommendation made by the Tesco Board to Tesco Shareholders to approve the Tesco Resolutions as set out in paragraph 22 of Part I (*Letter from the Chairman*) of this Circular;
"Tesco Directors"	the directors of Tesco as at the date of this Circular or, where the context so requires, the directors of Tesco from time to time;
"Tesco Employee Share Plan"	has the meaning given to it in Part 15 of the Prospectus;
"Tesco General Meeting"	the general meeting of Tesco to be convened in connection with the Merger, notice of which is set out in Part IX (*Notice*

	of General Meeting) of this Circular, including any adjournment thereof;
"Tesco Group"	Tesco, its subsidiaries and its subsidiary undertakings from time to time;
"Tesco's Interim Results 2016"	Tesco's interim results for the six months ended 27 August 2016;
"Tesco's Interim Results 2017"	Tesco's interim results for the six months ended 26 August 2017;
"Tesco Merger Resolution"	the resolution set out in the Notice of General Meeting;
"Tesco Profit Forecast"	has the meaning set out in paragraph 7 of Part I (*Letter from the Chairman*) of this Circular;
"Tesco Quantified Financial Benefits Statement"	the statements of estimated cost savings and synergies arising from the Merger described in paragraph 1 of Part V (*Tesco Quantified Financial Benefits Statement*) of this Circular;
"Tesco Resolutions"	such shareholder resolutions of Tesco as are required to approve, implement and effect the Merger, including, a resolution or resolutions to authorise the creation and allotment of New Tesco Shares pursuant to the Merger;
"Tesco Shareholders"	the registered holders of Tesco Shares from time to time;
"Tesco Shares"	ordinary shares of five pence each in the capital of Tesco;
"Transformation Programmes"	the Tesco Group's multiple internal, customer facing, and IT transformation programmes designed to improve the shopping experience for Tesco Group customers, simplify the Tesco Group's business, increase the overall level of risk management maturity, control environment maturity and improve consistency across the Tesco group, clarify accountability and reduce costs so as to enable their businesses to be run in a more sustainable and cost-effective way and to adapt more quickly in a rapidly changing retail environment, including finance, people, IT and service model initiatives;
"TSL"	Tesco Stores Limited, incorporated in England and Wales with registered number 00519500;
"UK"	the United Kingdom of Great Britain and Northern Ireland;
"UK Admission"	admission of the New Tesco Shares to the premium listing segment of the UK Official List and to trading on the London Stock Exchange's main market for listed securities;
"UK Official List"	the Official List maintained by the FCA; and
"US"	the United States of America, its territories and possessions, any state or political subdivision of the United States and the District of Columbia.

Part IX

Tesco PLC

Notice of General Meeting

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of Tesco PLC (the "Company") will be held at etc.venues St Paul's, 200 Aldersgate, St Paul's, London, EC1A 4HD at 10.00 a.m. on 28 February 2018 for the purpose of considering and, if thought fit, passing the following resolution, which shall be proposed as an ordinary resolution:

RESOLUTION 1 (Ordinary Resolution)

(1) **THAT**:

(A) the proposed acquisition by the Company of the entire issued and to be issued ordinary share capital of Booker Group plc ("Booker"), to be effected pursuant to a scheme of arrangement of Booker under Part 26 of the Companies Act 2006 (the "Scheme") (or by way of a takeover offer as defined in Chapter 3 of Part 28 of the Companies Act 2006 in the circumstances set out in the cooperation agreement entered into between the Company and Booker dated 27 January 2017 (an "Offer")) (the "Recommended Merger") substantially on the terms and subject to the conditions as described in:

(i) the circular to shareholders of the Company dated 5 February 2018 (the "Circular") outlining the Recommended Merger, of which this notice convening this General Meeting (the "Notice") forms part; and

(ii) the prospectus prepared by the Company in connection with Admission (defined below) dated 5 February 2018,

be and is hereby approved and the directors of the Company (the "Directors") (or a duly authorised committee thereof) be and are hereby authorised to do or procure to be done all such acts and things as they consider necessary, expedient or appropriate in connection with the Recommended Merger and this resolution and to agree such modifications, variations, revisions, waivers or amendments to the terms and conditions of the Recommended Merger (provided that such modifications, variations, revisions, waivers or amendments do not materially change the terms of the Recommended Merger for the purposes of the FCA's Listing Rule 10.5.2) and to any documents and arrangements relating thereto, as the Directors (or a duly authorised committee thereof) may in their absolute discretion think fit; and

(B) subject to and conditional upon:

(i) the conditions for the Scheme to become effective being satisfied, except for the conditions relating to:

(a) the UK Listing Authority having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the application for the admission of the new ordinary shares of 5 pence each in the capital of the Company to be issued pursuant to the Scheme (or, as the case may be, the Offer) (the "New Tesco Shares") to listing on the premium listing segment of the Official List maintained by the UK Listing Authority has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (the "listing conditions")) will become effective as soon as a dealing notice has been issued by the Financial Conduct Authority and any listing conditions having been satisfied; and

(b) London Stock Exchange plc having acknowledged to the Company or its agent (and such acknowledgment not having been withdrawn) that the New Tesco Shares will be admitted to trading on the main market of the London Stock Exchange plc ("Admission"); or, as the case may be,

(ii) an Offer becoming or being declared wholly unconditional (except for Admission),

the Directors be and hereby are generally and unconditionally authorised in accordance with Section 551 of the Companies Act 2006 (in addition, to the extent unutilised, to the authority granted to the Directors at the general meeting of the Company held on 16 June 2017, which remains in full force and effect and without prejudice to the continuing authority of the directors to allot equity securities pursuant to an offer or agreement made by the Company before the expiry of the authority pursuant to which such offer or agreement was made) to exercise all the powers of the Company to allot the New Tesco Shares and grant rights to subscribe for or to convert any security into shares in the Company, up to an aggregate nominal amount of £79,500,000, in each case, credited as fully paid, with authority to deal with fractional entitlements arising out of such allotment as they think fit, subject always to the terms of the Recommended Merger and to take all such other steps as they may in their absolute discretion deem necessary, expedient or appropriate to implement such allotments in connection with the Recommended Merger, and which authority shall expire at the close of business on 30 November 2018 (unless previously revoked, renewed or varied by the Company in a general meeting), save that the Company may before such expiry make an offer or enter into an agreement that would or might require shares to be allotted, or rights to subscribe for or to convert securities into shares to be granted, after such expiry and the Directors may allot shares or grant such rights in pursuance of such an offer or agreement as if the authority conferred by this resolution had not expired.

By order of the Board,
Robert Welch
Company Secretary

5 February 2018

Registered office:
Tesco House
Shire Park
Kestrel Way
Welwyn Garden City AL7 1GA
UK
Registered in England and Wales with registered number 00445790

Shareholder notes

Notes

Right to attend and vote at the meeting

1. This circular is being sent to all members, to any person nominated by a member of the Company under section 146 of the Companies Act 2006 to enjoy information rights, to the directors and to the Company's auditors. Members receiving hard copy documents will find an admission card, a proxy form and a reply paid envelope enclosed with this Circular.
2. Only persons entered in the register of members of the Company at 6.30 p.m. on 26 February 2018 or, in the event that the meeting is adjourned, 6.30 p.m. on the date which is two working days prior to the reconvened meeting, shall be entitled to attend, speak and vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend, speak and vote at the meeting or adjourned meeting. Voting on all resolutions will be by way of a poll.

Proxy appointment

3. A member of the Company entitled to attend, speak and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote instead of him/her. A member may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to a different share or shares held by him/her. A proxy need not be a member of the Company but must attend the meeting to represent you. A separate proxy form should be used for each proxy appointment. If you intend to appoint additional proxies, please call the Tesco Shareholder Helpline on 0371 384 2977 or on +44 121 415 7053 from outside the UK, to obtain (an) additional proxy form(s). Calls to this number are charged at national rates, calls from a mobile device may incur network extras. Lines are open between 8:30 a.m. and 5:30 p.m. (UK time), Monday to Friday (public holidays excepted). Equiniti may record calls to both numbers for security purposes and to monitor the quality of its services. The Tesco Shareholder Helpline cannot provide advice on the merits of the Merger or give any financial, legal or tax advice. Alternatively, you may photocopy the proxy form. A member appointing more than one proxy should indicate the number of shares for which each proxy is authorised to act on his/her holding. Failure to specify the number of shares to which each proxy form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the member may result in the proxy appointment being invalid.
4. The appointment of a proxy will not preclude a member from attending and voting in person at the meeting. A proxy form accompanies this Notice and in order to be valid should be completed and returned to the Company's registrars, Equiniti Limited, by no later than 10.00 a.m. on 26 February 2018.
5. You may, if you wish, register the appointment of a proxy or proxies, or voting instructions for the meeting, electronically by logging on to www.sharevote.co.uk. You will need to use the series of numbers made up of your Voting ID, Task ID and Shareholder Reference printed on your proxy form. Full details of the procedure are given on the website. The proxy appointment and/or voting instructions must be received by Equiniti Limited at least 48 hours before the appointed time of the meeting (excluding any part of a day that is not a working day), that is to say, no later than 10.00 a.m. on 26 February 2018. Please note that any electronic communication sent to the Company or the Registrars that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the meeting is governed by Equiniti Limited's conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging on to that site.
6. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

CREST members

7. Members who are users of the CREST system (including CREST Personal Members) may appoint one or more proxies or give an instruction to a proxy by having an appropriate CREST message transmitted. To appoint a proxy or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, the CREST message must be received by the Company's agent (ID number RA19) not later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for holding the meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the Company's agent is able to retrieve the message. CREST Personal Members or other CREST sponsored members should contact their CREST sponsor for assistance with appointing proxies via CREST. For further information on CREST procedures, limitations and systems timings, please refer to the CREST Manual (available via www.euroclear.com). The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001, as amended.

Appointment of proxy by joint members

8. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which

the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Availability of documents and other information

9. The following documents will be available for inspection at the registered office of the Company during usual business hours every business day from the date of this Notice until the meeting and will be available for inspection at the place of the meeting for one hour prior to and until the close of the meeting:

   (a) copies of directors' service contracts and letters of appointment;

   (b) copies of the directors' deeds of indemnity entered into in connection with the indemnification of director provisions of the Company's articles of association; and

   (c) the documents listed in paragraph 14 of Part VII (*Additional Information*) of the Circular.

10. In accordance with Section 311A of the Act, the contents of this Notice, details of the total number of shares in respect of which members are entitled to exercise voting rights at the meeting and, if applicable, members' statements, members' resolutions or members' matters of business received by the Company after the date of this Notice will be available on the Company's website at www.tescoplc.com.

11. You may not use any electronic address provided either in this Notice or in any related documents (including the enclosed proxy form) to communicate with the Company for any purposes other than those expressly stated.

Corporate representative

12. A member of the Company which is a corporation may authorise a person or persons to act as its representative(s) at the meeting. In accordance with the provisions of the Act (as amended by the Companies (Shareholders' Rights) Regulations 2009), each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.

Total voting rights

13. As at 1 February 2018 (being the latest business day prior to publication of this Notice), the Company's issued share capital consisted of 8,191,798,719 ordinary shares, carrying one vote each. The Company does not hold any ordinary shares in treasury, and therefore the total voting rights in the Company as at 1 February 2018 were 8,191,798,719.

Nominated persons

14. A person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a "Nominated Person") may, under an agreement between him/her and the member by whom he/she was nominated, have the right to be appointed (or to have someone else appointed) as a proxy for the meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the member as to the exercise of voting rights.

15. The statements of the rights of members in relation to the appointment of proxies in this Notice do not apply to Nominated Persons. Those rights can only be exercised by registered members of the Company.

Accessibility

16. The venue is wheelchair accessible. Please let us know in advance if you will need wheelchair assistance or if you have any other needs to ensure appropriate arrangements are in place. Anyone accompanying a member in need of assistance will be admitted to the meeting. Other guests will only be admitted at the discretion of the Company.

Security

17. We thank you in advance for your co-operation with our security staff and the security staff at the venue. You may be asked to pass through the security systems before entering the meeting. We do not permit cameras or recording equipment at the meeting and we would be grateful if you would ensure you switch off your mobile telephone before the start of the meeting. We will not permit behaviour which may interfere with anyone's safety or the orderly conduct of the meeting.

Questions at the meeting

18. Under Section 319A of the Act, any member attending the meeting has the right to ask questions. The Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if:

   (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

   (b) the answer has already been given on a website in the form of an answer to a question; or

   (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Part X

Dividends

Summary of dividend entitlements agreed at the time of the Merger Announcement

The terms of the Merger set out the agreement between Tesco and Booker on the payment of dividends to Booker Shareholders pending the completion of the Merger. Since the Merger Announcement, Booker has paid dividends in respect of the financial periods ending 24 March 2017 (the "2016/17 Final Dividend") and 8 September 2017 (the "2017/18 Interim Dividend") and a special dividend of 3.02 pence per Booker Share (the "2016/17 Special Dividend") in accordance with that agreement. Pursuant to that agreement, Booker Shareholders on the relevant record date will also be entitled to receive, subject to Booker having sufficient distributable reserves at the relevant time, the dividends set out below (such dividends, together with the 2016/17 Final Dividend; 2017/18 Interim Dividend; and 2016/17 Special Dividend, (being the "Permitted Booker Dividends" and each a "Permitted Booker Dividend"):

- if the Effective Date is after the record date for the 2017/18 Final Dividend (as defined below) (but not otherwise), subject to approval by the Booker Shareholders, a final dividend of up to 65 per cent. of Booker's Earnings for the 53 weeks ending 30 March 2018 less the aggregate amount of the 2017/18 Interim Dividend (the "2017/18 Final Dividend"). If the Effective Date is expected to occur prior to Booker's annual general meeting for the 53 weeks ending 30 March 2018, the 2017/18 Final Dividend may be approved by the Booker Board, and paid, as an interim dividend. If the 2017/18 Final Dividend is announced or declared, the record date for it shall be in June 2018 and any general meeting to approve the 2017/18 Final Dividend shall be after such record date;
- if the Effective Date is after the record date for the 2018/19 Interim Dividend (as defined below) (but not otherwise), an interim dividend of up to 0.76 pence per Booker Share in respect of the 24 weeks ending 14 September 2018 (the "2018/19 Interim Dividend"). If the 2018/19 Interim Dividend is announced or declared, the record date for it shall be in October 2018; and
- subject to the Scheme becoming Effective, an aggregate closing dividend (the "Closing Dividend"), to be agreed by Tesco and Booker (or, in the absence of agreement, determined as set out below) to reflect the principle that Booker Shareholders should receive a dividend payment equal to the accrued but unpaid ordinary dividends that they would otherwise have expected to receive as Booker Shareholders in respect of the period from the end of the last financial period for which a dividend was made, declared or paid until the Effective Date, such payment to be reduced by any dividends that Booker Shareholders would be expected to become entitled to receive as holders of New Tesco Shares after the Effective Date in relation to the same period.

Summary of basis for Closing Dividend re-calculation (if required)

As set out in Part I (*Letter from the Chairman*), based on the Effective Date occurring on or before 31 March 2018, Tesco and Booker have now agreed that the Closing Dividend that Booker Shareholders are entitled to will be 3.7 pence per Booker Share. If the Effective Date is after 31 March 2018, the Closing Dividend will be re-calculated in accordance with the formula set out below or as otherwise agreed between Tesco and Booker and the amount of the Closing Dividend will be announced to Booker Shareholders via a Regulatory Information Service on or prior to the Effective Date.

To the extent the Closing Dividend is to be recalculated as described above, Tesco and Booker have agreed that it will be an aggregate amount calculated by deducting the aggregate Accrued

Tesco Dividend from the aggregate Accrued Booker Dividend in accordance with the formula below, where:

- the "Accrued Booker Dividend" is equal to the aggregate amount of unpaid ordinary dividends that will have accrued as ordinary dividends on the Booker Shares on or prior to the Effective Date, calculated as:

$$(A \times 1.1 \times B) - C$$

where:

  - A equals the sum of the aggregate amounts of the last interim dividend and last final (or second interim) dividend of Booker (but, for the avoidance of doubt, excluding any special dividend of Booker, including the 2016/17 Special Dividend) that have been announced or declared, and for which the record date has or will have occurred as at the Effective Date;
  - B equals:
    - if the Effective Date is prior to the record date for the 2017/18 Final Dividend, the number of days from (and including) 25 March 2017 to (and excluding) the Effective Date divided by 365;
    - if the Effective Date is on or after the record date for the 2017/18 Final Dividend, the number of days from (and including) 31 March 2018 to (and excluding) the Effective Date divided by 365;
  - C equals:
    - if the Effective Date is after the record date for the 2017/18 Interim Dividend but prior to the record date for the 2017/18 Final Dividend, the aggregate 2017/18 Interim Dividend;
    - if the Effective Date is on or after the record date for the 2017/18 Final Dividend but prior to the record date for the 2018/19 Interim Dividend, zero;
    - if the Effective Date is on or after the record date for the 2018/19 Interim Dividend, an amount equal to the aggregate of the 2018/19 Interim Dividend;

- the "**Accrued Tesco Dividend**" is equal to the aggregate amount of unpaid ordinary dividends that Booker Shareholders are expected to become entitled to receive as holders of New Tesco Shares after the Effective Date in relation to the same period as for the Accrued Booker Dividend, calculated as:

$$((D \times E \times F) - G) \times H$$

where:

  - D equals the amount of the interim dividend by Tesco for the financial year ending 24 February 2018 (the "Tesco 2017 FY") multiplied by 3;
  - E equals:
    - if the Effective Date is on or prior to the record date for a final (or second interim) dividend by Tesco in respect of the Tesco 2017 FY (the "Tesco 2017/18 Final Dividend"), one;
    - if the Effective Date is on or after the record date for the Tesco 2017/18 Final Dividend, 1.5;

- F equals:
  - if the Effective Date is prior to the record date for the Tesco 2017/18 Final Dividend, the sum of the number of days from (and including) 26 February 2017 to (and excluding) the Effective Date divided by 365;
  - if the Effective Date is on or after the record date for the Tesco 2017/18 Final Dividend, the number of days from (and including) 25 February 2018 to (and excluding) the Effective Date divided by 365;
- G equals:
  - if the Effective Date is on or after the record date for the Tesco 2017/18 Interim Dividend but prior to the record date for the Tesco 2017/18 Final Dividend, the aggregate Tesco 2017/18 Interim Dividend;
  - if the Effective Date is on or after the record date for the Tesco 2017/18 Final Dividend but prior to the record date for an interim dividend by Tesco in respect of the financial year ending 23 February 2019 (the "Tesco 2018/19 Interim Dividend"), zero;
  - if the Effective Date is on or after the record date for the Tesco 2018/19 Interim Dividend, an amount equal to the aggregate of the Tesco 2018/19 Interim Dividend;
- H equals the number of New Tesco Shares to be issued under the Merger divided by the number of Tesco Shares in issue immediately prior to the Scheme becoming Effective.

For the avoidance of doubt, if the Effective Date occurs after the announcement or declaration of any Permitted Booker Dividend, but before its record date, the relevant Booker Shareholders will not be entitled to receive such dividend.

Tesco and Booker intend to agree the timetable relating to the Permitted Booker Dividends with the London Stock Exchange to take into account the relevant dividend procedure timetable at the relevant time.

If, on or after the date of this document, any dividend and/or other distribution and/or other return of capital is declared, made or paid or becomes payable in respect of the Booker Shares, other than a Permitted Booker Dividend, Tesco reserves the right (without prejudice to any right of Tesco to invoke Condition 10(c) in the Merger Announcement), to reduce the value implied under the terms of the Merger for the Booker Shares by an amount up to the amount of such dividend and/or distribution and/or return of capital, in which case any reference in this document to the Consideration payable under the terms of the Merger will be deemed to be a reference to the Consideration as so reduced. In such circumstances, to the extent possible, the cash component of the Consideration would be reduced by an amount up to the amount of such dividend and/or distribution and/or return of capital. To the extent that any such dividend and/or distribution and/or other return of capital is declared, made or paid or is payable and it is: (i) transferred pursuant to the Merger on a basis which entitles Tesco to receive the dividend or distribution and to retain it; or (ii) cancelled, the Consideration payable under the terms of the Merger will not be subject to change in accordance with this paragraph. Any exercise by Tesco of its rights referred to in this paragraph shall be the subject of an announcement via a Regulatory Information Service and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Merger.

If you are in any doubt as to how the above will apply, you are recommended to seek your own financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other appropriate independent financial adviser, who is authorised under FSMA if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.