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**THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION**

5 February 2018

## **TESCO PLC**

**Tesco to publish documents relating to proposed merger with Booker, including profit forecast and final dividend intention**

- **Circular and prospectus to be published later today, following UKLA approval**
- **Includes profit forecast of at least £1.575bn for financial year to 24 February 2018**
- **Intention to propose final dividend of 2.0p per share**
- **Charles Wilson to be appointed as CEO of Tesco's retail and wholesale operations in the UK and ROI**

Later today, conditional upon approval from the UK Listing Authority (UKLA), Tesco will publish a circular and a prospectus containing information on the background and reasons for its proposed merger with Booker Group plc ("Booker").

Within the circular, Tesco will confirm that since the 3Q and Christmas Trading Update released on 11 January 2018, the Group's trading performance has been in line with management's expectations and that it expects to deliver at least £1.575 billion Group operating profit before exceptional items in respect of the financial year ending 24 February 2018.

This statement constitutes a profit forecast for the purposes of Rule 28 of the Code. This profit forecast, the assumptions on which it is based, and the reports from Deloitte (reporting accountant), Greenhill (lead financial adviser), Barclays (sponsor, financial adviser and corporate broker) and Citi (financial adviser and corporate broker) are set out at the Annex to this Announcement.

Tesco is also pleased to confirm that a final dividend of 2.0 pence per Tesco Share in respect of the financial year ending 24 February 2018 is expected to be proposed for shareholder approval at the 2018 Tesco Annual General Meeting.

Tesco has separately announced this morning that upon completion of the merger with Booker, Charles Wilson will be appointed as CEO of Tesco's retail and wholesale operations in the UK and Republic of Ireland.

A general meeting relating to the proposed merger with Booker 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. Further details, including a notice convening this meeting and the resolution proposing the merger with Booker will be included in the circular.

A further announcement confirming the publication of the circular and the prospectus will be made later today.

**Enquiries:**

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LEI Number: 2138002P5RNKC5W2JZ46

Freshfields Bruckhaus Deringer LLP are retained as legal advisers for Tesco.

Terms used but not defined in this Announcement have the meaning set out in the announcement of the Merger released on 27 January 2017.

## **Important Notices**

This Announcement is for information purposes only and does not constitute or form part of any offer to sell or subscribe for or any invitation to purchase or subscribe for any securities of the solicitation of any vote or approval in any jurisdiction pursuant to the Merger. This Announcement should not be construed as investment advice and is not intended to form the basis of any investment decision. It does not constitute a prospectus or prospectus equivalent document.

## **Overseas Jurisdictions**

The release, publication or distribution of this Announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable legal or regulatory requirements. This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside of England and Wales.

## **Important Notices Relating to Financial Advisers**

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 Announcement. 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 Announcement, any statement contained herein, the Merger or otherwise.

Barclays, which is authorised 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 Announcement.

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 Announcement or any transaction or any other matters referred to herein.

## **Forward-looking statements**

This Announcement (including information incorporated by reference into this Announcement), oral statements made regarding the Merger, and other information published by Tesco and Booker contain statements which are, or may be deemed to be, "forward-looking statements" with respect to the financial condition, results of operations and businesses of Booker and Tesco and the Booker Group and the Tesco Group, and certain plans and objectives of Booker and Tesco with respect to the Combined Group. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Tesco and Booker about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this Announcement include statements relating to the expected effects of the Merger on Tesco and Booker, the expected timing and scope of the Merger and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Tesco and Booker believe that the expectations reflected in such forward-looking statements are reasonable, Tesco and Booker can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You are cautioned not to place undue reliance on these forward-looking statements. Each forward looking statement speaks only as of the date of this Announcement. None of Booker, the Booker Group, Tesco

or the Tesco Group undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**Publication on website and availability of hard copies**

A copy of this Announcement will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Tesco's website at [www.tescopl.com](http://www.tescopl.com). For the avoidance of doubt, the contents of this website are not incorporated into and do not form part of this Announcement.

Tesco Shareholders may request a hard copy of this Announcement by: (i) contacting Equiniti during business hours on +44 371 384 2977 if calling from the UK, or +44 121 415 7053 if calling from outside the UK (lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales)); or (ii) by submitting a request in writing to Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Calls to 03 numbers cost no more than a national rate call to a 01 or 02 number.

If you are in any doubt about the contents of this Announcement or the action you should take, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant or independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

## **Annex Tesco Profit Forecast**

### **A. Tesco Profit Forecast**

In the Prospectus and the 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:

*“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 Tesco 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  
W1 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 Annex A of the announcement by Tesco in relation to publication of documents relating to the recommended cash and share merger with Booker Group plc dated 5 February 2018 (the "Announcement").

### **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 Announcement.

### **Basis of Preparation of the Tesco Profit Forecast**

The Tesco Profit Forecast has been prepared on the basis stated in Annex A of the Announcement 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 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

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## **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 the announcement by Tesco in relation to publication of documents relating to the recommended cash and share merger with Booker Group plc dated 5 February 2018 (the "Announcement")) 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 Announcement 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 of the Announcement.

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 the announcement by Tesco in relation to publication of documents relating to the recommended cash and share merger with Booker Group plc dated 5 February 2018 (the "Announcement")) for which the Directors of Tesco are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "Code").

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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 of the Announcement.

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 the announcement by Tesco in relation to publication of documents relating to the recommended cash and share merger with Booker Group plc dated 5 February 2018 (the "Announcement")) for which the Directors of Tesco are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the "Code").

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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