

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. THIS DOCUMENT CONTAINS A PROPOSAL WHICH, IF IMPLEMENTED, WILL RESULT IN THE CANCELLATION OF THE LISTING OF BOOKER GROUP PLC'S SHARES ON THE OFFICIAL LIST AND TRADING OF BOOKER SHARES ON THE LONDON STOCK EXCHANGE'S MAIN MARKET FOR LISTED SECURITIES. PART II (EXPLANATORY STATEMENT) OF THIS DOCUMENT COMPRISES AN EXPLANATORY STATEMENT IN COMPLIANCE WITH SECTION 897 OF THE COMPANIES ACT 2006.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other independent professional adviser who, if you are taking advice in the United Kingdom, is authorised pursuant to the Financial Services and Markets Act 2000 or, if you are in a territory outside the United Kingdom, is an appropriately authorised independent financial adviser.

If you sell, or have sold or otherwise transferred all of your Booker Shares, please send this document (but not any accompanying personalised documents) at once to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. If you have sold or otherwise transferred part of your holding of Booker Shares, please consult the bank, stockbroker or other agent through whom the sale or transfer was effected.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions, and therefore persons into whose possession this document and any accompanying documents come should inform themselves about, and observe, any such restrictions. Any failure to comply with those restrictions may constitute a violation of the securities laws of any such jurisdiction.

The accompanying Forms of Proxy and Form of Election are personalised. If you have recently purchased or been transferred Booker Shares, you should contact Booker's registrars, Computershare Investor Services PLC, on the telephone number set out on page 4 of this document to obtain replacements for these documents.

Applications will be made by Tesco for the New Tesco Shares to be admitted to (i) the premium listing segment of the Official List and to trading on the London Stock Exchange's Main Market; and (ii) the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main market for listed securities. It is expected that admission of the New Tesco Shares to trading on both the London Stock Exchange's and the Irish Stock Exchange's main market for listed securities will become effective and that dealings for normal settlement will commence on or around 5 March 2018.

Recommended share and cash merger of
TESCO PLC
and
BOOKER GROUP PLC
to be effected by means of a
scheme of arrangement under Part 26 of
the Companies Act 2006

Booker Shareholders should read carefully the whole of this document and the accompanying Forms of Proxy and Form of Election. Your attention is drawn to the letter from the Chairman of Booker in Part I (*Letter from the Chairman of Booker Group plc*) of this document, which contains the unanimous recommendation of the Booker Directors that you vote in favour of the Scheme at the Court Meeting and in favour of the Special Resolution to be proposed at the Booker General Meeting. A letter from J.P. Morgan Cazenove explaining the Scheme in greater detail is set out in Part II (*Explanatory Statement*) of this document. This document should also be read in conjunction with the Tesco Prospectus, containing further information on Tesco and the New Tesco Shares and for which Tesco, the Tesco Directors and Proposed Tesco Directors are responsible (available on Tesco's website at <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>).

Notices of the Court Meeting and the Booker General Meeting, both of which are to be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 28 February 2018, are set out at the end of this document. The Court Meeting will start at 12.00 p.m. and the Booker General Meeting will start at 12.10 p.m. (or as soon thereafter as the Court Meeting has been concluded or adjourned).

The action to be taken by Booker Shareholders in respect of the Court Meeting and the Booker General Meeting is set out on pages 4 and 5. Whether or not you intend to be present at the Court Meeting and/or the Booker General Meeting, please complete and sign both Forms of Proxy accompanying this document, BLUE for the Court Meeting and WHITE for the Booker General Meeting, in accordance with the instructions set out in Part X (*Notice of Court Meeting*) and Part XI (*Notice of Booker General Meeting*) of this document and return them to Booker's registrars, Computershare Investor Services PLC, as soon as possible, and in any event so as to be received not later than 48 hours (in the case of the Booker General Meeting, excluding any part of a day that is not a working day) before the relevant meeting, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.

Alternatively, the Form of Proxy for the Court Meeting (but not the Booker General Meeting) may be handed to the Chairman of the Court Meeting at the commencement of that meeting. Forms of Proxy returned by fax will not be accepted. You can also lodge your proxy vote online at www.investorcentre.co.uk/eproxy, so as to be received by not later than 48 hours (in the case of the Booker General Meeting, excluding any part of a day that is not a working day) before the relevant meeting. The return of a completed Form of Proxy, the electronic appointment of a proxy or the submission of a proxy via CREST will not prevent you from attending the Court Meeting and/or the Booker General Meeting, or any adjournment thereof, and voting in person if you so wish and if you are entitled to do so.

If you hold your Booker Shares in uncertificated form through CREST, you may vote using the CREST Proxy Voting Service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes to the notice of the Booker General Meeting set out at the end of this document). Proxies submitted via CREST (under CREST participant ID 3RA50) must be received by Computershare not later than 12.00 p.m. on 26 February 2018 in the case of the Court Meeting and by 12.10 p.m. on 26 February 2018 in the case of the Booker General Meeting or, in the case of any adjournment, not later than 48 hours (for the purpose of the Booker General Meeting, excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting.

Capitalised words and phrases used in this document shall have the meanings given to them in Part VIII (*Definitions*).

J.P. Morgan Limited (which conducts its UK investment banking activities as J.P. Morgan Cazenove) (“**J.P. Morgan Cazenove**”) which is authorised and regulated in the UK by the FCA, is acting exclusively for Booker and no one else in connection with the Merger and will not be responsible to anyone other than Booker for providing the protections afforded to clients of J.P. Morgan Cazenove nor for providing advice in relation to the Merger or any other matters referred to in this document.

Investec Bank plc (“**Investec**”), which is authorised by the Prudential Regulation Authority and regulated by the FCA and the Prudential Regulation Authority in the UK, is acting exclusively for Booker and no one else in connection with the Merger and will not be responsible to anyone other than Booker for providing the protections afforded to its clients or for providing advice in relation to the Merger or any other matters referred to herein.

Greenhill & Co. International LLP (“**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 document. 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 document, any statement contained herein, the Merger or otherwise.

Barclays Bank PLC, acting through its Investment Bank, (“**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 document.

Citigroup Global Markets Limited (“**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 document or any transaction or any other matters referred to herein.

IMPORTANT NOTICE

This document has been prepared for the purposes of complying with English law and the Takeover Code and the information disclosed herein may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of any other jurisdiction.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law, and therefore, persons into whose possession this document comes should inform themselves about, and should observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer or an invitation to purchase or subscribe for any securities, or a solicitation of an offer to buy any securities, pursuant to the document or otherwise, in any jurisdiction in which such offer or solicitation is unlawful.

The statements contained herein are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set forth herein since such date. Nothing contained in this document shall be deemed to be a forecast and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. Nothing contained in this document shall be deemed to be a forecast, projection or estimate of the future financial performance of Booker or Tesco except where otherwise expressly stated. Neither Booker nor Tesco intends, or undertakes any obligation, to update information contained in this document, except as required by applicable law, the Takeover Code or other regulation.

No person has been authorised to make any representations on behalf of Booker, Booker Group, Tesco, Tesco Group or the Combined Group concerning the Merger or the Scheme which are inconsistent with the statements contained in this document and any such representations, if made, may not be relied upon as having been authorised.

In the event of any ambiguity or conflict between this document and the Tesco Prospectus in respect of the terms and conditions of the Merger or the Scheme, this document shall prevail.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements about Tesco, Booker and the Combined Group that are, or may be, forward-looking statements. All statements other than statements of historical fact included in this document regarding the business, financial condition or results of operations of Tesco, Tesco Group, Booker, Booker Group or the Combined Group and certain plans, objectives, assumptions, expectations or beliefs with respect to these items, and statements regarding other future events or prospects, are forward-looking statements. Should one or more of the risks or uncertainties associated with such forward-looking statements materialise, or should assumptions underlying such forward-looking statements prove incorrect, actual results may vary materially from those described herein. Booker and Tesco assume no obligation to update or correct the information contained in this document.

These statements include, without limitation, those relating to the expected effects of the Merger on Tesco and Booker concerning: strategy and the ability to achieve it; expectations regarding sales, expenses, profitability and growth; possible or assumed future results of operations; capital expenditure and investment plans; adequacy of capital; and financing plans. The words “aim”, “may”, “expect”, “anticipate”, “believe”, “future”, “continue”, “help”, “estimate”, “plan”, “intend”, “should”, “could”, “would”, “shall” and similar terms, or the negative or other variations thereof, as well as other statements regarding matters that are not historical fact, are or may constitute forward-looking statements. In addition, this document includes forward-looking statements relating to potential exposure to various types of market risks, such as interest rate risks and other risks related to financial assets and liabilities. These forward-looking statements have been based on the current view of Booker or Tesco management, as applicable, with respect to future events and financial performance. These views reflect the best judgement of the management of Booker or Tesco, as applicable, but involve a number of risks and uncertainties which could cause actual results to differ materially from those predicted in forward-looking statements and from past results, performance or achievements. Although it is the belief of Booker or Tesco, as the case may be, that the estimates reflected in the forward-looking statements are reasonable, such estimates may prove to be incorrect. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that may occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including the following: risks of contamination or other circumstances that could harm the integrity of, or customer support for, brands or products, economic downturn, recession, acts or threats of terrorism, acts or the threat of war or other adverse political developments in key markets, legislative and regulatory changes, failure to protect intellectual property rights or any infringement claims, ability to successfully anticipate changes in consumer preferences and tastes, interruption or substantial decrease in ability to supply customers of brands due to loss of inventory or loss of production facilities, termination of arrangements with third parties in various key markets for any reason, litigation and publicity concerning product quality, health and other issues, future exchange and interest rates, pricing and product initiatives of competitors, repayment of indebtedness incurred in connection with the Scheme or the Merger and unexpected costs or difficulties in integrating the business and operations of Booker and Tesco or in executing the strategy of the Combined Group.

INFORMATION FOR OVERSEAS SHAREHOLDERS

The release, publication or distribution of this document in certain jurisdictions may be restricted by law. Persons who are not resident in the United Kingdom or who are subject to other jurisdictions should inform themselves of, and should observe, any applicable requirements. Any failure to comply with these requirements may constitute a violation of the securities laws of any such jurisdiction. To the fullest extent permitted by applicable law, the companies and persons involved in the Merger disclaim any responsibility or liability for the violation of such requirements by any person.

Unless otherwise determined by Tesco or required by the Takeover Code, and permitted by applicable law and regulation, the Merger will not be made available, directly or indirectly, in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction, and no person may vote in favour of the Merger by any such use, means, instrumentality or form within any jurisdiction if to do so would constitute a violation of the laws of that jurisdiction. Accordingly, copies of this document and all documents relating to the Merger are not being, and must not be, directly or indirectly, posted or otherwise forwarded, distributed or sent in, into or from a jurisdiction where to do so would violate the laws in that jurisdiction, and persons receiving this document and all documents relating to the Merger (including custodians, nominees and trustees) must not post or otherwise distribute or send them in, into or from such jurisdictions where to do so would violate the laws in that jurisdiction. Any person (including, without limitation, any custodian, nominee and trustee) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this document and/or any other related document to any jurisdiction outside the UK should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

The availability of the New Tesco Shares under the Merger to Booker Shareholders who are not resident in the United Kingdom may be affected by the laws of the relevant jurisdictions in which they are resident (including affecting the ability of such Booker Shareholders to vote their Booker Shares with respect to the Scheme and the Merger at the Booker Shareholder Meetings, or to execute and deliver Forms of Proxy appointing another to vote at the Booker Shareholder Meetings on their behalf). Persons who are not resident in the United Kingdom or who are subject to the laws and/or regulations of another jurisdiction should inform themselves of, and should observe, any applicable requirements. Further details in relation to Overseas Shareholders are contained in paragraph 20 of Part II (*Explanatory Statement*) of this document.

Overseas Shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction will not be sent a Form of Election and will not be entitled to participate in the Mix and Match Facility.

Notice to United States Booker Shareholders

The Merger relates to shares of a UK company and is proposed to be effected by means of a scheme of arrangement under the laws of England and Wales. A transaction effected by means of a scheme of arrangement is not subject to proxy solicitation or tender offer rules under the US Exchange Act. Accordingly, the Scheme is subject to the disclosure requirements, rules and practices applicable in the United Kingdom to schemes of arrangement, which differ from the requirements of US proxy solicitation or tender offer rules. However, if Tesco were to elect to implement the Merger by means of a Takeover Offer, such Takeover Offer will be made in compliance with all applicable laws and regulations, including Section 14(e) of the US Exchange Act and Regulation 14E thereunder. Such a Takeover Offer would be made in the United States by Tesco and no one else. In addition to any such Takeover Offer, Tesco, certain affiliated companies and the nominees or brokers (acting as agents) may make certain purchases of, or arrangements to purchase, shares in Booker outside such Takeover Offer during the period in which such Takeover Offer would remain open for acceptance. If such purchases or arrangements to purchase were to be made, they would be made outside the United States and would comply with applicable law, including the US Exchange Act. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service of the UK Listing Authority and will be available on the London Stock Exchange website: <http://www.londonstockexchange.com/>.

The financial information included in this document has been prepared in accordance with IFRS and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

The New Tesco Shares have not been, and nor will they be, registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Tesco Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or into the United States absent registration under the US Securities Act or an exemption therefrom. The New Tesco Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Booker will advise the Court that its sanctioning of the Scheme will be relied upon by Tesco as an approval of the Scheme following a hearing on its fairness to Booker Shareholders.

The New Tesco Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Scheme (other than “affiliates” as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of Tesco or Booker prior to, or of Tesco after, the Effective Date may not resell the New Tesco Shares received under the Scheme without registration under the US Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Booker Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Tesco Shares received under the Scheme.

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

None of the securities referred to in this document has been approved or disapproved by the US Securities and Exchange Commission, any state securities commission in the United States or any other US regulatory authority, nor have such authorities passed upon or determined the adequacy or accuracy of the information contained in this document. Any representation to the contrary is a criminal offence in the United States.

NO PROFIT FORECASTS OR ESTIMATES

Other than as expressly stated, no statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for Tesco or Booker, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Tesco or Booker, as appropriate.

DEALING DISCLOSURE REQUIREMENTS

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

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

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

Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4 of the Takeover Code). Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

ELECTRONIC COMMUNICATIONS

Please be aware that addresses, electronic addresses and certain information provided by Booker Shareholders, persons with information rights and other relevant persons for the receipt of communications from Booker may be provided to Tesco during the Offer Period as requested under section 4 of Appendix 4 to the Takeover Code.

PUBLICATION ON WEBSITES AND AVAILABILITY OF HARD COPIES

A copy of this document, together with the Tesco Prospectus and Tesco Shareholder Circular and all information incorporated into this document by reference to another source, will be made available, subject to certain restrictions relating to persons resident in, or subject to the laws and/or regulations, of any Restricted Jurisdiction or resident in any jurisdiction where the extension or availability of the Merger would breach any applicable law, on Booker's and Tesco's websites at <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx> and <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>, respectively, by no later than 12.00 noon (London time) on the date following publication of this document. For the avoidance of doubt, neither the contents of those websites nor the contents of any website accessible from hyperlinks on those websites (or any other websites referred to in this document) are incorporated into, or form part of, this document.

You may, subject to applicable securities laws, request a hard copy of this document (and any information incorporated into it by reference to another source) by contacting the Registrars, Computershare Investor Services PLC, at The Pavilions, Bridgwater Road, Bristol BS13 8AE or the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230 with an address to which the hard copy may be sent. Calls will be charged at the standard geographic rates and will vary by provider. Calls from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for

security and training purposes. You may, subject to applicable securities laws, 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.

A hard copy of such document (including this document and information incorporated by reference), announcement or information will not be sent to you unless so requested. Restrictions may apply to persons resident in certain jurisdictions. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

ROUNDING

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them.

Date

This document is published on 5 February 2018.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Event	Time/date ⁽¹⁾
Publication of this document, the Tesco Shareholder Circular and Tesco Prospectus	5 February 2018
Latest time for lodging forms of proxy for use at the Tesco General Meeting	10.00 a.m. on 26 February 2018
Latest time for lodging Forms of Proxy for use at the Court Meeting (BLUE Form of Proxy)	12.00 p.m. on 26 February 2018⁽²⁾
Latest time for lodging Forms of Proxy for use at the Booker General Meeting (WHITE Form of Proxy)	12.10 p.m. on 26 February 2018⁽³⁾
Scheme Voting Record Time	6.00 p.m. on 26 February 2018⁽⁴⁾
Tesco General Meeting	10.00 a.m. on 28 February 2018
Court Meeting to sanction the Scheme	12.00 p.m. on 28 February 2018
Booker General Meeting	12.10 p.m. on 28 February 2018 ⁽⁵⁾
Election Return Time (last day for receipt of GREEN Forms of Election or, for CREST holders, Electronic Elections) in respect of the Mix and Match Facility	1.00 p.m. on 1 March 2018
Court hearing to sanction the Scheme	2 March 2018
Last day of dealings in, and for registration of transfers of, and disablement in CREST of, Booker Shares	2 March 2018
Scheme Record Time and record time with respect to the Closing Dividend	6.00 p.m. on 2 March 2018
Effective Date of the Scheme	by no later than 8.00 a.m. on 5 March 2018
UK Admission and Irish Admission and commencement of dealings in New Tesco Shares on both the London Stock Exchange and the Irish Stock Exchange	by 8.00 a.m. on 5 March 2018
Issue of New Tesco Shares to Booker Shareholders and crediting of New Tesco Shares soon after to CREST accounts	by no later than 8.00 a.m. on 5 March 2018
Announcement confirming Closing Dividend	5 March 2018
Announcement concerning the extent to which elections under the Mix and Match Facility will be satisfied	5 March 2018
Cancellation of listing of Booker Shares	5 March 2018
Latest date for: (i) CREST accounts to be credited with New Tesco Shares and assured payment obligations in respect of any cash due; and (ii) despatch of cheques and share certificates in respect of the New Tesco Shares	by 19 March 2018
Payment of Closing Dividend	by 19 March 2018
Long-stop Date	30 November 2018 ⁽⁶⁾

The Court Meeting and the Booker General Meeting will each be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ.

- (1) These times and dates are indicative only and will depend, amongst other things, on the dates upon which: (i) the Conditions are satisfied or (where applicable) waived; (ii) the Court sanctions the Scheme; and (iii) a copy of the Court Order is delivered to the Registrar of Companies. Booker will give notice of any change(s) by issuing an announcement through a Regulatory Information Service and, if required by the Panel, post notice of the change(s) to Booker Shareholders and persons with information rights.
- (2) It is requested that blue Forms of Proxy for the Court Meeting be lodged before 12.00 p.m. on 26 February 2018 or, if the Court Meeting is adjourned, not later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the holding of the adjourned meeting. However, blue Forms of Proxy not so lodged may be handed to the chairman of the Court Meeting before the start of the Court Meeting.
- (3) White Forms of Proxy for the Booker General Meeting must be lodged before 12.10 p.m. on 26 February 2018 in order to be valid or, if the Booker General Meeting is adjourned, not later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the holding of the adjourned meeting. White Forms of Proxy cannot be handed to the chairman of the Booker General Meeting at that meeting.
- (4) If either of the Booker Shareholder Meetings is adjourned, the Scheme Voting Record Time for the relevant adjourned meeting will be 6.00 p.m. on the date 48 hours (excluding any part of a day that is not a working day) before the date set for the adjourned meeting.
- (5) To commence at 12.10 p.m. or, if later, immediately after the conclusion or adjournment of the Court Meeting.
- (6) This date may be extended to such date as Booker and Tesco may, with the consent of the Panel, agree and the Court (if required) may allow.

All references in this document to times are to times in London (unless otherwise stated).

TO VOTE ON THE PROPOSALS

The Court Meeting and the Booker General Meeting will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 28 February 2018 at 12.00 p.m. and 12.10 p.m., respectively (or, in the case of the Booker General Meeting, as soon thereafter as the Court Meeting has been concluded or adjourned).

Whether or not you plan to attend the Booker Shareholder Meetings, if you are a Booker Shareholder, please:

- complete and return the BLUE Form of Proxy (for the Court Meeting); and
- complete and return the WHITE Form of Proxy (for the Booker General Meeting),

so that they are received no later than 12.00 p.m. on 26 February 2018 (in the case of the BLUE Form of Proxy for the Court Meeting) or 12.10 p.m. on 26 February 2018 (in the case of the WHITE Form of Proxy for the Booker General Meeting). A prepaid envelope is provided for this purpose in the UK only.

Alternatively, BLUE Forms of Proxy (but NOT WHITE Forms of Proxy) may be handed to a representative of Computershare, on behalf of the chairman of the Court Meeting, at the venue of the Court Meeting or the chairman of the Court Meeting before the start of the Court Meeting on 28 February 2018. In the case of the Booker General Meeting, unless the WHITE Form of Proxy is returned by the time and date mentioned in the instructions printed thereon, it will be invalid.

The completion and return of the Forms of Proxy will not prevent eligible Booker Shareholders from attending and voting at the Court Meeting or the Booker General Meeting, or any adjournment thereof, in person.

Booker Shareholders who hold Booker Shares in CREST may appoint a proxy or proxies through the CREST electronic proxy appointment service using the procedures described in the CREST Manual.

Booker Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through the Computershare website at <https://www.investorcentre.co.uk/eproxy> using their shareholder reference number, PIN and control number found on their Form of Proxy and following the online instructions. Further details in relation to electronic appointment of proxies are set out on page 7 of this document.

IT IS IMPORTANT THAT, FOR THE COURT MEETING, AS MANY VOTES AS POSSIBLE ARE CAST SO THAT THE COURT MAY BE SATISFIED THAT THERE IS A FAIR REPRESENTATION OF BOOKER SHAREHOLDER OPINION. YOU ARE THEREFORE STRONGLY URGED TO SIGN AND RETURN YOUR FORMS OF PROXY EITHER BY USING THE PRE-PAID ENVELOPE PROVIDED, TO COMPUTERSHARE, CORPORATE ACTIONS PROJECTS, BS99 6AH, OR BY HAND, DURING NORMAL BUSINESS HOURS ONLY, TO COMPUTERSHARE INVESTOR SERVICES PLC, THE PAVILIONS, BRIDGWATER ROAD, BRISTOL BS13 8AE, AS SOON AS POSSIBLE AND, IN ANY EVENT, SO AS TO BE RECEIVED BY COMPUTERSHARE INVESTOR SERVICES PLC, PRIOR TO THE DEADLINES SET OUT ABOVE, OR IN THE CASE OF AN ADJOURNED MEETING, NOT LESS THAN 48 HOURS PRIOR TO THE TIME AND DATE SET FOR THE ADJOURNED MEETING.

IF YOU ARE A BOOKER SHAREHOLDER, YOUR ATTENTION IS DRAWN TO THE REGIME FOR THE APPOINTMENT OF PROXIES SET OUT IN THE NOTES TO THE FORMS OF PROXY AND THE NOTES SET OUT IN THE NOTICE OF COURT MEETING AND THE NOTICE OF THE BOOKER GENERAL MEETING, INCLUDING IN RESPECT OF THE APPOINTMENT OF MULTIPLE PROXIES.

This page should be read in conjunction with the "ACTION TO BE TAKEN" section below and the "FORM OF PROXY FOR VOTING AT THE COURT MEETING AND THE BOOKER GENERAL MEETING" section on pages 6 to 8 of this document, the rest of this document and the accompanying Forms of Proxy.

Booker Shareholder Helpline

If you have any queries relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230.

Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

Recommendation and voting by Booker Directors

For the reasons set out in this document, the Booker Directors, who have been so advised by J.P. Morgan Cazenove as to the financial terms of the Merger, consider the terms of the Merger to be fair and reasonable. In providing advice to the Booker Directors, J.P. Morgan Cazenove has taken into account the commercial assessments of the Booker Directors. J.P. Morgan Cazenove is providing independent financial advice to the Booker Directors for the purposes of Rule 3 of the Takeover Code.

Accordingly, in order to implement the Merger, the Booker Directors unanimously recommend that you vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting, as the Booker Directors have irrevocably undertaken to do, or procure, in respect of their own beneficial holdings of Booker Shares amounting to, in aggregate, 120,555,793 Booker Shares representing approximately 6.7 per cent. of the existing issued ordinary share capital of Booker on 1 February 2018 (being the latest practicable date prior to publication of this document). Further details of these irrevocable undertakings are contained in paragraph 7 of Part V (*Additional Information*) of this document.

ACTION TO BE TAKEN

The Scheme requires approval at a meeting of the Booker Shareholders convened with the permission of the Court and at the Booker General Meeting. The Court Meeting and the Booker General Meeting will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ, on 28 February 2018 at 12.00 p.m. and 12.10 p.m., respectively (or, in the case of the Booker General Meeting, as soon thereafter as the Court Meeting has been concluded or adjourned).

Please check you have received the following with this document*:

All Booker Shareholders:

- a BLUE Form of Proxy for use in respect of the Court Meeting on 28 February 2018;
- a WHITE Form of Proxy for use in respect of the Booker General Meeting on 28 February 2018; and
- a prepaid envelope.

All Booker Shareholders other than those with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction and those holding Booker Shares in uncertificated form (that is, in CREST):**

- a GREEN Form of Election for use in connection with the Mix and Match Facility; and
- a prepaid envelope for use in the UK in connection with the Form of Election.

If you have not received these documents, please contact Booker's registrars, Computershare, on the Booker Shareholder Helpline referred to on page 4 of this document.

* If you have previously elected or been deemed to consent to receive documents and information from Booker by means of Booker's website, you will not receive a hard copy of this document but will receive a separate notification in accordance with your prescribed method. If you have not received the correct documents, please contact the Booker Shareholder Helpline on the telephone number referred to on page 4 of this document.

** If you hold Booker Shares in uncertificated form (that is, in CREST) and you wish to receive a hard copy of the Form of Election, please contact the Booker Shareholder Helpline on the telephone number referred to on page 4 of this document.

FORM OF PROXY FOR VOTING AT THE COURT MEETING AND BOOKER GENERAL MEETING

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of the opinion of Booker Scheme Shareholders. Therefore, whether or not you plan to attend the Booker Shareholder Meetings, please complete and sign both the enclosed blue and white Forms of Proxy, or deliver your voting instructions by one of the other methods mentioned below, as soon as possible.

Sending Forms of Proxy by post or by hand

Booker Shareholders will find enclosed with this document a BLUE Form of Proxy for use in connection with the Court Meeting and a WHITE Form of Proxy for use in connection with the Booker General Meeting. Please complete and sign the enclosed Forms of Proxy in accordance with the instructions printed thereon and return them, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, so as to be received as soon as possible and in any event not later than:

- BLUE Forms of Proxy for the Court Meeting 12.00 p.m. on 26 February 2018
- WHITE Forms of Proxy for the Booker General Meeting 12.10 p.m. on 26 February 2018

or, in the case of either meeting being adjourned, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting. A prepaid envelope is provided for this purpose in the UK only, Forms of Proxy returned by fax will not be accepted. This will enable your votes to be counted at the Booker Shareholder Meetings in the event of your absence.

If the BLUE Form of Proxy for use at the Court Meeting is not returned by such time, it may be handed to the chairman of the Court Meeting or a representative of Computershare, on behalf of the chairman of the Court Meeting, before the start of that meeting. However, in the case of the Booker General Meeting, the WHITE Form of Proxy must be received by the time mentioned above, or it will be invalid.

Proxy appointment

Booker Shareholders entitled to attend and vote at the Court Meeting and the Booker General Meeting may appoint a proxy pursuant to the Booker Articles to attend and to speak and vote in his/her place. Booker Shareholders are entitled to appoint a proxy in respect of some or all of their Booker Shares and may also appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such holder. A proxy need not be a member of Booker.

Please note that the appointment of a proxy or proxies is separate for each of the Court Meeting and the Booker General Meeting.

A person who is not a Booker Shareholder, but has been nominated by a Booker Shareholder to enjoy information rights in accordance with section 146 of the Companies Act 2006 (a “**Nominated Person**”) does not have a right to appoint a proxy. However, Nominated Persons may have a right, under an agreement with the Booker Shareholder, to be appointed (or to have someone else appointed) as a proxy for the Court Meeting and/or the Booker General Meeting. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant Booker Shareholder to give instructions as to the exercise of voting rights.

To be valid, Forms of Proxy must be executed by or on behalf of the Booker Shareholder or, if you are a corporate, under the hand of a duly authorised officer or attorney.

If two or more valid but differing appointments of proxy are delivered or received in respect of the same Booker Share, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that Booker Share. If Booker is unable to determine which instrument was last validly delivered or received, none of them shall be treated as valid in respect of that share.

The completion and return of the Forms of Proxy, or the appointment of a proxy electronically using CREST (or any other procedure listed below), will not prevent Booker Shareholders from attending and voting in person at the Court Meeting and/or the Booker General Meeting, or any adjournment thereof, if you wish and are entitled to do so.

Multiple proxy voting instructions

Booker Shareholders who wish to appoint more than one proxy in respect of their shareholding should photocopy the Form of Proxy or call the Booker Shareholder Helpline on the telephone number set out on page 4 of this document. You should also indicate by ticking the box provided if the proxy is one of multiple instructions being given, fill in the name of the proxy and the number of shares in respect of which the proxy is appointed and return the multiple forms together (please ensure that all of the multiple Forms of Proxy in respect of one registered holding are sent in the same envelope if possible) by the time and date referred to on page 6 of this document.

Online appointment of proxies

As an alternative to completing and returning the printed Forms of Proxy, Forms of Proxy may be submitted electronically by logging on to the following website www.investorcentre.co.uk/eproxy and following the instructions there. For an electronic proxy appointment to be valid, the appointment must be received by Computershare no later than:

- 12.00 p.m. on 26 February 2018 in the case of the Court Meeting; and
- 12.10 p.m. on 26 February 2018 in the case of the Booker General Meeting,

or, in the case of either meeting being adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting. In order to access the voting system, Booker Shareholders will need their shareholder reference number, PIN and control number found on their Form of Proxy.

In the case of the Court Meeting only, if you have not appointed a proxy electronically by such time you may complete the BLUE Form of Proxy and hand it to the chairman of the Court Meeting or a representative of Computershare, on behalf of the chairman of the Court Meeting, before the start of that meeting.

Electronic appointment of proxies through CREST

If you hold your Booker Scheme Shares in uncertificated form through CREST and wish to appoint a proxy or proxies for the Booker Shareholder Meetings (or any adjourned meeting) by using the CREST electronic proxy appointment service, you may do so using the procedures described in the CREST Manual (available at www.euroclear.com). CREST personal members or other CREST sponsored members, and those CREST members who have appointed any voting service provider(s), should refer to their CREST sponsor or voting service providers, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with Euroclear’s specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare (ID 3RA50) not less than 48 hours (excluding non-working days) before the time fixed for the Court Meeting or Booker General Meeting (or adjourned meeting), as applicable. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedure(s) in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed one or more voting service providers, to procure that his or her CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. Booker may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Further information about proxies and voting

Further information in relation to the appointment of proxies for and voting at the Booker Shareholder Meetings is set out in paragraph 22 of Part II (*Explanatory Statement*) of this document, in the notice of the Court Meeting set out in Part X (*Notice of Court Meeting*) of this document, in the notes to the notice of the Booker General Meeting set out in Part XI (*Notice of Booker General Meeting*) of this document, and in the instructions printed on the Forms of Proxy.

If you hold Booker Shares indirectly, you must rely on the procedures of the bank, broker, financial institution, share plan administrator or share plan nominee or other securities intermediary through which you hold Booker Shares. You should contact such intermediary for further instructions on how you can instruct that intermediary to vote on your behalf at the Booker Shareholder Meetings and the date by which you must provide such instructions to the intermediary.

Booker Share Plans

Participants in the Booker Share Plans should refer to paragraph 12 of Part II (*Explanatory Statement*) of this document for information relating to the effect of the Merger on their rights under the Booker Share Plans.

If the Scheme becomes Effective, it will be binding on all Booker Scheme Shareholders, including any Booker Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme at the Court Meeting.

FORM OF ELECTION TO MAKE A MIX AND MATCH ELECTION

Booker Shareholders

Under the terms of the Merger and subject to the Scheme becoming Effective and subject to the terms thereof, it is intended that all Booker Shareholders will receive 0.861 New Tesco Shares and 42.6 pence in cash in respect of each Booker Share they hold. However, Booker Shareholders (other than those with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction) may elect to vary the proportions of cash consideration and New Tesco Shares they receive in respect of their holdings, subject to the Elections made by other Booker Shareholders, by completing and returning the Form of Election or making an Electronic Election. For more information regarding the Mix and Match Election, see paragraph 4 of Part II (*Explanatory Statement*) of this document.

If you hold your Booker Shares in certificated form (that is, not in CREST) and you wish to make a Mix and Match Election, please complete and return the enclosed green Form of Election to Computershare, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. Instructions on how to complete the Form of Election are printed thereon.

If you hold your Booker Shares in uncertificated form (that is, in CREST) and you wish to make a Mix and Match Election, you must submit your Election electronically by taking (or procuring to be taken) the actions set out in Part VII (*Notes for making Elections under the Mix and Match Facility*) of this document to transfer the Booker Shares in respect of which you wish to make an Election to an escrow balance, using an Electronic Election specifying Computershare (in its capacity as a CREST participant under the ID 3RA25) as the escrow agent. If you wish to make a Mix and Match Election by completing a Form of Election, you must first rematerialise your Booker Shares by completing a CREST stock withdrawal form, and you may request a Form of Election by contacting the Booker Shareholder Helpline on the telephone number set out below.

If you hold Booker Shares in both certificated and uncertificated form and you wish to make a Mix and Match Election in respect of both such holdings, you must make a separate Election in respect of each holding.

The Election Return Time (the last time for lodging your Form of Election or making your Electronic Election) is 1.00 p.m. on 1 March 2018, as set out in the expected timetable of principal events on pages 2 and 3 of this document.

Booker Shareholders who do not wish to make a Mix and Match Election are not required to return the Form of Election or make an Electronic Election.

Any changes to the Election Return Time (the last time for lodging your Form of Election or making your Electronic Election) will be announced by Booker via a Regulatory Information Service in due course, with such announcement being made available on Booker and Tesco's websites at <http://www.bookergroup.com> and <https://www.tescopl.com> respectively.

Helpline

If you have any queries relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230. Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

PART I

LETTER FROM THE CHAIRMAN OF BOOKER GROUP PLC (incorporated in England and Wales with registered number 05145685)

Directors:

Stewart Gilliland (*Non-Executive Chairman*)
Charles Wilson (*Chief Executive*)
Jonathan Prentis (*Group Finance Director*)
Guy Farrant (*Chief Operating Officer*)
Helena Andreas (*Non-Executive Director*)
Andrew Cripps (*Non-Executive Director*)
Gary Hughes (*Non-Executive Director*)
Karen Jones CBE (*Non-Executive Director*)

Registered office:

Equity House
Irthlingborough Road
Wellingborough
Northants
NN8 1LT

5 February 2018

To all Booker Shareholders and, for information only, to participants in the Booker Share Plans.

Dear Shareholder

RECOMMENDED SHARE AND CASH MERGER of TESCO PLC and BOOKER GROUP PLC

1. Introduction

On 27 January 2017, the Booker Board and the Tesco Board announced that they had agreed the terms of a recommended share and cash merger to create the UK's leading food business. Pursuant to the Merger, Tesco will acquire the entire issued and to be issued ordinary share capital of Booker not already directly or indirectly owned by Tesco.

The combination of Booker and Tesco is expected to bring benefits for consumers, independent retailers, caterers, small businesses, suppliers and colleagues, as well as delivering significant value to you, our shareholders.

Following the unconditional clearance of the Merger by the CMA announced on 20 December 2017, I am now writing to you on behalf of the Booker Board to explain the background to, and reasons for, the Merger and to describe the action you should now take.

2. Board recommendation

For the reasons set out below, the Booker Board believes that the Merger represents a compelling opportunity for Booker Shareholders to benefit from the growth opportunities that are expected to arise from the merger of the two highly complementary businesses.

Each Booker Shareholder will receive 0.861 New Tesco Shares and 42.6 pence in cash for each Booker Share under the terms of the Merger. The share component will enable Booker Shareholders, in their capacity as holders of the New Tesco Shares, to benefit from the value creation expected to arise through the combination, including the expected synergies as described in more detail below.

Booker is proud to serve its retail, catering and small business customers. In the past decade, Booker has improved the choice, prices and service it provides to its customers, thereby earning more of its customers' business and growing with its customers. The Booker Board believes that Booker becoming a part of the Tesco Group will help it further improve choice, prices and service. The Booker Board expects this to help its retail, catering and small business customers prosper in a challenging market. With the support of the UK's leading multi-channel food group, it is anticipated that Booker customers will be able to improve their offer to consumers and help them grow. Furthermore, the Booker Board expects that suppliers will see volume growth. Booker colleagues will have opportunities in the Combined Group and Booker Shareholders should benefit from the significant opportunities that are expected to be delivered.

of New Tesco Shares to be issued to each Booker Shareholder in respect of each Booker Share so as to reflect the value attributable to any such dividend or such excess.

Completion of the Merger will result in the issue and allotment of approximately 1,543,080,084 New Tesco Shares and in Booker Shareholders owning approximately 16 per cent. of the Combined Group (based on the existing issued ordinary share capital of Tesco and Booker). This will enable Booker Shareholders to share in the benefits which are expected to accrue to the Combined Group via its attractive growth prospects and the realisation of significant revenue and cost synergies.

Booker Shareholders (other than those with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction) are also being offered the opportunity to elect to vary the proportions in which they receive New Tesco Shares and cash in respect of their holdings of Booker Shares under the Mix and Match Facility subject to the elections made by other Booker Shareholders. Further details of the Mix and Match Facility are set out in paragraph 4 of Part II (*Explanatory Statement*). 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. To the extent that Elections cannot be satisfied in full, they will be scaled down on a *pro rata* basis.

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, Charles Wilson has also entered into the Lock-up Agreement pursuant to which he has agreed (subject to certain customary carve-outs) not to 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.

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 will be made by Tesco to (i) the UK Listing Authority and to the London Stock Exchange for the New Tesco Shares to be admitted to the premium segment of the Official List and to trading on the Main Market; and (ii) the Irish Stock Exchange for admission 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.

At the time of the 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 Conditions set out in Part III (*Conditions to and further terms of the Scheme and the Merger*) of this document.

The Conditions include, amongst other things: (i) approval by a majority in number of Booker Shareholders present and voting, whether in person or by proxy, at the Court Meeting (or any adjournment thereof), and who represent not less than 75 per cent. in value of the Booker Shares voted by such Booker Shareholders; (ii) the passing of the Special Resolution to approve and implement the Scheme and the Merger by the requisite majority of Booker Shareholders at the Booker General Meeting (or any adjournment thereof); (iii) the passing of the Class 1 transaction resolution by a majority of the Tesco Shareholders at the Tesco General Meeting (or any adjournment thereof); (iv) approval of the Scheme by the Court; and (v) the Scheme becoming Effective and all other Conditions being fulfilled or (if capable of waiver) waived by no later than 11.59 p.m. on the Long-Stop Date.

* Assuming the Merger becomes Effective as anticipated on or before 31 March 2018 and, failing that, on or before the record date for the final dividend of 2.0 pence per Tesco Share that the Tesco Board is intending to pay for the 52 weeks ending 24 February 2018 (subject to Tesco Shareholder approval at the 2018 Tesco annual general meeting), holders of New Tesco Shares will be entitled to receive that dividend. Further details on the Tesco dividend policy are set out in paragraph 10 below.

It is currently expected that Completion will occur (following satisfaction or waiver of the outstanding Conditions) on or around 5 March 2018 and that the Booker Group and the Tesco Group will operate as the Combined Group following Completion.

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 Booker Board and Tesco Board recognise 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 Combined Group is expected to 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*, 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 is testament to serving customers well, and 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. This has increased shareholder value by approximately £4.7 billion since 2005 (of which approximately £695 million in cash has been returned to Booker Shareholders as interim, final and special dividends and via redemptions of B shares).

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.

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 approximately 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.

* 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.

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 Booker and Tesco 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 paragraph 6 below).

Summary

The Booker Board believes that the Merger represents a compelling opportunity for Booker Shareholders to benefit from the growth opportunities that are expected to arise from the merger of the two highly complementary businesses.

Accordingly, your Board unanimously recommends that Booker Shareholders vote in favour of the Scheme at the Court Meeting and the Special Resolution relating to the Scheme and the Merger to be proposed at the Booker General Meeting.

5. Undertakings to vote in favour of the Scheme

The Booker Directors have irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting (and if the Merger is subsequently structured as a Takeover Offer, to accept any Takeover 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 prior to publication of this document). These undertakings will cease to be binding only if (i) Tesco announces that it does not intend to proceed with the Merger; (ii) the Merger lapses or is withdrawn; (iii) the Tesco Shareholder Circular does not contain a unanimous recommendation from the Tesco Board to Tesco Shareholders to approve the resolution(s) to be proposed at the Tesco General Meeting; (iv) the Tesco Board withdraws, adversely modifies or adversely qualifies its recommendation; or (v) the Merger has not become effective by the Long-stop Date.

The Tesco Directors have irrevocably undertaken to vote in favour of the resolution(s) 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 prior to publication of this document). In addition, all Tesco Directors who hold their Tesco Shares in the form of ADRs have irrevocably undertaken to vote in favour of the Tesco Resolution 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 prior to publication of this document). The undertakings from the Tesco Directors will cease to be binding only if: (i) Booker announces that it does not intend to proceed with the Merger; (ii) the Merger lapses or is withdrawn; (iii) the Booker Board withdraws, adversely modifies or adversely qualifies its recommendation to Booker Shareholders to approve the resolutions to be proposed at the Court Meeting and the Booker General Meeting; or (iv) the Merger has not become effective by the Long-stop Date.

Further details of these irrevocable undertakings are set out in paragraph 16 of Part II (*Explanatory Statement*) and paragraph 7 of Part V (*Additional Information*).

6. Financial benefits and effects of the Merger

In addition to the cash element of the Consideration under the terms of the Merger, the share component will enable Booker Shareholders, in their capacity as the holders of the New Tesco Shares, to benefit from the value creation expected to arise through the combination, including the expected synergies described below.

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
 - the Merger 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

As such, 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 for reporting under the Takeover Code 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 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.

Please refer to Appendix 1 (*Tesco Quantified Financial Benefits Statement*) to this document for further details on these anticipated synergies. References to these anticipated synergies should be read in conjunction with Appendix 1 (*Tesco Quantified Financial Benefits Statement*). The Tesco Directors have confirmed that there have been no material changes to the Tesco Quantified Financial Benefits Statement since the Announcement and the Tesco Quantified Financial Benefits Statement remains valid. Deloitte, as reporting accountants to Tesco, and Greenhill, as lead financial adviser to Tesco, have also confirmed to Tesco that the reports they produced in connection with the Tesco Quantified Financial Benefits Statement (copies of which were set out in appendix 5 of the Announcement) continue to apply. In addition, Barclays and Citi, as financial advisers to Tesco, have also now reported on the Tesco Quantified Financial Benefits Statement (copies of such reports are set out in Appendix 1 (*Tesco Quantified Financial Benefits Statement*)).

7. 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 6 above 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 6 above 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 I 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 for Charles Wilson and myself following completion of the Merger is included in paragraph 11 of Part V (*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 7, 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 6 above, 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.

The Booker Board welcomes Tesco’s intentions with respect to the future operations of the business and its employees, in particular, the intentions to observe the existing contractual and statutory employment rights of the Booker employees and pension obligations (including existing agreed contributions into the Booker pension plans) on the Merger becoming Effective and to work with Booker’s management going forward with no change to the location of Booker’s headquarters.

8. Booker’s Current Trading 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. Tesco’s Current Trading and Prospects and Tesco Profit Forecast

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 Takeover Code, the following statement constitutes a profit forecast for the 52 weeks ending 24 February 2018 (the “**Tesco Profit Forecast**”):

“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 Profit Forecast, the assumptions on which it is based, and the reports from Deloitte (acting as reporting accountants for Tesco) and Greenhill, Barclays and Citi (acting as financial advisers for Tesco) as required by Rule 28.1 of the Takeover Code are set out in Appendix 3 (*Tesco Profit Forecast*) to this document.

10. Dividends and dividend Policy

Summary of proposed Closing Dividend

Under the terms of the Merger, Tesco and Booker agreed 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. In addition, Booker Shareholders are entitled to receive a Closing Dividend soon after the Effective Date, as described below and in paragraph 17 of Part II (*Explanatory Statement*) and Appendix 2 (*Booker Dividends*) of this document. This dividend reflects the principle agreed between Tesco and Booker 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 a Booker Shareholder in respect of the period from the end of the last financial period for which a dividend was made, declared or paid by Booker 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.

Accordingly, in addition to the Consideration payable under the Merger, Booker Shareholders on the register at the Scheme Record Time will be entitled to receive a Closing Dividend which, in the event of an Effective Date falling on or before 31 March 2018, will be 3.7 pence per Booker Share*. The amount of the Closing Dividend will be confirmed by way of an announcement through a Regulatory Information Service on the Effective Date and will be payable by no later than the day falling fourteen days after the Effective Date.

Paragraph 17 of Part II (*Explanatory Statement*) and Appendix 2 (*Booker Dividends*) set out further details of the dividend entitlements of Booker Shareholders.

Tesco dividend policy

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 Tesco Share (this followed 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 Tesco 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 Tesco Share (subject to Tesco Shareholder approval)), with dividends expected to grow progressively from 2017, with the aim of achieving a target cover of approximately two times earnings per share in the medium term.

11. Booker Share Plans

Information relating to the effect of the Merger on holders of options under the Booker Share Plans is set out in paragraph 12 of Part II (*Explanatory Statement*). Appropriate proposals will be made to participants in Booker Share Plans separately.

12. Booker Pension Schemes

Information relating to the Booker Pension Schemes is set out in paragraph 13 of Part II (*Explanatory Statement*).

The Booker Board has discussed the impact of the Merger with the trustees of the Booker Pension Schemes.

13. The Scheme and the Booker Shareholder Meetings

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 Companies Act 2006. The procedure involves, amongst 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.

* The calculation of the expected Closing Dividend is based on an assumption that the Effective Date will be no later than 31 March 2018. The Effective Date is currently expected to be 5 March 2018. To the extent that the Effective Date falls after 31 March 2018, then the amount of the Closing Dividend will be recalculated in accordance with Appendix 2 (*Booker Dividends*) to this document or as otherwise agreed between Tesco and Booker.

The Scheme will only become effective if, amongst other things, the following events occur on or before the Long-stop 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 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 Scheme Court Order is delivered to the Registrar of Companies; and
- all other Conditions to the Merger (including, without limitation, the approval of the Merger by the requisite majority of Tesco Shareholders voting at the Tesco General Meeting) are either fulfilled or (if capable of waiver) waived.

The Court Meeting and the Booker General Meeting are scheduled to be held on 28 February 2018.

Upon the Scheme becoming Effective: (i) it will be binding on all Booker Scheme Shareholders, irrespective of whether or not they attended or voted at the Court Meeting or the Booker General Meeting (and if they attended and voted, whether or not they voted in favour); and (ii) 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. The Consideration will be despatched by Tesco to Booker Scheme Shareholders no later than 14 days after the Effective Date. **It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of opinion of the Booker Scheme Shareholders. You are therefore urged to complete and return your Forms of Proxy, make an electronic appointment of a proxy or submit a proxy vote via CREST as soon as possible.**

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

Fractions of New Tesco Shares will not be allotted to Booker Shareholders pursuant to the Merger but any such fractions 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 Takeover Code, the Panel, the London Stock Exchange and the FCA.

Further details of the Scheme and the Booker Shareholder Meetings are set out in paragraph 14 of Part II (*Explanatory Statement*).

14. Tesco Shareholder Approval

The Merger constitutes a Class 1 transaction (as defined in the Listing Rules) for Tesco. Accordingly, Tesco will be required to seek the approval of its shareholders for the Merger at the Tesco General Meeting. The Tesco Directors intend unanimously to recommend Tesco Shareholders to vote in favour of the Tesco Resolution to be proposed at the Tesco General Meeting as all Tesco Directors who hold Tesco Shares have irrevocably undertaken to do in respect of their own holdings of, in aggregate, 678,434 Tesco Shares (representing approximately 0.0083 per cent. of the issued share capital of Tesco on 1 February 2018, being the latest practicable date prior to publication of this document), 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 prior to publication of this document)).

Tesco will be sending to its shareholders a circular, being the Tesco Shareholder Circular, summarising the background to, and reasons for, the Merger (including a notice convening the Tesco General Meeting). The Merger is conditional on, amongst other things, the Tesco Resolution being passed by the Tesco Shareholders at the Tesco General Meeting. The Tesco General Meeting is scheduled for 28 February 2018.

Tesco has also produced a prospectus in connection with the issue of the New Tesco Shares. The Tesco Prospectus contains information relating to the Merger, the Combined Group and the New Tesco Shares. A copy of each of the Tesco Prospectus and Tesco Shareholder Circular will be made available on Booker's website, <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to certain applicable securities laws, hard copies can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document.

15. Delisting and Re-registration

The last day of dealings in Booker Shares is expected to be 2 March 2018, being the Business Day prior to the expected Effective Date. It is intended that an application will be made to the UK Listing Authority for the cancellation of the listing of the Booker Shares on the 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.

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 Companies Act 2006.

16. United Kingdom Taxation

A summary of certain United Kingdom taxation consequences of the implementation of the Scheme for certain Booker Shareholders is set out in paragraph 6 of Part V (*Additional Information*) of this document.

That summary does not constitute tax advice and does not purport to be a full analysis of all potential United Kingdom tax consequences of the Merger or of holding New Tesco Shares. Booker Shareholders who are in any doubt about their taxation position, or who are subject to taxation in a jurisdiction outside of the United Kingdom are strongly advised to contact an appropriate independent professional adviser immediately.

17. Overseas Shareholders

Overseas Shareholders should refer to paragraph 20 of Part II (*Explanatory Statement*) for further details.

18. Action To Be Taken

Your attention is drawn to paragraph 22 of Part II (*Explanatory Statement*) of this document, which explains the actions you should take in relation to the Merger and the Scheme.

19. Further Information

Your attention is drawn to the letter from J.P. Morgan Cazenove, set out in Part II (*Explanatory Statement*) of this document (being the explanatory statement made in compliance with section 897 of the Companies Act 2006), which gives further details about the Merger and the terms of the Scheme that are set out in full at the end of this document. Please note that reading the information in this letter is not a substitute for reading the remainder of this document.

Your attention is further drawn to the Tesco Prospectus and Tesco Shareholder Circular published on Tesco's website, <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>, which contain further information on Tesco, the Combined Group and the New Tesco Shares. A copy of each of the Tesco Prospectus and Tesco Shareholder Circular will also be made available on Booker's website, <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to certain applicable securities laws, hard copies can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document.

You are advised to read the whole of this document and not just to rely on the summary information in this letter.

Your attention is further drawn to the information contained in Part III (*Conditions to and further terms of the Scheme and the Merger*), Part V (*Additional Information*), Part VII (*Notes for making Elections under the Mix and Match Facility*), Part IX (*The Scheme of Arrangement*), Appendix 1 (*Tesco Quantified Financial Benefits Statement*), Appendix 3 (*Tesco Profit Forecast*) and to the expected timetable of principal events set out on pages 2 and 3 of this document.

20. Recommendation

For the reasons set out in this document, the Booker Directors, who have been so advised by J.P. Morgan Cazenove as to the financial terms of the Merger, consider the terms of the Merger to be fair and reasonable. In providing advice to the Booker Directors, J.P. Morgan Cazenove has taken into account the commercial assessments of the Booker Directors. J.P. Morgan Cazenove is providing independent financial advice to the Booker Directors for the purposes of Rule 3 of the Takeover Code.

In addition, the Booker Directors believe that the terms of the Merger are in the best interests of Booker Scheme Shareholders as a whole and unanimously recommend that Booker Scheme Shareholders vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting, as they have irrevocably undertaken to do in respect of their own holdings of, in aggregate, 120,555,793 Booker Shares (representing approximately 6.7 per cent. of the issued ordinary share capital of Booker on 1 February 2018 (being the latest practicable date prior to publication of this document)).

Yours faithfully

A handwritten signature in black ink, appearing to read 'Stewart Gilliland', written in a cursive style.

Stewart Gilliland
Non-Executive Chairman

PART II
EXPLANATORY STATEMENT
(in compliance with section 897 of the Companies Act 2006)

J.P.Morgan CAZENOVE

5 February 2018

To all Booker Shareholders and, for information only, to participants in the Booker Share Plans

Dear Shareholder

RECOMMENDED SHARE AND CASH MERGER OF BOOKER GROUP PLC AND TESCO PLC

1. Introduction

On 27 January 2017, the Booker Board and the Tesco Board announced that they had agreed the terms of a recommended share and cash merger of Booker and Tesco pursuant to which Tesco will acquire the entire issued and to be issued ordinary share capital of Booker. The Merger is to be effected by means of a scheme of arrangement of Booker under Part 26 of the Companies Act 2006, which requires the approval of Booker Shareholders and the sanction of the Court. The Merger also requires the approval of Tesco Shareholders.

As announced on 20 December 2017, the CMA has now unconditionally cleared the Merger thereby satisfying the pre-condition to the Merger proceeding. The Merger remains subject to the terms and conditions set out in Part III (*Conditions to and further terms of the Scheme and the Merger*).

Your attention is drawn to the letter from the Chairman of Booker, Stewart Gilliland, set out in Part I (*Letter from the Chairman of Booker Group plc*) of this document, which forms part of this Explanatory Statement. That letter contains, amongst other things, information on the background to and reasons for the Merger and the unanimous recommendation by the Booker Board to Booker Scheme Shareholders to vote in favour of the resolutions to approve and implement the Merger to be proposed at the Booker Shareholder Meetings.

Your attention is also drawn to the information contained in Part III (*Conditions to and further terms of the Scheme and the Merger*), Part V (*Additional Information*) and Part VII (*Notes for making Elections under the Mix and Match Facility*). The Scheme is set out in full in Part IX (*The Scheme of Arrangement*) at the end of this document. Details of certain expected synergy benefits from the Merger and Tesco's expectations for its operating profits in the financial year ending 24 February 2018 are set out in Appendices 1 (*Tesco Quantified Financial Benefits Statement*) and 3 (*Tesco Profit Forecast*) respectively to this document. Your attention is also drawn to the Tesco Shareholder Circular and Tesco Prospectus published on Tesco's website <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>, which contain further information on Tesco and the New Tesco Shares to be issued in connection with the Merger. A copy of each of the Tesco Shareholder Circular and Tesco Prospectus will also be made available on Booker's website at <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to applicable securities laws, hard copies can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document.

The Booker Board has been advised by J.P. Morgan Cazenove in connection with the Merger. J.P. Morgan Cazenove has been authorised by the Booker Board to write to you to explain the terms of the Merger and to provide you with other relevant information.

Booker Shareholders should read the whole of this document before deciding whether or not to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting.

2. Summary of the terms of the Merger

The Merger is to be effected by way of a scheme of arrangement under Part 26 of the Companies Act 2006, which requires the approval of Booker Shareholders and the sanction of the Court.

number of New Tesco Shares to be issued to each Booker Shareholder in respect of each Booker Share so as to reflect the value attributable to any such dividend or such excess.

Completion of the Merger will result in the issue and allotment of approximately 1,543,080,084 New Tesco Shares and in Booker Shareholders owning approximately 16 per cent. of the Combined Group (based on the existing issued ordinary share capital of Tesco and Booker). This will enable Booker Shareholders to share in the benefits which are expected to accrue to the Combined Group via its attractive growth prospects and the realisation of significant revenue and cost synergies.

Pursuant to the Mix and Match Facility (as further described in paragraph 4 below), Booker Shareholders (other than Restricted Overseas Shareholders) are being offered the opportunity to elect to vary the proportions in which they receive New Tesco Shares and cash. Satisfaction of such Mix and Match Elections will be subject to off-setting Mix and Match Elections made by other Booker Shareholders. 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. To the extent that Mix and Match Elections for cash or New Tesco Shares cannot be satisfied in full, they will be scaled down on a *pro rata* basis. Further information about the Mix and Match Facility is provided in paragraph 4 of this Part II (*Explanatory Statement*) and Part VII (*Notes for making Elections under the Mix and Match Facility*) of this document.

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 (subject to certain customary carve-outs) not to 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.

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*. Further details on the rights attaching to the New Tesco Shares are set out in the Tesco Prospectus published on Tesco's website <https://www.tescopl.com/investors/tesco-booker-proposed-merger/> and will also be made available on Booker's website at <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to applicable securities laws, a hard copy can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document. Immediately following completion of the Merger and the issue of the New Tesco Shares, Booker Shareholders are expected to own approximately 16 per cent. of the enlarged share capital of Tesco.

Applications will be made by Tesco to the UK Listing Authority, the London Stock Exchange and the Irish Stock Exchange for the New Tesco Shares to be admitted to (i) the premium listing segment of the Official List of the UK Listing Authority and to trading on the Main Market; and (ii) to the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main market for listed securities. It is expected that admission of the New Tesco Shares to trading on both the London Stock Exchange and Irish Stock Exchange's main market for listed securities will become effective and that dealings for normal settlement will commence on or around 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 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 Announcement or subsequently attaching or accruing to them, save for any Permitted Booker Dividends set out in paragraph 17 below.

* Assuming the Merger becomes Effective as anticipated on or before 31 March 2018 and, failing that, on or before the record date for the final dividend of 2.0 pence per Tesco Share that the Tesco Board is intending to pay for the 52 weeks ending 24 February 2018 (subject to Tesco Shareholder approval at the 2018 Tesco annual general meeting), holders of New Tesco Shares will be entitled to receive that dividend. Further details on the Tesco dividend policy are set out in paragraph 17 below.

3. Financial benefits and effects of the Merger

In addition to the cash element of the Consideration under the terms of the Merger, the share component will enable Booker Shareholders, in their capacity as the holders of the New Tesco Shares, to benefit from the value creation expected to arise through the combination, including the expected synergies described below.

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
 - the Merger 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.
 - The Merger 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.
- ***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

As such, the Tesco Board expect the Merger 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 for reporting under the Takeover Code 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 brought together. This reassessment 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.

Please refer to Appendix 1 (*Tesco Quantified Financial Benefits Statement*) to this document for further details on these anticipated synergies. References to these anticipated synergies should be read in conjunction with Appendix 1 (*Tesco Quantified Financial Benefits Statement*). The Tesco Directors have confirmed that there have been no material changes to the Tesco Quantified Financial Benefits Statement since the Announcement and the Tesco Quantified Financial Benefits Statement remains valid. Deloitte (as reporting accountants to Tesco) and Greenhill (as lead financial adviser to Tesco) have also confirmed to Tesco that the reports they produced in connection with the Tesco Quantified Financial Benefits Statement (copies of which were set out in appendix 5 of the Announcement) continue to apply. In addition, Barclays and Citi (as financial advisers to Tesco) have also now reported on the Tesco Quantified Financial Benefits

Statement (copies of such reports are set out in Appendix 1 (*Tesco Quantified Financial Benefits Statement*)).

Value accretion

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.

Summary

The Booker Board and the Tesco Board each believe that the Merger represents a compelling opportunity for shareholders of both Tesco and Booker to benefit from the growth opportunities that are expected to arise from the merger of the two highly complementary businesses.

Financial Effects

If the Merger completes, Booker Scheme Shareholders (other than certain Overseas Shareholders) will be entitled to receive 0.861 New Tesco Shares and 42.6 pence in cash (being the Consideration) for each Booker Scheme Share held, subject to Elections pursuant to the Mix and Match Facility.

The following table shows, for illustrative purposes only, and on the bases and assumptions set out in the notes below and in Part VI (*Source of Information and Basis of Calculation*) of this document, the financial effects of the Merger on capital value, in pounds sterling, for a holder of 1,000 Booker Shares receiving the default Consideration.

Column (A) compares the value received by a Booker Shareholder based on the Closing Price of Tesco Shares on 1 February 2018 (being the latest practicable date prior to publication of this document) with the market value of Booker Shares on 26 January 2017 (being the last Business Day prior to the Announcement). Column (B) compares the value received by a Booker Shareholder based on the Closing Price of Tesco Shares on 26 January 2017 (being the last Business Day prior to the Announcement) with the market value of Booker Shares on 26 January 2017.

Illustrative effect on capital value of 1,000 Booker Shares⁽⁵⁾

	(A)	(B)
Market value of 861 New Tesco Shares ⁽¹⁾ (£).....	1,776	1,627
Value of cash portion of the Consideration (£).....	426	426
Total value of Consideration in respect of 1,000 Booker Shares	2,202	2,053
Value of Booker dividends received since Announcement ⁽²⁾	87	87
Value of Closing Dividend.....	37	37
Total value of Consideration and Closing Dividend in respect of 1,000 Booker Shares	2,326	2,177
Less: Market value of 1,000 Booker Shares ⁽³⁾ (£)	(1,831)	(1,831)
Illustrative increase/(decrease) in capital value⁽⁴⁾ (£)	495	346
Percentage difference (%).....	27.0%	18.9%

Notes:

(1) The market value of Tesco Shares is based on the Closing Price per Tesco Share of:

(A) 206.3 pence per share as on 1 February 2018 (being the latest practicable date prior to publication of this document); and

(B) 189.0 pence per share as on 26 January 2017 (being the last Business Day prior to the Announcement).

(2) The value of dividends received since Announcement being 8.68 pence per Booker Share (a 4.97 pence per Booker Share final ordinary dividend and 3.02 pence per Booker Share special dividend in respect of the 52 weeks ended 24 March 2017; and a 0.69 pence per Booker Share interim ordinary dividend in respect of the financial period ended 8 September 2017. The value of these dividends is considered here in order that the illustrative effect on capital value gives a meaningful comparison with the market value of Booker Shares prior to the Announcement.

The basis for making Elections under the Mix and Match Facility has been determined with reference to the Closing Price per Tesco Share of 206.3 pence on 1 February 2018 (being the latest practicable date prior to publication of this document).

The table below shows, for illustrative purposes only, the possible outcomes for a Booker Shareholder who holds one Booker Share and, pursuant to the Mix and Match Facility, validly elects to receive: (i) all cash; (ii) all New Tesco Shares; or (iii) does not make (or is deemed not to have made) any valid Election under the Mix and Match Facility:

Election	Cash (pence)⁽¹⁾	New Tesco Shares⁽¹⁾
Cash Election	220.2	0
Share Election	0	1.067
No Election	42.6	0.861

Note:

(1) Figures shown in this table are rounded for illustration purposes, and do not take into account the effect of the provisions regarding fractional entitlements set out below. Actual amounts may vary.

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 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.

To make an election under the Mix and Match Facility, you must complete and sign a Form of Election in accordance with the instructions printed thereon and return it either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. The Election Return Time (being the deadline for making a Mix and Match Election) is 1.00 p.m. on 1 March 2018, as set out in the expected timetable of principal events on pages 2 and 3 of this document.

Further details on how and when Booker Shareholders can make a Mix and Match Election are set out in Part VII (*Notes for making Elections under the Mix and Match Facility*) of this document.

The Mix and Match Facility has not been extended to holders of Booker Shares with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction and no Form of Election will be sent to them. The availability of the Mix and Match Facility to certain other Overseas Shareholders may be limited. Overseas Shareholders should also read paragraph 20 of this Part II (*Explanatory Statement*) in relation to their ability to make a Mix and Match Election.

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

5. New Tesco Shares

Under the terms of the Merger, Booker Shareholders (other than certain Overseas Shareholders) will be entitled to receive 0.861 New Tesco Shares and 42.6 pence in cash for each Booker Scheme Share held at the Scheme Record Time.

The New Tesco Shares will be issued credited as fully paid and will rank *pari passu* in all respects with the Tesco Shares in issue at the time the New Tesco Shares are issued, including in relation to the right to receive notice of, and to attend and vote at, general meetings of Tesco, the right to receive and retain any dividends and other distributions declared, made or paid by reference to a record date falling after the Effective Date and to participate in the assets of Tesco upon a winding-up of Tesco.

Applications, conditional on the Scheme becoming Effective, will be made to the UK Listing Authority, the London Stock Exchange and the Irish Stock Exchange for the New Tesco Shares to be admitted to (i) the Official List of the UK Listing Authority and to trading on the Main Market, respectively; and (ii) the secondary listing segment of the Irish Official List and to trading on the Irish Stock Exchange's main

market for listed securities. It is expected that admission of the New Tesco Shares to trading on both the London Stock Exchange's and the Irish Stock Exchange's main market for listed securities will become effective and that dealing for normal settlement will commence on or around 5 March 2018. The New Tesco Shares will be issued free from all liens, charges, encumbrances and other third party rights and/or interests of any nature whatsoever.

6. Financing

The aggregate value of the cash component of the Consideration of approximately £760 million payable by Tesco under the terms of the Merger will be funded from Tesco's existing cash resources.

In accordance with Rule 24.8 of the Takeover Code, Greenhill, as lead financial adviser to Tesco, is satisfied that sufficient resources are available to Tesco to satisfy in full the cash consideration payable pursuant to the terms of the Merger.

7. 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.

8. Current Trading and Prospects

Booker

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.

Tesco

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 Takeover Code, the following statement constitutes a profit forecast for the 52 weeks ending 24 February 2018 (the “**Tesco Profit Forecast**”):

“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 Profit Forecast, the assumptions on which it is based, and the reports from Deloitte (acting as reporting accountants for Tesco) and Greenhill, Barclays and Citi (acting as financial advisers for Tesco) as required by Rule 28.1 of the Takeover Code are set out in Appendix 3 (*Tesco Profit Forecast*) to this document.

9. Information on the Tesco Group

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 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 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 and ROI, the Tesco Group has now seen eight consecutive quarters of like-for-like sales growth.

Further information on the Tesco Group is set out in the Tesco Prospectus and Tesco Shareholder Circular published on the Tesco website <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>. A copy of each of the Tesco Prospectus and Tesco Shareholder Circular will also be made available on Booker's website, <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to certain applicable securities laws, hard copies can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document.

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 6 of Part I (*Letter from the Chairman of Booker Group plc*) 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 6 of Part I (*Letter from the Chairman of Booker Group plc*) 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 Stewart Gilliland, Booker's Chairman, and Charles Wilson, Booker's Chief Executive, 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 for Charles Wilson and Stewart Gilliland following completion of the Merger is included in paragraph 11 of Part V (*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 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 6 of Part I (*Letter from the Chairman of Booker Group plc*), 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.

The Booker Board welcomes Tesco's intentions with respect to the future operations of the business and its employees, in particular, the intentions to observe the existing contractual and statutory employment rights of the Booker employees and pension obligations (including existing agreed contributions into the Booker pension plans) on the Merger becoming Effective and to work with Booker's management going forward with no change to the location of Booker's headquarters.

11. Undertakings to vote in favour of the Scheme

The Booker Directors have irrevocably undertaken to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting (and if the Merger is subsequently structured as a Takeover Offer, to accept any Takeover 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 prior to publication of this document). These undertakings will cease to be binding only if (i) Tesco announces that it does not intend to proceed with the Merger; (ii) the Merger lapses or is withdrawn; (iii) the Tesco Shareholder Circular does not contain a unanimous recommendation from the Tesco Board to Tesco Shareholders to approve the resolution(s) to be proposed at the Tesco General Meeting; (iv) the Tesco Board withdraws, adversely modifies or adversely qualifies its recommendation; or (v) the Merger has not become effective by the Long-stop Date.

The Tesco Directors have irrevocably undertaken to vote in favour of the resolution(s) 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 prior to publication of this document). In addition, all Tesco Directors who hold their Tesco Shares in the form of ADRs have irrevocably undertaken to vote in favour of the Tesco Resolution 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 prior to publication of this document). The undertakings from the Tesco Directors will cease to be binding only if: (i) Booker announces that it does not intend to proceed with the Merger; (ii) the Merger lapses or is withdrawn; (iii) the Booker Board withdraws, adversely modifies or adversely qualifies its recommendation to Booker Shareholders to approve the resolutions to be proposed at the Court Meeting and the Booker General Meeting; or (iv) the Merger has not become effective by the Long-stop Date.

For further details of the irrevocable undertakings, see paragraph 16 below and paragraph 7 of Part V (*Additional Information*) to this document.

12. **Booker Share Plans and employee arrangements**

Participants in the Booker Share Plans will be contacted on or as soon as reasonably practicable after the date of this document regarding the effect of the Scheme on their rights under the Booker Share Plans and with details of Tesco's proposals. A summary of the effect of the Scheme on options under the Booker Share Plans ("**Options**") is set out below.

The Scheme will apply to any Booker Shares which are unconditionally allotted, issued or transferred to satisfy the exercise of Options before the Scheme Record Time. Any Booker Shares allotted or issued to satisfy Options after the Scheme Record Time will, subject to the Scheme becoming Effective and the proposed amendments to the Booker Articles being approved at the Booker General Meeting, be immediately transferred to Tesco in exchange for the same consideration as Booker Shareholders will be entitled to receive under the Scheme.

Further information in respect of the proposed amendments to the Booker Articles is contained in paragraph 14(d) below and in the Notice of Booker General Meeting which is set out at the end of this document.

(a) **Booker Performance Share Plan 2008 ("PSP")**

Options under the PSP which would not otherwise have been exercisable prior to the Merger will (in consequence of the Scheme and in accordance with participants' contractual rights under the PSP) become exercisable and both those Options and any Options that became exercisable before the Merger will be exercisable to the extent permitted under the PSP rules, and conditionally on the Court Order, until the earlier of six months from the Booker General Meeting or seven clear days before the date of the Court Order.

As an alternative to the exercise of Options, Tesco will offer holders of Options under the PSP which remain outstanding at the time of the Court Order the opportunity to exchange their Options for equivalent options over Tesco Shares ("**Rolled Over Options**").

Tesco and Booker have agreed that, in substitution for the terms agreed in relation to unvested options granted under the PSP in the Co-operation Agreement, Rolled Over Options will be subject to the following performance conditions:

- (i) Rolled Over Options granted in 2015 will be subject to their original Booker performance conditions tested as at 31 January 2018;
- (ii) Rolled Over Options granted in 2016 will be subject to their original Booker performance conditions on 50 per cent. of the options tested as at 31 January 2018 and the remaining 50 per cent. of the options will be subject to the performance conditions that Tesco applies to options granted under the Tesco Performance Share Plan ("**Tesco PSP**") in 2016; and

- (iii) Rolled Over Options granted in 2017 will be subject to the performance conditions that Tesco applies to options granted under the Tesco PSP in 2017 for the entire vesting period.

The Booker remuneration committee (the “**Remuneration Committee**”) will determine the extent to which Options under the PSP vest in accordance with the PSP rules and the Booker remuneration policy.

(b) ***Booker Savings Related Share Option Plan 2008 (“SAYE”)***

Options under the SAYE which would not otherwise have been exercisable prior to the Merger will (in consequence of the Scheme and in accordance with participants’ contractual rights under the SAYE) become exercisable and both those Options and any Options that became exercisable before the Merger will be exercisable to the extent permitted under the SAYE rules in the six months following the date of the Court Order. Options will be exercisable to the extent of the participant’s savings at the time of exercise.

As an alternative to the exercise of Options, Tesco will offer holders of Options under the SAYE which remain outstanding at the time of the Court Order the opportunity to exchange their Options for equivalent options over Tesco Shares.

(c) ***Booker Bonus Plan***

Following further discussions between Booker and Tesco, it has been agreed that, in substitution for the terms agreed in relation to the Booker 2017/18 bonus plan in the Co-Operation Agreement, the plan will continue to apply following the Merger until 30 March 2018. The performance measures of the Booker 2017/18 bonus plan will be measured following 30 March 2018 and paid out on the normal Booker bonus payment date. The employees of Booker will participate in the Tesco 2018/19 bonus plan from 31 March 2018 and their entitlement will be pro-rated to reflect the shorter period of participation.

(d) ***Booker Employee Benefit Trust***

Booker Shares held by the Booker Employee Benefit Trust will be distributed for the benefit of approximately 13,000 Booker employees (excluding the Booker Directors) in accordance with the terms of the trust on the date of the Court order. Those Booker Shares will be Booker Scheme Shares for the purposes of the Merger.

13. Booker Pension Arrangements

Booker operates three defined benefit pension schemes, the assets of which are held in separate trustee-administered funds to meet future benefit payments. The trustees are responsible for running the schemes in line with the governing documents for each scheme and for complying with UK pension legislation. The main pension scheme is the Booker Pension Scheme, a funded defined benefit pension arrangement based on final salary and which was closed to new defined benefit entrants in 2001, with defined benefits ceasing to accrue from 2002. Following completion of the latest actuarial valuation of the scheme, a deficit of £41.1 million was agreed with the trustees and in respect of which Booker will make deficit contributions of £5.4 million per annum payable for six years, with effect from 1 April 2017.

Following its acquisition of Musgrave Retail Partners GB Limited on 14 September 2015, Booker also operates the Budgens Pension Scheme and the Londis Pension Scheme, both trust based occupational defined benefit pension schemes. The Londis Pension Scheme was closed to new entrants in 1991 and future benefit accrual in 2009. The Budgens Pension Scheme closed to both new entrants and future accrual in 2010. Following the latest actuarial valuations of both of these pension schemes no employer contributions are required in respect of the schemes.

Booker’s total defined benefit obligations as at 24 March 2017 calculated on an IAS19 basis by rolling forward from the results of the latest actuarial funding valuation for each scheme are an aggregated net deficit of £46.9 million, comprising assets of £751 million and liabilities of £797.9 million.

Booker also operates defined contribution pension arrangements in respect of which it made contributions of £8.3 million in the period covered by the Booker Annual Report and Accounts 2017.

The Booker Board has discussed the impact of the Merger with the trustees of the Booker Pension Schemes.

14. Structure Of The Merger

(a) *The Scheme*

It is intended that the Merger will be effected by way of the Scheme. The Scheme is an arrangement made between Booker and the Booker Scheme Shareholders under Part 26 of the Companies Act 2006. The provisions of the Scheme are set out in full in Part IX (*The Scheme of Arrangement*) of this document. The Scheme involves an application by Booker to the Court to sanction the Scheme pursuant to which the Booker Scheme Shares will be transferred to Tesco, in consideration for which Booker Scheme Shareholders on the register of members of Booker at the Scheme Record Time will receive the Consideration. The transfer of the Booker Scheme Shares to Tesco, provided for in the Scheme, will result in the entire issued and to be issued share capital of Booker being held by Tesco and Booker becoming a wholly owned subsidiary of Tesco.

Fractions of New Tesco Shares will not be allotted to Booker Scheme 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).

Prior to the Scheme Record Time, Booker may allot and issue Booker Shares pursuant to the exercise of options or awards under the Booker Share Plans. Booker will not issue any shares after the Scheme Record Time until the Scheme has become Effective.

The expected timetable of principal events for the Merger and Scheme is set out on pages 2 and 3 of this document. It is currently expected that the Scheme will become effective on or around 5 March 2018, subject to the satisfaction or (where applicable) waiver of all the relevant Conditions.

(b) *Booker Shareholder approvals*

The Merger is subject to the approval of Booker Shareholders by the passing of a resolution at the Court Meeting. Booker Shares in which Tesco or a member of the Tesco Group is interested will not be eligible to be voted on the resolution at the Court Meeting to approve the Scheme and the Scheme will not apply to such Booker Shares. As at 1 February 2018 (the latest practicable date prior to publication of this document), no member of the Tesco Group held interests in Booker Shares.

It is important that, for the Court Meeting, as many votes as possible are cast so that the Court may be satisfied that there is a fair representation of opinion of the Booker Scheme Shareholders. You are therefore urged to complete and return your Form of Proxy, make an electronic appointment of a proxy or submit a proxy via CREST as soon as possible.

In addition, the Scheme will require the approval of Booker Shareholders at the Booker General Meeting. The Booker General Meeting has been convened to consider and, if thought fit, to pass the Special Resolution to approve the Scheme and approve the adoption of certain amendments to the Booker Articles in accordance with the Scheme and in the manner described in paragraph 14(d) below. The Booker General Meeting will be held immediately after the Court Meeting.

(i) *The Court Meeting*

The Court Meeting has been convened at the direction of the Court for 12.00 p.m. on 28 February 2018 for Booker Scheme Shareholders to consider and, if thought fit, approve the Scheme.

At the Court Meeting, voting will be by poll (and not a show of hands) and each Booker Scheme Shareholder present in person or by proxy will be entitled to one vote for each Booker Scheme Share held as at the Scheme Voting Record Time. The approval required at the Court Meeting is a majority in number of the Booker Scheme Shareholders present and voting, either in person or by proxy, representing not less than 75 per cent. in value of the Booker Scheme Shares held by such Booker Scheme Shareholders for which votes are cast.

(ii) *The Booker General Meeting*

In addition to the Court Meeting, the Booker General Meeting has been convened for 12.10 p.m. on 28 February 2018, or, if later, as soon after that time as the Court Meeting has been concluded or

adjourned, for Booker Shareholders to consider and, if thought fit, pass, the Special Resolution necessary to implement the Scheme and certain related matters.

The Special Resolution is proposed to approve:

- (A) giving the Booker Board authority to take all necessary action to carry the Scheme into effect; and
- (B) amending the Booker Articles.

Voting on the Special Resolution will be by poll, and each Booker Shareholder present in person or by proxy will be entitled to one vote for every Booker Share held as at the Scheme Voting Record Time. The approval required for the Special Resolution to be passed is at least 75 per cent. of the votes cast on the Special Resolution.

The quorum for the Booker General Meeting will be two or more Booker Shareholders present in person or by proxy.

Entitlement to attend, speak and vote at these meetings and the number of votes which may be cast at the meetings will be determined by reference to the register of members of Booker at the Scheme Voting Record Time. All Booker Shareholders whose names appear on the register of members of Booker at 6.00 p.m. on 26 February 2018 or, if either the Court Meeting or the Booker General Meeting is adjourned on the register of members at 6.00 p.m. 48 hours before the date set for the adjourned meeting, shall be entitled to attend and speak and vote at the relevant meeting in respect of the number of Booker Shares registered in their name at the relevant time.

You will find the Notice(s) of the Court Meeting and of the Booker General Meeting set out in Part X (*Notice of Court Meeting*) and Part XI (*Notice of Booker General Meeting*) respectively.

(c) ***Court hearing to sanction the Scheme***

Under the Companies Act 2006, the Scheme also requires the sanction of the Court.

The Court hearing to sanction the Scheme is currently expected to take place on 2 March 2018. All Booker Shareholders are entitled to attend the Court hearing in person or through Counsel to support or oppose the sanctioning of the Scheme.

The Scheme will become Effective as soon as a copy of the Court Order has been delivered to the Registrar of Companies for registration. This is currently expected to occur on or about 5 March 2018. It is intended that at or around this time Booker will become a private limited company.

If the Scheme becomes Effective, it will be binding on all Booker Scheme Shareholders, including any Booker Scheme Shareholders who did not vote to approve the Scheme or who voted against the Scheme at the Court Meeting.

Unless the Scheme becomes Effective by no later than 30 November 2018, or such later date as Booker and Tesco may, with the consent of the Panel, agree and the Court, if required, may allow, the Scheme will not become Effective and the Merger will not proceed.

(d) ***Amendment to the Booker Articles***

The Special Resolution to be proposed at the Booker General Meeting contains provisions to amend the Booker Articles to ensure that any Booker Shares issued (other than to Tesco, its nominees or any member of the Tesco Group) (i) between the Booker General Meeting and the Scheme Record Time will be subject to the Scheme; and (ii) after the Scheme Record Time will automatically be acquired by Tesco on the same terms as under the Scheme. These provisions will avoid any person (other than a member of the Tesco Group) holding Booker Shares after dealings in such shares have ceased on the London Stock Exchange.

(e) ***Modifications to the Scheme***

The Scheme contains a provision for Booker and Tesco to consent on behalf of all persons concerned to any modification of, or addition to, the Scheme or to any condition approved or imposed by the Court. The Court would be unlikely to approve any modification of, or additions to, or impose a condition to the Scheme which might be material to the interests of the Booker Scheme Shareholders unless Booker

Scheme Shareholders were informed of such modification, addition or condition. It would be a matter for the Court to decide, in its discretion, whether or not a further meeting of Booker Scheme Shareholders should be held in these circumstances.

(f) **Conditions**

The Scheme is subject to the Conditions, including, amongst other things:

- (i) approval of the Scheme at the Court Meeting by a majority in number of the Booker Scheme Shareholders on the register of members of Booker at the Scheme Voting Record Time, present and voting, either in person or by proxy, representing three-quarters or more in value of the Booker Scheme Shares held by those Booker Scheme Shareholders on which votes are cast; and (b) such Court Meeting being held on or before 22 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow);
- (ii) all resolutions required to approve and implement the Scheme as set out in the notice of the Booker General Meeting (including, without limitation, the Special Resolution) being duly passed by the requisite majority at the Booker General Meeting; and (b) the Booker General Meeting being held on or before 22 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow);
- (iii) the Tesco Resolution being duly passed at the Tesco General Meeting;
- (iv) the sanction of the Scheme by the Court without modification or with modification on terms acceptable to Tesco and Booker, and the delivery of a copy of the Scheme Court Order to the Registrar of Companies; and (b) the Scheme Court Sanction Hearing being held on or before 24 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow);
- (v) the UK Listing Authority having acknowledged to Tesco or its agent (and such acknowledgement not having been withdrawn) that the application for the admission of the New Tesco Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“**listing conditions**”)) UK Admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and
- (vi) the London Stock Exchange having acknowledged to Tesco or its agent (and such acknowledgement not having been withdrawn) that the New Tesco Shares will be admitted to trading on the Main Market.

The Merger can only become Effective if all Conditions, including those described above, have been satisfied or, if capable of waiver, waived. The Conditions relating to the approval of the Scheme by the Booker Shareholders at the Court Meeting, the passing of the Special Resolution at the Booker General Meeting, the passing of the Tesco Resolution at the Tesco General Meeting, the sanction of the Scheme by the Court, the delivery or registration of the Court order with the Registrar of Companies and the approval by the UK Listing Authority of the application for UK Admission, are not capable of being waived in whole or in part.

If any Condition is not capable of being satisfied by the date specified therein, Tesco shall make an announcement through a Regulatory Information Service as soon as practicable and, in any event, by no later than 8.00 a.m. on the Business Day following the date so specified, stating whether Tesco has invoked that Condition, waived that Condition or, with the agreement of Booker, specified a new date by which that Condition must be satisfied. Further details on the Conditions are set out in Part III (*Conditions to and further terms of the Scheme and the Merger*) of this document.

(g) **Alternative means of implementing the Merger**

Tesco has reserved the right to implement the Merger by way of a Takeover Offer as an alternative to the Scheme, subject to the terms of the Co-operation Agreement, in which case additional documents will be required to be sent to Booker Shareholders. In such event, the Takeover Offer will (unless otherwise agreed) be implemented on the same terms (subject to appropriate amendments, including an acceptance condition set at 90 per cent. of the shares to which such Takeover Offer relates or such other percentage as Tesco may, with the consent of the Panel (if required) decide) as those which would apply to the Scheme.

(h) **Tesco Shareholder approval and Tesco Prospectus**

As a result of its size, the Merger constitutes a Class 1 transaction for Tesco for the purposes of the Listing Rules. Accordingly, Tesco is required to seek the approval of Tesco Shareholders for the Merger at the Tesco General Meeting.

Tesco is sending to Tesco Shareholders, on or around the date of this document, the Tesco Shareholder Circular summarising the background to and reasons for the Merger and including a notice convening the Tesco General Meeting. The Merger is conditional on, among other things, the Tesco Resolution being passed by the requisite majority of Tesco Shareholders at the Tesco General Meeting, being more than 50 per cent. of the votes cast on the Tesco Resolution. The Tesco General Meeting has been convened for 10.00 a.m. on Wednesday 28 February 2018 at etc.venues St. Paul's, 200 Aldersgate, St Paul's, London EC1A 4HD.

Tesco is also publishing the Tesco Prospectus (available on Tesco's website at <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>) in connection with the issue of the New Tesco Shares. Tesco, the Tesco Directors and the Proposed Tesco Directors are responsible for the Tesco Prospectus, containing information relating to the Tesco Group, the Combined Group and the New Tesco Shares. A copy of each of the Tesco Prospectus and Tesco Shareholder Circular will also be available for inspection on Booker's website <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>, and, subject to certain applicable securities laws, hard copies can be requested by contacting the Booker Shareholder Helpline, whose contact details are set out on page 4 of this document.

15. Offer-related arrangements

Summaries of the offer-related arrangements entered into in connection with the Merger are set out in paragraphs 14 and 15 of Part V (*Additional Information*) of this document. These agreements have been made available on Tesco's website, <https://www.tescopl.com/investors/tesco-booker-proposed-merger/>, and on Booker's website, <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx>.

16. Booker Directors and the effect of the Scheme on their interests

Details of the interests of the Booker Directors in Booker Shares and options under the Booker Share Plans are set out in paragraph 5 of Part V (*Additional Information*) of this document.

The following Booker Directors have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting as described in paragraph 11 above, in relation to the following Booker Shares currently held by them as well as any further Booker Shares they may acquire:

Name	Number of Booker Shares	Percentage of issued ordinary share capital of Booker (%)
Charles Wilson*	108,241,986	6.0396
Jonathan Prentis**	10,413,807	0.5811
Guy Farrant***	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

* 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.

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

*** 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:

- (i) Tesco announces that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Takeover Offer is announced in accordance with Rule 2.7 of the Takeover Code at the same time;
- (ii) the Scheme or Takeover Offer lapses or is withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced, in accordance with Rule 2.7 of the Takeover Code, in its place or is announced, in accordance with Rule 2.7 of the Takeover Code, at the same time;
- (iii) the Tesco Shareholder Circular convening the Tesco General Meeting does not include a unanimous and unconditional recommendation made by the Tesco Board to Tesco Shareholders to approve the Tesco Resolution (the “**Tesco Board Recommendation**”), or Tesco makes an announcement prior to the publication of such document(s) that: (i) the Tesco Board no longer intends to make such recommendation or intends adversely to modify or qualify such recommendation; (ii) it will not convene the Tesco General Meeting; or (iii) it does not intend to post the Tesco Shareholder Circular convening the Tesco General Meeting;
- (iv) 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); or
- (v) the Scheme or Takeover Offer has not become effective by the Long-stop Date.

In common with the other participants in the Booker Share Plans, the Booker Directors who hold options will be able to exercise their options and receive shares, to the extent such options become exercisable, or exchange their options for equivalent options over Tesco Shares.

The effect of the Scheme on the interests of the Booker Directors does not differ from its effect on like interests of any other Booker Shareholder.

Particulars of the service contracts (including termination provisions and arrangements) and letters of appointment of the Booker Directors are set out in paragraph 11 of Part V (*Additional Information*) of this document. As described in paragraph 11 of Part V (*Additional Information*) of this document each of Stewart Gilliland, Booker’s Chairman, and Charles Wilson, the Chief Executive of Booker, will join the Combined Group’s Board on completion of the Merger and details of their proposed terms of appointment are set out in paragraph 11 of Part V (*Additional Information*) of this document. 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 and ROI. As also described in paragraph 11 of Part V (*Additional Information*), Charles Wilson has entered into the Service Agreement Amendment Deed in connection with the Merger pursuant to which he has waived his right to rely on (i) in connection the Merger; or (ii) 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.

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 options, subject to the elections of other Booker Shareholders. In addition, Charles Wilson has also entered into the Lock-up Agreement pursuant to which he has agreed (subject to certain customary carve-outs) not to 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.

Following the Scheme becoming Effective, save as described above each of the Booker Non-Executive Directors will resign and their appointments will be terminated in accordance with their terms. The Booker

Non-Executive Directors, other than Stewart Gilliland, will be paid in lieu of their notice entitlement but will not receive any compensation for their loss of office or retirement.

17. Dividends and dividend policy

Summary of proposed Closing Dividend

Under the terms of the Merger, Tesco and Booker agreed 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. In addition, Booker Shareholders are entitled to receive a closing dividend soon after the Effective Date, as described in below and as further described in Appendix 2 (*Booker Dividends*) of this document (the “**Closing Dividend**”). This dividend reflects the principle agreed between Tesco and Booker 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 a Booker Shareholder in respect of the period from the end of the last financial period for which a dividend was made, declared or paid by Booker 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.

Accordingly, in addition to the Consideration payable under the Merger, Booker Shareholders on the register at the Scheme Record Time will be entitled to receive a Closing Dividend which, in the event of an Effective Date falling on or before 31 March 2018, will be 3.7 pence per Booker Share*. The amount of the Closing Dividend will be confirmed by way of an announcement through a Regulatory Information Service on the Effective Date and will be payable by no later than the day falling fourteen days after the Effective Date.

Appendix 2 (*Booker Dividends*) of this document sets out further details of the dividend entitlements of Booker Shareholders.

If Booker announces, declares, makes or pays any dividend or other distribution on or after the date of this document and prior to the Effective Date, other than the Permitted Booker Dividends, or in excess of the Permitted Booker Dividends, Tesco reserves the right to reduce the amount of cash payable and the number of New Tesco Shares to be issued to each Booker Shareholder in respect of each Booker Share so as to reflect the value attributable to any such dividend or such excess.

Tesco dividend policy

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 Tesco 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 Tesco 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 final dividend for the 52 weeks ending 24 February 2018 of 2.0 pence per Tesco Share (subject to Tesco Shareholder approval)), with dividends expected to grow progressively from 2017, with the aim of achieving a target cover of approximately two times earnings per share in the medium term.

18. Delisting, listing, dealings and settlement

Delisting of Booker Shares

The last day of dealings in Booker Shares is expected to be 2 March 2018, being the Business Day prior to the expected Effective Date. Prior to the Effective Date, application will be made to the UK Listing Authority for the cancellation of the listing of the Booker Shares on the 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. On the Effective Date, share certificates in respect of Booker

* The calculation of the expected Closing Dividend is based on an assumption that the Effective Date will be no later than 31 March 2018. The Effective Date is currently expected to be 5 March 2018. To the extent that the Effective Date falls after 31 March 2018, then the amount of the Closing Dividend will be recalculated in accordance with Appendix 2 (*Booker Dividends*) to this document or as otherwise agreed between Tesco and Booker.

Shares will cease to be valid and entitlements to Booker Shares held within the CREST system will be cancelled.

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 Companies Act 2006.

Listing of New Tesco Shares

Applications will be made to (i) the UK Listing Authority for the admission of the New Tesco Shares to the premium listing segment of the Official List; (ii) the London Stock Exchange for the New Tesco Shares to be admitted to trading on the London Stock Exchange's Main Market; and (iii) the Irish Stock Exchange for admission 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 Tesco Prospectus, which is required to be published to effect the introduction of the New Tesco Shares to the premium listing segment of the Official List, is available on Tesco's website <https://www.tescopl.com/investors/tesco-booker-proposed-merger/> and will be available on Booker's website at <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx> or, alternatively, subject to applicable securities laws, a hard copy is available upon request from the Booker Shareholder Helpline, whose contact details can be found on page 4 of this document.

It is currently expected that UK Admission and Irish Admission of the New Tesco Shares will become effective and that dealings in the New Tesco Shares will commence at 8.00 a.m. on 5 March 2018. This date may be deferred if it is necessary to adjourn shareholder meetings required to approve the Scheme or if there is any delay in obtaining the Court's sanction of the Scheme.

Subject to the Scheme becoming Effective, settlement of the Consideration to which any Booker Scheme Shareholder is entitled under the Scheme will be effected in the manner described below.

Settlement

(a) *Scheme Shares in uncertificated form*

The Tesco Directors will apply for the New Tesco Shares to be admitted to CREST, so that settlement of transactions in New Tesco Shares following UK Admission and Irish Admission of New Tesco Shares can take place in uncertificated form within the CREST system. For Booker Shareholders who hold their Booker Shares in uncertificated form at the Scheme Record Time, New Tesco Shares to which the Booker Shareholder is entitled will be issued in uncertificated form through CREST. The ISIN number for the New Tesco Shares will be GB0008847096 and the SEDOL number for the New Tesco Shares will be 0884709. Tesco will procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant Booker Shareholders with the applicable number of New Tesco Shares as soon as possible after 8.00 a.m. on the date of UK Admission and Irish Admission of the New Tesco Shares.

Booker Shares held in uncertificated form will be disabled in CREST from the Effective Date.

Where, at the Scheme Record Time, a Booker Scheme Shareholder holds Scheme Shares in uncertificated form, except with the consent of the Panel:

- settlement of entitlements to New Tesco Shares will be effected through CREST, by procuring that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant Booker Shareholders with such holders entitlement to New Tesco Shares under the terms of the Scheme;
- settlement of cash consideration due under the Merger (together with any amount due in respect of fractional entitlements, as set out in paragraph 14(a) above) to Booker Shareholders will be made by Tesco procuring that Euroclear is instructed to create an assured payment obligation in favour of the relevant Booker Shareholder's payment bank in accordance with the CREST assured payment arrangements,

in each case as soon as practicable and, in any event, 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).

Tesco reserves the right to settle all or part of such consideration in the manner set out in sub-paragraph (b) below if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this sub-paragraph (a).

(b) ***Scheme Shares in certificated form***

Where, at the Scheme Record Time, a Booker Scheme Shareholder holds Scheme Shares in certificated form, except with the consent of the Panel:

- settlement of entitlements to New Tesco Shares will be effected by the despatch of share certificates by first class post representing the New Tesco Shares to which the relevant Booker Scheme Shareholder is entitled under the Scheme; and
- settlement of cash consideration due pursuant to the Scheme (together with any amount due in respect of fractional entitlements, as set out in paragraph 14(a) above) will be made in pounds sterling by cheque drawn on a branch of a clearing bank in the United Kingdom; payments made by cheque will be payable to the Booker Scheme Shareholder(s) concerned; and payments will not be sent by CHAPS or BACS,

in each case as soon as practicable and, in any event, no later than 14 days after the Effective Date.

Cheques in respect of cash consideration will be despatched by first class post (or by such other method as may be approved by the Panel) at the risk of the person entitled, to Booker Scheme Shareholders at the address appearing in Booker's register of members at the Scheme Record Time or, in the case of the joint holders, to the holder whose name appears first in such register in respect of the joint holding concerned.

Pending the despatch of certificates for the New Tesco Shares, temporary documents of title will not be issued and transfer of New Tesco Shares in certificated form will not be permitted.

Entitlements to the Booker Shares held within the CREST system will be cancelled on the Effective Date. Share certificates in respect of Booker Shares will cease to be valid on the Effective Date. Booker Shareholders are free to retain them for their records or, alternatively, can destroy them following the Effective Date.

(c) ***Dividend mandates and communication preferences***

Under the terms of the Scheme, all mandates in relation to the payment of dividends on Booker Shares and instructions in relation to communications given by Booker Shareholders to Booker and in force at the Scheme Record Time will be deemed from the Effective Date to be valid and effective mandates or instructions to Tesco in relation to the New Tesco Shares, except to the extent that a Booker Shareholder already holds Tesco Shares at the Scheme Record Time (and Equiniti is able to match such holdings), in which case any mandates and instructions in relation to those existing Tesco Shares will also apply to the New Tesco Shares received by that Booker Shareholder under the terms of the Scheme.

If you do not wish any mandates in relation to the payment of dividends or instructions in relation to communications that you have given to Booker to apply to your New Tesco Shares, please contact the Booker Shareholder Helpline before the Scheme Record Time to amend or withdraw such mandates or instructions.

(d) ***General***

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).

All documents and remittances sent to Booker Scheme Shareholders in accordance with this paragraph 18 will be sent at the risk of the person entitled thereto.

Save with the consent of the Panel, settlement of the consideration to which any Booker Scheme Shareholder is due under the Scheme will be implemented in full in accordance with the terms set out in

this Part II (*Explanatory Statement*) without regard to any lien, right of set off, counterclaim or analogous right to which Tesco may otherwise be, or claim to be, entitled against any Booker Scheme Shareholder.

19. **Tesco Profit Forecast**

Please refer to paragraph 9 of Part I (*Letter from the Chairman of Booker Group plc*) and Appendix 3 (*Tesco Profit Forecast*) for further details of the Tesco Profit Forecast for the financial year ending 24 February 2018.

20. **Overseas Shareholders**

(a) *Securities laws*

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions, and therefore, persons into whose possession this document and any accompanying documents come should inform themselves about, and observe, any applicable restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of such jurisdictions.

Neither this document nor the accompanying documents are intended to, and do not, constitute or form part of any offer or invitation to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities or the solicitation of any vote or approval pursuant to the Scheme or otherwise, in any jurisdiction in which such offer, invitation or solicitation is unlawful. Nothing in this document or the accompanying documents should be relied upon for any other purpose.

The implications of the Merger for persons resident in, or citizens of, jurisdictions outside the United Kingdom may be affected by the laws of the relevant jurisdictions. Such Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each Overseas Shareholder to satisfy itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

This document and the accompanying documents have been prepared for the purposes of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws of jurisdictions outside the United Kingdom. **Overseas Shareholders should consult their own legal and tax advisers with regard to the legal and tax consequences of the Scheme for their particular circumstances.**

All Booker Shareholders (including, without limitation, nominees, trustees or custodians) who would, or otherwise intend to, forward this document and its accompanying documents to any jurisdiction outside the United Kingdom, should seek appropriate independent professional advice before taking any action.

The availability of the New Tesco Shares under the Merger to Booker Scheme Shareholders who are not resident in the United Kingdom or the United States may be affected by the laws of the relevant jurisdictions in which they are resident. Booker and Tesco may, in their sole discretion, determine that no New Tesco Shares shall be allotted and issued to any such Booker Scheme Shareholder. In such case, and in the case of Restricted Overseas Shareholders:

- no Mix and Match Election shall be valid or accepted in relation to such shareholder; and
- the New Tesco Shares shall be issued to a nominee appointed by Booker on behalf of such shareholder on terms that the nominee shall, as soon as practicable following the Effective Date, sell the New Tesco Shares so issued with the net proceeds of such sale (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with such sale) being remitted to such shareholder.

(b) *Additional information for US investors*

The New Tesco Shares have not been and will not be registered under the US Securities Act or under the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Tesco Shares may not be offered, sold, resold, delivered, distributed or otherwise transferred, directly or indirectly, in or

into or from the United States absent registration under the US Securities Act or an exemption therefrom. The New Tesco Shares are expected to be issued in reliance upon the exemption from the registration requirements of the US Securities Act provided by Section 3(a)(10) thereof. Booker Shareholders (whether or not US persons) who are or will be affiliates (within the meaning of the US Securities Act) of Tesco or Booker prior to, or of Tesco after, the Effective Date will be subject to certain US transfer restrictions relating to the New Tesco Shares received pursuant to the Scheme (as described below).

The New Tesco Shares generally should not be treated as “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act and persons who receive securities under the Scheme (other than “affiliates” as described in the paragraph below) may resell them without restriction under the US Securities Act.

Under US securities laws, persons who are or will be deemed to be affiliates (as defined under the US Securities Act) of Booker or Tesco prior to, or of Tesco after, the Effective Date may not resell the New Tesco Shares received under the Scheme without registration under the US Securities Act, except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Whether a person is an affiliate of a company for such purposes depends upon the circumstances, but affiliates of a company can include certain officers and directors and significant shareholders. Booker Shareholders who believe they may be affiliates for the purposes of the US Securities Act should consult their own legal advisers prior to any resale of New Tesco Shares received under the Scheme.

For the purposes of qualifying for the exemption from the registration requirements of the US Securities Act afforded by Section 3(a)(10), Booker will advise the Court through Counsel that its sanctioning of the Scheme will be relied upon by Tesco as an approval of the Scheme (including the availability of the Mix and Match Facility) following a hearing on its fairness to Booker Shareholders, at which hearing all Booker Shareholders are entitled to attend in person or through Counsel to support or oppose the sanctioning of the Scheme with respect to which notification has been given to all Booker Shareholders.

21. United Kingdom taxation

A summary of certain United Kingdom taxation consequences of the implementation of the Scheme for certain Booker Shareholders is set out in paragraph 6 of Part V (*Additional Information*) of this document.

That summary does not constitute tax advice and does not purport to be a full analysis of all potential United Kingdom tax consequences of the Merger or of holding New Tesco Shares. Booker Shareholders who are in any doubt about their taxation position, or who are subject to taxation in a jurisdiction outside of the United Kingdom are strongly advised to contact an appropriate independent professional adviser immediately.

22. Action to be taken

You will find enclosed with this document*:

All Booker Shareholders:

- a blue Form of Proxy to be used in connection with the Court Meeting;
- a white Form of Proxy to be used in connection with the Booker General Meeting; and
- a prepaid envelope.

If you hold Booker Shares in CREST, you may instead appoint a proxy by completing and transmitting a CREST Proxy Instruction to Booker’s registrars.

* If you have previously elected or been deemed to consent to receive documents and information from Booker by means of Booker’s website, you will not receive a hard copy of this document but will receive a separate notification in accordance with your prescribed method. If you have not received the correct documents please contact the Booker Shareholder Helpline on the telephone number set out on page 4 of this document.

All Booker Shareholders other than those with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction and those holding Booker Shares in uncertificated form (that is, in CREST):*

- a green Form of Election for use in connection with the Mix and Match Facility; and
- a prepaid envelope for use in the UK in connection with the Form of Election.

Forms of Proxy

Whether or not you intend to attend the Court Meeting and/or the Booker General Meeting, please complete and sign both Forms of Proxy and return them in accordance with the instructions printed on them. Completed Forms of Proxy should be returned, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE as soon as possible and, in any event, so as to be received no later than 12.00 p.m. on 26 February 2018 in the case of the Court Meeting and 12.10 p.m. on 26 February 2018 in the case of the Booker General Meeting.

If the blue Form of Proxy for the Court Meeting is not lodged by such time, it may be handed to a representative of Computershare at the venue of the Court Meeting or the Chairman of the Court Meeting before the start of the Court Meeting. However, in the case of the Booker General Meeting, unless the white Form of Proxy is lodged so as to be received by 12.10 p.m. on 26 February 2018, it will be invalid. The completion and return of the Forms of Proxy or transmittal of a CREST Proxy Instruction will not prevent you from attending the Court Meeting or the Booker General Meeting and voting in person, if you so wish and are so entitled.

If you hold your Booker Shares in uncertificated form (that is, in CREST) you may vote using the CREST proxy voting service in accordance with the procedures set out in the CREST Manual (please also refer to the accompanying notes for the Notice of Booker General Meeting set out at the end of this document).

Booker Shareholders who prefer to register the appointment of their proxy electronically via the internet can do so through the Computershare website at www.investorcentre.co.uk/eproxy. In order to access the voting system, shareholders will need their Shareholder Reference Number, PIN and Control Number found on their Form of Proxy. Further details in relation to electronic appointment of proxies are set out on pages 7 and 8 of this document.

Proxies submitted via CREST (under CREST ID 3RA50) or electronically through the Computershare website must be received by Computershare not later than 12.00 p.m. on 26 February 2018 in the case of the Court Meeting and 12.10 p.m. on 26 February 2018 in the case of the Booker General Meeting (or, in the case of an adjourned meeting, not less than 48 hours prior to the time and date set for the adjourned meeting).

Notices convening the Court Meeting and the Booker General Meeting are set out in Part X (*Notice of Court Meeting*) and Part XI (*Notice of Booker General Meeting*) of this document, respectively.

It is important that as many votes as possible are cast at the Court Meeting so that the Court may be satisfied that there is a fair representation of Booker Scheme Shareholder opinion. You are therefore strongly encouraged to sign and return the blue Form of Proxy for the Court Meeting as soon as possible. You are also encouraged to sign and return the white Form of Proxy for the Booker General Meeting at the same time as the blue Form of Proxy for the Court Meeting or if you hold Booker Shares in CREST, via a CREST Proxy Instruction.

Form of Election

Eligible Booker Shareholders who wish to make a Mix and Match Election to vary the proportions of cash consideration and New Tesco Shares they receive, subject to Elections by other Booker Shareholders, should complete the Form of Election in accordance with the instructions printed thereon.

* If you hold Booker Shares in uncertificated form (that is, in CREST) and you wish to receive a hard copy of the Form of Election, please contact the Booker Shareholder Helpline on the telephone number set out on page 4 of this document.

If you hold Booker Shares in certificated form and you wish to make a Mix and Match Election, you should complete and return the enclosed Form of Election so as to reach Computershare Investor Services PLC, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE. Instructions on how to complete the Form of Election are printed thereon.

If you hold Booker Shares in uncertificated form and you wish to make a Mix and Match Election, you must submit your election electronically by taking (or procuring to be taken) the actions set out in Part VII (*Notes for making Elections under the Mix and Match Facility*) of this document to transfer the Booker Shares in respect of which you wish to make a Mix and Match Election to an escrow balance, using an Electronic Election specifying Computershare (in its capacity as a CREST participant under the ID 3RA25) as the escrow agent. If you wish to make a Mix and Match Election by completing a Form of Election, you must first rematerialise your Booker Shares by completing a CREST stock withdrawal form and you may request a Form of Election by contacting the Booker Shareholder Helpline on the telephone number set out on page 4 of this document.

If you hold Booker Shares in both certificated and uncertificated form and you wish to make a Mix and Match Election in respect of both such holdings, you must make a separate Election in respect of each holding.

The Election Return Time (the last time for lodging your Form of Election or making your Electronic Election) is 1.00 p.m. on 1 March 2018 as set out in the expected timetable of principal events on pages 2 and 3 of this document.

Details on how Booker Shareholders can make a Mix and Match Election are set out in Part VII (*Notes for making Elections under the Mix and Match Facility*) of this document.

Booker Shareholders who do not wish to make a Mix and Match Election are not required to return the Form of Election or make an Electronic Election.

If you have any queries relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230.

Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

23. Further information

The terms of the Scheme are set out in full in Part IX (*The Scheme of Arrangement*) of this document. Your attention is also drawn to the further information contained in Part III (*Conditions to and further terms of the Scheme and the Merger*), Part IV (*Financial and Ratings Information*), Part V (*Additional Information*), Part VII (*Notes for making Elections under the Mix and Match Facility*), Appendix 1 (*Tesco Quantified Financial Benefits Statement*), Appendix 2 (*Booker Dividends*) and Appendix 3 (*Tesco Profit Forecast*) which form part of this Explanatory Statement, and to the Tesco Prospectus and Tesco Shareholder Circular.

Yours faithfully

Toby Radford
Managing Director
for and on behalf of J.P. Morgan Cazenove

PART III

CONDITIONS TO AND FURTHER TERMS OF THE SCHEME AND THE MERGER

A. Conditions to the Scheme and Merger

1. The Merger will be conditional upon the Scheme becoming unconditional and becoming effective, subject to the provisions of the Takeover Code, on or before the Long-stop Date.

Scheme approval

2. The Scheme will be conditional upon:
 - (a) approval of the Scheme at the Court Meeting by a majority in number of the Booker Scheme Shareholders on the register of members of Booker at the Scheme Voting Record Time, present and voting, either in person or by proxy, representing three-quarters or more in value of the Booker Scheme Shares held by those Booker Scheme Shareholders; and (ii) such Court Meeting being held on or before 22 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow);
 - (b) all resolutions required to approve and implement the Scheme as set out in the notice of the Booker General Meeting (including, without limitation, the Special Resolution) being duly passed by the requisite majority at the Booker General Meeting; and (ii) the Booker General Meeting being held on or before 22 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow); and
 - (c) the sanction of the Scheme by the Court without modification or with modification on terms acceptable to Tesco and Booker, and the delivery of a copy of the Scheme Court Order to the Registrar of Companies; and (ii) the Scheme Court Sanction Hearing being held on or before 24 March 2018 (or such later date (if any) as Tesco and Booker may agree and the Court may allow).

In addition, Tesco and Booker have agreed that the Merger will be conditional upon the following Conditions and, accordingly, the necessary actions to make the Scheme effective will not be taken unless such Conditions (as amended, if appropriate) have been satisfied or, where relevant, waived:

Tesco Shareholder approval

3. The Tesco Resolution being duly passed at the Tesco General Meeting.

Listing of New Tesco Shares

4. The FCA having acknowledged to Tesco or its agent (and such acknowledgement not having been withdrawn) that the application for the UK Admission of the New Tesco Shares to the Official List with a premium listing has been approved and (after satisfaction of any conditions to which such approval is expressed to be subject (“**listing conditions**”)) UK Admission will become effective as soon as a dealing notice has been issued by the FCA and any listing conditions have been satisfied; and (ii) the London Stock Exchange having acknowledged to Tesco or its agent (and such acknowledgement not having been withdrawn) that the New Tesco Shares will be admitted to trading on the Main Market.

General Third Party clearances

5. Other than in respect of Condition 4, all material notifications to and filings with Third Parties which are necessary or are considered appropriate by Tesco (acting reasonably) having been made, all appropriate waiting and other time periods (including any extensions of such waiting and other time periods) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated (as appropriate) and all statutory or regulatory obligations in any relevant jurisdiction having been complied with in each case in connection with the Scheme or Merger or the acquisition or proposed acquisition of any shares or other securities in, or control or management of any member of the Wider Booker Group by any member of the Wider Tesco Group, where the direct consequence of a failure to make such a notification or filing or to wait for the expiry, lapse, or termination of any such waiting or time period would be unlawful in any relevant jurisdiction or have a material adverse effect on the Wider Tesco Group or the Wider Booker Group, in each case, taken as a whole, or would be material in the context of the Merger.

6. Other than in respect of Condition 4, no Third Party having intervened (as defined below) and there not continuing to be outstanding any statute, regulation or order of any Third Party in each case which is or is likely to be material in the context of the Merger which would or might reasonably be expected to:
- (a) make the Scheme or the Merger or, in each case, its implementation or the acquisition or proposed acquisition by Tesco or any member of the Wider Tesco Group of any shares or other securities in, or control or management of any member of the Wider Booker Group void, illegal or unenforceable in any relevant jurisdiction, or otherwise directly or indirectly materially restrain, prevent, prohibit, restrict or delay the same or impose additional conditions or obligations with respect to the Scheme or the Merger or such acquisition, or otherwise materially impede, challenge or interfere with the Scheme or Merger or such acquisition, or require amendment to the terms of the Scheme or Merger or the acquisition or proposed acquisition of any Booker Shares or the Merger of control or management of Booker or the Wider Booker Group by Tesco or any member of the Tesco Group;
 - (b) materially limit or delay, or impose any material limitations on, the ability of any member of the Wider Tesco Group or any member of the Wider Booker Group to acquire or to hold or to exercise effectively, directly or indirectly, all or any rights of ownership in respect of shares or other securities in, or to exercise voting or management control over, any member of the Wider Booker Group;
 - (c) require, prevent or materially delay the divestiture or materially alter the terms envisaged for any proposed divestiture by any member of the Wider Tesco Group of any shares or other securities in any member of the Booker Group;
 - (d) require, prevent or materially delay the divestiture or alter the terms envisaged for any proposed divestiture by any member of the Wider Tesco Group or by any member of the Wider Booker Group of all or any portion of their respective businesses, assets or properties or materially limit the ability of any of them to conduct any of their respective businesses or to own or control any of their respective assets or properties or any part thereof;
 - (e) except pursuant to sections 974 to 991 of the Companies Act 2006 and in connection with the Merger, require any member of the Wider Tesco Group or of the Wider Booker Group to acquire, or to offer to acquire, any shares or other securities (or the equivalent) in any member of either group owned by any third party;
 - (f) materially limit the ability of any member of the Wider Tesco Group or of the Wider Booker Group to conduct or integrate or coordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider Tesco Group or of the Wider Booker Group;
 - (g) result in any member of the Wider Booker Group or the Wider Tesco Group ceasing to be able to carry on business under any name under which it presently does so; or
 - (h) otherwise materially adversely affect any or all of the business, assets, profits, financial or trading position or prospects of any member of the Wider Booker Group or of the Wider Tesco Group.
7. All material Authorisations which are necessary or are reasonably considered necessary or appropriate by Tesco (acting reasonably) in any relevant jurisdiction for or in respect of the Scheme or Merger or the acquisition or proposed acquisition of any shares or other securities in, or control or management of any member of the Wider Booker Group by any member of the Wider Tesco Group or the carrying on by any member of the Wider Booker Group of its business having been obtained, in terms and in a form reasonably satisfactory to Tesco, from all appropriate Third Parties or from any persons or bodies with whom any member of the Wider Booker Group has entered into contractual arrangements in each case where the absence of such material Authorisation would have a material adverse effect on the Wider Booker Group taken as a whole and all such material Authorisations remaining in full force and effect and there being no notice or intimation of any intention to revoke, suspend, restrict, modify or not to renew any of the same.

Certain matters arising as a result of any arrangement, agreement etc.

8. Except as Disclosed, there being no provision of any arrangement, agreement, licence, permit, franchise or other instrument to which any member of the Wider Booker Group is a party, or by or to which any such member or any of its assets is or are or may be bound, entitled or subject or any circumstance, which, in each case as a consequence of the Scheme or Merger or the acquisition or proposed acquisition of any shares or other securities in, or control of any member of the Wider Booker Group by any member of the Wider Tesco Group or otherwise, would or might reasonably be expected to result in (in any case to an extent which is or would be material in the context of the Wider Booker Group taken as a whole or in the context of the Merger):
- (a) any monies borrowed by or any other indebtedness or liabilities (actual or contingent) of, or any grant available to, any member of the Wider Booker Group being or becoming repayable or capable of being declared repayable immediately or prior to its stated maturity date or repayment date or the ability of any member of the Wider Booker Group to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited;
 - (b) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property, assets or interests of any member of the Wider Booker Group or any such mortgage, charge or other security interest (wherever created, arising or having arisen) becoming enforceable;
 - (c) any such arrangement, agreement, licence, permit, franchise or instrument, or the rights, liabilities, obligations or interests of any member of the Wider Booker Group thereunder, being, or becoming capable of being, terminated or adversely modified or affected or any adverse action being taken or any onerous obligation or liability arising thereunder;
 - (d) any asset or interest of any member of the Wider Booker Group being or falling to be disposed of or charged or ceasing to be available to any member of the Wider Booker Group or any right arising under which any such asset or interest could be required to be disposed of or could cease to be available to any member of the Wider Booker Group otherwise than, in each case, in the ordinary course of business;
 - (e) any member of the Wider Booker Group ceasing to be able to carry on business under any name under which it presently does so;
 - (f) the creation of liabilities (actual or contingent) by any member of the Wider Booker Group other than in the ordinary course of business;
 - (g) the interests or business of any member of the Wider Booker Group in or with any other person, firm, company or body (or any arrangement or arrangements relating to any such interests or business) being adversely modified or affected; or
 - (h) the financial or trading position or the prospects or the value of any member of the Wider Booker Group being prejudiced or adversely affected,

and no event having occurred which, under any provision of any such arrangement, agreement, licence, permit or other instrument, could, as a consequence of the Scheme or the Merger, result in any of the events or circumstances which are referred to in paragraphs (a) to (h) of this Condition 8 in any case to an extent which is or would be material in the context of the Wider Booker Group taken as a whole.

9. Since 25 March 2016, except as Disclosed, no member of the Wider Booker Group having:
- (a) issued or agreed to issue, or authorised the issue of, additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire, any such shares or convertible securities or transferred or sold any shares out of treasury, other than as between Booker and wholly owned subsidiaries of Booker or between such wholly owned subsidiaries and other than: (i) options or awards granted under; or (ii) shares transferred from treasury or shares issued upon the exercise of any options or vesting of awards granted under, in either case, any of the Booker Share Plans;
 - (b) purchased or redeemed or repaid any of its own shares or other securities or reduced or made any other change to any part of its share capital (except for the redemption of the B Shares) to an extent which is material in the context of the Wider Booker Group taken as a whole;

- (c) recommended, declared, paid or made any dividend or other distribution whether payable in cash or otherwise or made any bonus issue (other than: (i) a Permitted Booker Dividend; (ii) the redemption of any outstanding B Shares by Booker or (iii) to Booker or a wholly-owned subsidiary of Booker);
- (d) except as between Booker and its wholly-owned subsidiaries or between such wholly-owned subsidiaries made or authorised any change in its loan capital;
- (e) (other than any Merger or disposal in the ordinary course of business or a transaction between Booker and a wholly-owned subsidiary of Booker or between such wholly-owned subsidiaries) merged with, demerged or acquired any body corporate, partnership or business or acquired or disposed of or, other than in the ordinary course of business, transferred, mortgaged, charged or created any security interest over any assets or any right, title or interest in any assets (including shares in any undertaking and trade investments) or authorised the same (in each case to an extent which is material in the context of the Wider Booker Group taken as a whole);
- (f) issued or authorised the issue of, or made any change in or to, any debentures or (except in the ordinary course of business or except as between Booker and its wholly-owned subsidiaries or between such wholly-owned subsidiaries) incurred or increased any indebtedness or liability (actual or contingent) which in any case is material in the context of the Wider Booker Group taken as a whole;
- (g) entered into, varied, or authorised any agreement, transaction, arrangement or commitment (whether in respect of capital expenditure or otherwise) which:
 - (i) is of a long-term, onerous or unusual nature or magnitude or which could reasonably be expected to involve an obligation of such nature or magnitude; or
 - (ii) could restrict the business of any member of the Wider Booker Group; or
 - (iii) is other than in the ordinary course of business,
 and which in any case is material in the context of the Wider Booker Group taken as a whole;
- (h) (other than in connection with the Merger) except as between Booker and its wholly-owned subsidiaries or between such wholly-owned subsidiaries entered into, implemented, effected or authorised any merger, demerger, reconstruction, amalgamation, scheme, commitment or other transaction or arrangement in respect of itself or another member of the Wider Booker Group otherwise than in the ordinary course of business which in any case is material in the context of the Wider Booker Group taken as a whole;
- (i) entered into, or varied the terms of, any contract, agreement or arrangement with any of the directors or senior executives of any member of the Wider Booker Group which is material in the context of the Wider Booker Group taken as a whole, or in the context of the Merger, save for salary increases, bonuses or variations of terms in the ordinary course;
- (j) taken any corporate action or had any legal proceedings instituted or threatened against it or petition presented or order made for its winding up (voluntarily or otherwise), dissolution or reorganisation or for the appointment of a receiver, administrator, administrative receiver, trustee or similar officer of all or any part of its assets and revenues or any analogous proceedings in any jurisdiction or appointed any analogous person in any jurisdiction which in any case is material in the context of the Wider Booker Group taken as a whole;
- (k) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business in any case with a material adverse effect on the Wider Booker Group taken as a whole;
- (l) waived or compromised any claim, otherwise than in the ordinary course of business, which is material in the context of the Wider Booker Group taken as a whole;
- (m) made any material alteration to its memorandum or articles of association;

- (n) made or agreed or consented to:
 - (i) any change:
 - (A) to the terms of the trust deeds constituting the pension scheme(s) established for its directors, employees or their dependants; or
 - (B) to the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
 - (C) to the basis on which qualification for, or accrual or entitlement to such benefits or pensions is calculated or determined; or
 - (D) to the basis upon which the liabilities (including pensions) or such pension schemes are funded, valued or made,

in each case, which has an effect that is material in the context of the Wider Booker Group taken as a whole; or
 - (ii) any change to the trustees including the appointment of a trust corporation;
- (o) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other benefit relating to the employment or termination of employment of any person employed by the Wider Booker Group in a manner which is material in the context of the Wider Booker Group taken as a whole or in the context of the Merger; or
- (p) entered into any agreement, commitment or arrangement or passed any resolution or made any offer (which remains open for acceptance) or proposed or announced any intention with respect to any of the transactions, matters or events referred to in this Condition 9.

No adverse change, litigation or regulatory enquiry

10. Since 25 March 2016, except as Disclosed:

- (a) there having been no adverse change or deterioration in the business, assets, financial or trading positions or profit or prospects of any member of the Wider Booker Group which in any case is material in the context of the Wider Booker Group taken as a whole or in the context of the Merger, save in consequence of the proposed Merger or of the process leading to the Merger;
- (b) no contingent or other liability of any member of the Wider Booker Group having arisen or become apparent or increased which in any case is material in the context of the Wider Booker Group taken as a whole;
- (c) no litigation, arbitration proceedings, prosecution or other legal proceedings to which any member of the Wider Booker Group is or may become a party (whether as plaintiff, defendant or otherwise) having been threatened, announced, implemented or instituted by or against or remaining outstanding against or in respect of any member of the Wider Booker Group which in any case would reasonably be expected to have a material adverse effect in the context of the Wider Booker Group taken as a whole;
- (d) (other than as a result of the Merger) no enquiry or investigation by, or complaint or reference to, any Third Party having been threatened, announced, implemented, instituted by or against or remaining outstanding against or in respect of any member of the Wider Booker Group which in any case might reasonably be expected to have an adverse effect that is material in the context of the Wider Booker Group taken as a whole;
- (e) other than with the consent of Tesco, no action having been taken or proposed by any member of the Wider Booker Group, or having been approved by Booker Shareholders or consented to by the Panel, which falls or would fall within or under Rule 21.1 of the Takeover Code or which otherwise is or would be materially inconsistent with the implementation by Tesco of the Merger on the basis contemplated as at the date of the Announcement; and

- (f) no member of the Wider Booker Group having conducted its business in breach of any applicable laws and regulations which in any case is material in the context of the Wider Booker Group taken as a whole.

No discovery of certain matters

11. Tesco not having discovered (other than as a result of it having been Disclosed):

- (a) that any financial or business or other information concerning the Wider Booker Group disclosed at any time by or on behalf of any member of the Wider Booker Group publicly or to any member of the Wider Tesco Group or to any of its advisers, is materially misleading or contains any material misrepresentation of fact or omits to state a fact necessary to make any information contained therein not materially misleading and which was not subsequently corrected before the date of the Announcement by disclosure either publicly or otherwise to Tesco or its professional advisers to an extent which in any case is material in the context of the Wider Booker Group taken as a whole;
- (b) that any member of the Wider Booker Group is subject to any liability (actual or contingent) which has not been Disclosed and which in any case is material in the context of the Wider Booker Group taken as a whole;
- (c) that any information which has not been Disclosed and which affects the import of any information disclosed at any time by or on behalf of any member of the Wider Booker Group to an extent which is material in the context of the Wider Booker Group taken as a whole;
- (d) that any past or present member of the Wider Booker Group has not complied with any applicable legislation or regulations of any jurisdiction with regard to the use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission of any waste or hazardous substance or any substance likely to impair the environment or harm human health, or otherwise relating to environmental matters or the health and safety of any person, or that there has otherwise been any such use, treatment, handling, storage, transport, release, disposal, discharge, spillage, leak or emission (whether or not this constituted a non-compliance by any person with any legislation or regulations and wherever the same may have taken place) which, in any case, would be likely to give rise to any liability (whether actual or contingent) or cost on the part of any member of the Wider Booker Group which in any case is material in the context of the Wider Booker Group taken as a whole;
- (e) that there is, or is likely to be, any liability, whether actual or contingent, to make good, repair, reinstate or clean up any property now or previously owned, occupied or made use of by any past or present member of the Wider Booker Group or any other property or any controlled waters under any environmental legislation, regulation, notice, circular, order or other lawful requirement of any relevant authority or Third Party or otherwise which in any case is material in the context of the Wider Booker Group taken as a whole; or
- (f) that circumstances exist whereby a person or class of persons would be likely to have a claim in respect of any product or process of manufacture or materials used therein now or previously manufactured, sold or carried out by any past or present member of the Wider Booker Group which is or would be material in the context of the Wider Booker Group taken as a whole.

Anti-corruption, sanctions and criminal property

12. Tesco not having discovered (other than as a result of it having been Disclosed) that:

- (a) (i) any past or present member, director, officer or employee of the Wider Booker Group is or has at any time during the course of such person's employment with any member of the Booker Group engaged in any activity, practice or conduct which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other anti-corruption legislation applicable to the Wider Booker Group; or (ii) any person that performs or has performed services for or on behalf of the Wider Booker Group is or has at any time during the course of such person's performance of services for any member of the Booker Group engaged in any activity, practice or conduct in connection with the performance of such services which would constitute an offence under the Bribery Act 2010, the US Foreign Corrupt Practices Act of 1977 or any other applicable anti-corruption legislation; or

- (b) any asset of any member of the Wider Booker Group constitutes criminal property as defined by section 340(3) of the Proceeds of Crime Act 2002 (but disregarding paragraph (b) of that definition); or
- (c) any past or present member, director, officer or employee of the Booker Group, or any person that performs or has performed services for or on behalf of any such company is or has, at any time during the course of such person's employment with, or performance of services for or on behalf of, any member of the Booker Group, engaged in any business with, made any investments in, made any funds or assets available to or received any funds or assets from: (i) any government, entity or individual in respect of which US or European Union persons, or persons operating in those territories, are prohibited from engaging in activities or doing business, or from receiving or making available funds or economic resources, by US or European Union laws or regulations, including the economic sanctions administered by the United States Office of Foreign Assets Control, or HM Treasury & Customs; or (ii) any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states; or
- (d) a member of the Booker Group has engaged in any transaction which would cause Tesco to be in breach of any law or regulation upon its Merger with Booker, including the economic sanctions of the United States Office of Foreign Assets Control, or HM Treasury & Customs, or any government, entity or individual targeted by any of the economic sanctions of the United Nations, the United States, the European Union or any of its member states.

For the purpose of these Conditions:

- (i) **“Third Party”** means any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority (including any national or supranational anti-trust or merger control authority), court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including, for the avoidance of doubt, the Panel;
- (ii) a Third Party shall be regarded as having **“intervened”** if it has decided to take, institute, implement or threaten any action, proceeding, suit, investigation, enquiry or reference or made, proposed or enacted any statute, regulation, decision or order or taken any measures or other steps or required any action to be taken or information to be provided or otherwise having done anything and **“intervene”** shall be construed accordingly; and
- (iii) **“Authorisations”** means authorisations, orders, grants, recognitions, determinations, certificates, confirmations, consents, licences, clearances, provisions and approvals, in each case, of a Third Party.

B. Waiver and invocation of the Conditions

The Scheme will not become effective unless the Conditions have been fulfilled or (if capable of waiver) waived or, where appropriate, have been determined by Tesco to be or remain satisfied by no later than the Long-stop Date.

Subject to the requirements of the Panel, Tesco reserves the right in its sole discretion to waive, in whole or in part, all or any of Conditions in Part A above, except for Conditions 2(a)(i), 2(b)(i) and 2(c)(i) (*Scheme approval*), 3 (*Tesco Shareholder approval*) and 4 (*Listing of New Tesco Shares*), which cannot be waived.

Tesco shall be under no obligation to waive (if capable of waiver), to determine to be or remain satisfied or to treat as fulfilled any of the Conditions in Part A above by a date earlier than the latest date specified above for the fulfilment of that Condition, notwithstanding that the other Conditions may at such earlier date have been waived or fulfilled and that there are, at such earlier date, no circumstances indicating that any Condition may not be capable of fulfilment.

C. Implementation by way of Takeover Offer

Tesco reserves the right to elect to implement the Merger by way of a Takeover Offer, subject to the Panel's consent and the terms of the Co-operation Agreement. In such event, such Takeover Offer will be

implemented on the same terms and conditions, so far as applicable, as those which would apply to the Scheme subject to appropriate amendments, including (without limitation) an acceptance condition set at 90 per cent. (or such other percentage as Tesco may decide (subject to the Panel's consent)): (i) in nominal value of the shares to which such Takeover Offer relates; and (ii) of the voting rights attaching to those shares, provided that the acceptance condition will not be satisfied unless any member of the Wider Tesco Group shall have acquired or agreed to acquire (whether pursuant to the Takeover Offer or otherwise), directly or indirectly, Booker Shares carrying in aggregate more than 50 per cent. of the voting rights normally exercisable at a general meeting of Booker (including for this purpose, except to the extent otherwise agreed by the Panel, any such voting rights attaching to the Booker Shares that are unconditionally allotted or issued before the Takeover Offer becomes or is declared unconditional as to acceptances whether pursuant to exercise of any outstanding subscription rights or conversion rights or otherwise).

D. Certain further terms of the Merger

Under Rule 13.5(a) of the Takeover Code, Tesco may not invoke a Condition to the Merger so as to cause the Merger not to proceed, to lapse or to be withdrawn unless the circumstances which give rise to the right to invoke the Condition are of material significance to Tesco in the context of the Merger. The Conditions contained in paragraphs 2 to 4 of Part A above and, if applicable, any acceptance condition if the Merger is implemented by means of a Takeover Offer, are not subject to this provision of the Takeover Code.

If the Panel requires Tesco to make an offer or offers for any Booker Shares under the provisions of Rule 9 of the Takeover Code, Tesco may make such alterations to the Conditions as are necessary to comply with the provisions of that Rule.

Each of the Conditions shall be regarded as a separate Condition and shall not be limited by reference to any other Condition.

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 Announcement or subsequently attaching or accruing to them, save for any Permitted Booker Dividends as referred to in Appendix 2 (*Booker Dividends*) to this document.

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 9(c) in Part A of this Part III (*Conditions to and further terms of the Scheme and the Merger*)), 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 (and, in such circumstances, the relevant eligible Booker Shareholders will be entitled to receive and retain such dividend, other distribution or return of capital in respect of the Booker Shares they hold). 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 and, for the avoidance of doubt, shall not be regarded as constituting any revision or variation of the Merger.

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 New Tesco Shares, which will be issued in connection with the Merger, have not been and will not be registered under any of the relevant securities laws of the US, Canada, Japan or Australia and no regulatory clearance in respect of the New Tesco Shares has been, or will be, applied for in any jurisdiction other than the UK. The New Tesco Shares may not be offered, sold or delivered, directly or indirectly, in the

US, Canada, Japan or Australia except pursuant to exemptions from applicable requirements of any such jurisdiction.

The New Tesco Shares will be issued credited as fully paid and will rank *pari passu* in all respects with Tesco 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 will be made to (i) the UK Listing Authority for the New Tesco Shares to be admitted to the Official List with a premium listing and to the London Stock Exchange for the New Tesco Shares to be admitted to trading on the Main Market; and (ii) the Irish Stock Exchange for admission 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, with effect as of or shortly following the Effective Date.

The Merger is subject to, *inter alia*, the satisfaction or waiver of the Conditions set out in this Part III (*Conditions and further terms of the Scheme and the Merger*) of this document. The Merger is also subject to the full terms and conditions set out in this document and such further terms as may be required to comply with the Listing Rules and the provisions of the Takeover Code.

The availability of the Merger to persons not resident in the United Kingdom may be affected by the laws of the relevant jurisdiction. Any persons who are subject to the laws of any jurisdiction other than the United Kingdom should inform themselves about and observe any applicable requirements. Further information in relation to Overseas Shareholders is set out in paragraph 20 of Part II (*Explanatory Statement*).

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

* Assuming the Merger becomes Effective as anticipated on or before 31 March 2018 and, failing that, on or before the record date for the final dividend of 2.0 pence per Tesco Share that the Tesco Board is intending to pay for the 52 weeks ending 24 February 2018 (subject to Tesco Shareholder approval at the 2018 Tesco annual general meeting), holders of New Tesco Shares will be entitled to receive that dividend. Further details on the Tesco dividend policy are set out in paragraph 17 of Part II (*Explanatory Statement*).

PART IV
FINANCIAL AND RATINGS INFORMATION

Part A: Financial Information relating to Booker Group

The following sets out financial information in respect of Booker Group plc as required by Rule 24.3 of the Takeover Code. The documents referred to below, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Takeover Code:

Financial Information	Reference
Audited consolidated accounts for the last two financial years	<p>http://www.bookergroup.com/investor-centre/reports-and-presentations/2017.aspx</p> <p>The audited consolidated accounts of Booker Group for the financial year ended 24 March 2017 are set out on pages 54 to 92 (both inclusive) in Booker Group's annual report for the financial year ended on 24 March 2017 available from Booker's website (at the link referred to above).</p> <p>http://www.bookergroup.com/investor-centre/reports-and-presentations/2016.aspx</p> <p>The audited consolidated accounts of Booker Group for the financial year ended 25 March 2016 are set out on pages 64 to 104 (both inclusive) in Booker Group's annual report for the financial year ended on 25 March 2016 available from Booker's website (at the link referred to above).</p>
Unaudited interim condensed consolidated financial statements	<p>http://www.bookergroup.com/investor-centre/reports-and-presentations/2017.aspx</p> <p>The unaudited interim condensed consolidated financial statements for the 24 weeks ended 8 September 2017 are available from Booker's website (at the link referred to above).</p>
Q3 trading update	<p>http://www.bookergroup.com/investor-centre/reports-and-presentations.aspx</p> <p>The trading update for Booker Group for the 16 weeks ended 29 December 2017 is available from Booker's website (at the link referred to above).</p>

Part B: Booker Group ratings information

There are no current ratings or outlooks publicly accorded to Booker by ratings agencies.

Part C: Financial Information relating to the Tesco Group

The following sets out financial information in respect of Tesco PLC as required by Rule 24.3 of the Takeover Code. The documents referred to below, the contents of which have previously been announced through a Regulatory Information Service, are incorporated into this document by reference pursuant to Rule 24.15 of the Takeover Code:

Financial Information	Reference
Audited consolidated accounts for the last two financial years	<p>https://www.tescopl.com/investors/reports-results-and-presentations/annual-report-2017/</p> <p>The audited consolidated accounts of Tesco Group for the financial year ended 25 February 2017 are set out on pages 79 to 173 (both inclusive) in Tesco Group’s annual report for the financial year ended on 24 March 2017 available from Tesco’s website (at the link referred to above).</p> <p>https://www.tescopl.com/investors/reports-results-and-presentations/reports-archive/</p> <p>The audited consolidated accounts of Tesco Group for the financial year ended 27 February 2016 are set out on pages 77 to 159 (both inclusive) in Tesco Group’s annual report for the financial year ended on 25 March 2016 available from Tesco’s website (at the link referred to above).</p>
Unaudited interim condensed consolidated financial statements	<p>https://www.tescopl.com/investors/reports-results-and-presentations/results-and-presentations/</p> <p>The unaudited interim condensed consolidated financial statements for the 26 weeks ended 26 August 2017 are available from Tesco’s website (at the link referred to above).</p>
3Q and Christmas Trading Update	<p>https://www.tescopl.com/investors/reports-results-and-presentations/results-and-presentations/</p> <p>The 3Q and Christmas trading statement for Tesco Group for the 19 weeks ended 6 January 2018 is available from Tesco’s website (at the link referred to above).</p>

Part D: Tesco Group ratings information

Prior to the commencement of the Offer Period, Tesco had been assigned long-term ratings of:

- Ba1 (Stable) from Moody’s;
- BB+ (Stable) from Standard & Poor’s; and
- BB+ (Stable) from Fitch.

Following the Announcement, Fitch affirmed Tesco’s long-term rating of BB+ (Stable). Moody’s and Standard & Poor’s ratings have not changed since the commencement of the Offer Period.

No incorporation of website information

Save as expressly referred to herein, neither the content of Tesco’s or Booker’s websites, nor the contents of any website accessible from hyperlinks from Tesco’s or Booker’s website, is incorporated into, or forms part of, this document.

PART V
ADDITIONAL INFORMATION

1. Responsibility

- (a) The Booker Directors, whose names are set out in paragraph 2(a) below, accept responsibility for the information contained in this document other than the information for which responsibility is taken by others pursuant to paragraph 1(b) below. To the best of the knowledge and belief of the Booker Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information.
- (b) The Tesco Directors, whose names are set out in paragraph 2(b) below, accept responsibility for the information contained in this document relating to the Tesco Group, the Tesco Directors, their immediate families, related trusts and persons connected with them (including persons deemed to be acting in concert with any of them (as such term is defined in the Takeover Code)), the Combined Group and future plans for the Combined Group and statements of intention or opinion of Tesco (together, the “**Tesco Information**”). To the best of the knowledge and belief of the Tesco Directors (who have taken all reasonable care to ensure that such is the case), the Tesco Information is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- (a) The Booker Directors and their respective positions in Booker are as follows:

Name	Position
Stewart Gilliland	Non-Executive Chairman
Charles Wilson	Chief Executive
Jonathan Prentis	Group Finance Director
Guy Farrant	Chief Operating Officer
Helena Andreas	Non-Executive Director
Andrew Cripps	Non-Executive Director
Gary Hughes	Non-Executive Director
Karen Jones CBE	Senior Independent Director

The registered office of Booker and the business address of each of the Booker Directors is Equity House, Irthlingborough Road, Wellingborough, Northants NN8 1LT and its telephone number is +44 (0)1933 371000.

- (b) The Tesco Directors and their respective positions in Tesco are as follows:

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

The registered office of Tesco and the business address of each of the Tesco Directors is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA and its telephone number is +44 (0)800 505555.

3. Persons acting in concert

- (a) In addition to Tesco Directors (together with their close relatives and related trusts) and members of the Tesco Group (and their related pension schemes), the persons who are acting in concert with Tesco for the purposes of the Merger and which are required to be disclosed are:

<u>Name</u>	<u>Type of company</u>	<u>Registered Office</u>	<u>Relationship with Tesco</u>
Greenhill	Financial Services	Lansdowne House, 57 Berkley Square, London W1J 6ER	Financial Advisers
Barclays	Financial Services	1 Churchill Place, London E14 5HP	Financial Advisers
Citi	Financial Services	Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB	Financial Advisers
Davy	Financial Services	Davy House 49 Dawson Street Dublin 2 Ireland	Irish Sponsor

- (b) In addition to the Booker Directors (together with their close relatives and related trusts) and members of the Booker Group (and their related pension schemes), the persons acting in concert with Booker for the purposes of the Merger and which are required to be disclosed are:

<u>Name</u>	<u>Type of company</u>	<u>Registered Office</u>	<u>Relationship with Booker</u>
J.P. Morgan Cazenove	Financial Services	25 Bank Street, Canary Wharf, London E14 5JP	Financial Advisers
Investec	Financial Services	2 Gresham Street, London, EC2V 7QP	Financial Advisers

4. Market quotations

Set out below are the Closing Prices of Booker Shares and Tesco Shares as derived from the Daily Official List on:

- (i) the first dealing day in each of the six months immediately before the date of this document;
- (ii) 26 January 2017 (the last dealing day before the commencement of the Offer Period); and
- (iii) 1 February 2018 (the latest practicable date prior to publication of this document).

<u>Date</u>	<u>Booker Shares (pence)</u>	<u>Tesco Shares (pence)</u>
26 January 2017	183.1	189.0
1 August 2017	193.8	176.0
1 September 2017.....	200.1	183.1
2 October 2017.....	205.7	186.7
1 November 2017.....	199.9	178.5
1 December 2017	218.9	195.5
2 January 2018	228.8	208.5
1 February 2018	224.2	206.3

5. Interests and dealings

- (a) For the purposes of this paragraph 5:

“**acting in concert**” with Tesco or Booker, as the case may be, means any such person acting or deemed to be acting in concert with Tesco or Booker, as the case may be, for the purposes of the Takeover Code;

“**arrangement**” includes indemnity or option arrangements, and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

“**connected advisers**” includes an organisation which: (i) is advising Tesco or (as the case may be) Booker in relation to the Merger; (ii) is corporate broker to Tesco or (as the case may be) Booker; (iii) is advising a person acting in concert with Tesco or (as the case may be) Booker in relation to the Merger or in relation to the matter which is the reason for that person being a member of the concert party; or (iv) is advising a relevant company in relation to the Merger;

“**control**” means an interest, or interests, in shares carrying in aggregate 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether such interest or interests give *de facto* control;

“**dealing**” includes: (i) the acquisition or disposal of securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities; (ii) the taking, granting, acquisition, disposal, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any securities; (iii) subscribing or agreeing to subscribe for securities; (iv) the exercise or conversion, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights; (v) the acquisition of, disposal of, entering into, closing out, exercise (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he or she has a short position;

“**derivative**” includes any financial product whose value in whole or in part is determined directly or indirectly by reference to the price of an underlying security;

“**disclosure date**” means the latest practicable date prior to publication of this document, which is 1 February 2018;

“**disclosure period**” means the period commencing on 26 January 2016 (the date twelve months prior to the commencement of the Offer Period) and ending on the disclosure date;

a person has an “**interest**” or is “**interested**” in securities if he or she has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he or she only has a short position in such securities) and in particular covers: (i) legal title and beneficial ownership (i.e. the ability to exercise, or control the exercise of, voting rights); (ii) the right, option or obligation to acquire, call for or take delivery of securities under an option or derivative; and (iii) the situation where a person holds a derivative referenced to, or which may result in, a long position in securities; and

“**relevant securities**” includes: (i) Booker Shares and any other securities of Booker conferring voting rights; (ii) equity share capital of Booker or, as the context requires, Tesco; and (iii) securities of Booker or, as the context requires, Tesco carrying conversion or subscription rights into any of the foregoing.

(b) ***Interests and dealings in relevant securities of Tesco***

Interests held by Booker Directors

As at the close of business on the disclosure date, the interests of Booker Directors, close relatives, related trusts and companies in relevant securities in Tesco were as follows (including shares held in the Tesco Share Plans):

Name	Number of Tesco Shares	% of Tesco's existing issued share capital	Nature of Interest
Charles Wilson	24,533	0.0003	Beneficial
Andrew Cripps and his close relatives.....	4,156	0.00005	Beneficial

Interests held by persons acting in concert with Booker

As at the close of business on the disclosure date, the interests of persons acting in concert with Booker in relevant securities in Tesco were as follows (excluding Booker Directors) were as follows:

Name	Number of Tesco Shares	% of Tesco's existing issued share capital	Nature of Interest
Investec Capital and Investments (Ireland) Limited	264,787	0.0032	Beneficial
J.P Morgan Securities LLC – Private Client Service (PCS)	13,992*	0.0002	Beneficial

Dealings by Booker, Booker Directors and persons connected with Booker

As at the close of business on the disclosure date, the following dealings in relevant securities of Tesco by Booker, Booker Directors and their close relatives and related trusts and companies, persons acting in concert with Booker and persons with whom Booker or any person acting in concert with Booker has any arrangement, have taken place during the Offer Period:

Name	Date	Transaction	Number of Tesco Shares	Price
J.P. Morgan Securities LLC – Private Client Service (PCS).....	19 June 2017	Sale	306	US\$ 6.56

Interests held by Tesco Directors

As at the close of business on the disclosure date, the interests of Tesco Directors, close relatives, related trusts and companies in relevant securities in Tesco were as follows (including shares held in the Tesco Share Plans):

Name	Number of Tesco Shares	% of Tesco's existing issued share capital	Nature of Interest
Dave Lewis ⁽⁵⁾	103,279	0.0013	Beneficial interest ⁽¹⁾
Alan Stewart ⁽⁵⁾	52,966	0.0006	Beneficial interest ⁽²⁾
John Allan CBE ⁽⁵⁾	284,082 ⁽³⁾	0.0035	Beneficial interest
Mikael Olsson	20,101	0.0002	Beneficial interest
Mark Armour ⁽⁵⁾	50,000	0.0006	Beneficial interest
Steve Golsby ⁽⁴⁾	42,296	0.0005	Beneficial interest
Simon Patterson ⁽⁵⁾	100,000	0.0012	Beneficial interest
Lindsey Pownall OBE.....	20,000	0.0002	Beneficial interest
Alison Platt ⁽⁵⁾	11,242	0.0001	Beneficial interest

Name	Number of Tesco ADRs	% of Tesco's existing equivalent issued share capital	Nature of Interest
Deanna Oppenheimer ⁽⁵⁾	36,347	0.0013	Beneficial interest
Byron Grote ⁽⁵⁾	81,000	0.0030	Beneficial interest

- (1) 2,820 shares held in the Tesco Share Incentive Plan trust
- (2) 2,712 shares held in the Tesco Share Incentive Plan trust
- (3) 3,329 shares held by Carole Ann Allan (spouse) as registered holder
- (4) Jointly held with Chidchanok Golsby (spouse) in a nominee account
- (5) Ordinary shares or ADRs held in a nominee account

* In addition to any dealings that may have occurred, position may have changed due to changes in discretionary account clarifications.

Share Options

Name	Plan	Maximum Number of Tesco Shares under option	Date of grant	Exercise price per Tesco Share (£)	Exercise period
Dave Lewis	Performance Share Plan 2011	1,919,978	11 May 2017	Nil	11 May 2020 to 11 May 2027
	Performance Share Plan 2011	2,173,013	12 May 2016	Nil	12 May 2019 to 12 May 2026
	Performance Share Plan 2011	1,575,403	24 July 2015	Nil	24 July 2018 to 24 July 2025
	Executive Incentive Plan 2014	659,337	11 May 2017	Nil	11 May 2020 to 11 May 2027
	Executive Incentive Plan 2014	944,767	12 May 2016	Nil	12 May 2019 to 12 May 2026
	Executive Incentive Plan 2014	472,383	12 May 2016	Nil	24 November 2017 to 12 May 2026
	Awards granted under Listing Rule 9.4.2 (buy-out awards)	613,365	24 October 2014	Nil	14 February 2017 to 24 October 2024
	Awards granted under Listing Rule 9.4.2 (buy-out awards)	454,694	24 October 2014	Nil	17 February 2015 to 24 October 2024
	Awards granted under Listing Rule 9.4.2 (buy-out awards)	611,205	24 October 2014	Nil	18 February 2016 to 24 October 2024
	Tesco Savings Related Share Option Scheme (SAYE)	11,920	18 November 2015	151.00 pence per share	1 February 2019 to 31 July 2019
Alan Stewart	Performance Share Plan 2011	1,047,260	11 May 2017	Nil	11 May 2020 to 11 May 2027
	Performance Share Plan 2011	1,185,279	12 May 2016	Nil	12 May 2019 to 12 May 2026
	Performance Share Plan 2011	859,310	24 July 2015	Nil	24 July 2018 to 24 July 2025
	Executive Incentive Plan 2014	349,774	11 May 2017	Nil	11 May 2020 to 11 May 2027
	Executive Incentive Plan 2014	510,174	12 May 2016	Nil	12 May 2019 to 12 May 2026
	Executive Incentive Plan 2014	255,086	12 May 2016	Nil	24 November 2017 to 12 May 2026
	Awards granted under Listing Rule 9.4.2 (buy-out awards)	57,255	6 July 2015	Nil	6 July 2018 to 6 July 2025
	Awards granted under Listing Rule 9.4.2 (buy-out awards)	254,231	24 October 2014	Nil	18 June 2015 to 24 October 2024

Name	Plan	Maximum Number of Tesco Shares under option	Exercise price per Date of grant	Tesco Share (£)	Exercise period
Alan Stewart (continued)	Awards granted under Listing Rule 9.4.2 (buy-out awards)	328,841	24 October 2014	Nil	24 June 2016 to 24 October 2024
	Tesco Savings Related Share Option Scheme (SAYE)	11,920	18 November 2015	151.00 pence per share	1 February 2019 to 31 July 2019

Interests held by persons acting in concert with Tesco

As at the close of business on the disclosure date, the interests, rights to subscribe and short positions in respect of relevant securities of Tesco held by persons acting in concert with Tesco (excluding the Tesco Directors) were as follows:

Name	Number of Tesco Shares	% of Tesco's existing share capital	Nature of Interest
Barclays.....	1,933	0.00	ADR
Davy	2,371,625	0.03	Discretionary

Dealings by Tesco Directors and persons acting in concert

As at the close of business on the disclosure date, the following dealings in relevant securities in Tesco by Tesco Directors and persons acting in concert with Tesco have taken place during the disclosure period:

(A) Tesco Directors:

Name	Purchase/Sale	Date of dealing	Number of Tesco securities	Price per unit
Dave Lewis	Purchase	29/01/2016	83	£1.6701
Alan Stewart	Purchase	29/01/2016	82	£1.6701
Byron Grote	Purchase	04/02/2016	5,000 ADRs	US\$7.59
Dave Lewis	Purchase	26/02/2016	74	£1.8557
Alan Stewart	Purchase	26/02/2016	75	£1.8557
Dave Lewis	Purchase	29/03/2016	72	£1.92701
Alan Stewart	Purchase	29/03/2016	71	£1.92701
John Allan CBE	Purchase	13/04/2016	15,000	£1.8873
Byron Grote	Purchase	15/04/2016	7,000 ADRs	US\$7.69
Byron Grote	Purchase	18/04/2016	3,000 ADRs	US\$7.79
Dave Lewis	Purchase	22/04/2016	73	£1.8828
Alan Stewart	Purchase	22/04/2016	74	£1.8828
John Allan CBE	Purchase	28/04/2016	15,000	£1.7463
Dave Lewis	Purchase	23/05/2016	85	£1.6242
Alan Stewart	Purchase	23/05/2016	85	£1.6242
Dave Lewis	Purchase	17/06/2016	89	£1.56235
Alan Stewart	Purchase	17/06/2016	88	£1.56235
Dave Lewis	Purchase	15/07/2016	83	£1.6598
Alan Stewart	Purchase	15/07/2016	83	£1.6598
Dave Lewis	Purchase	12/08/2016	86	£1.5998
Alan Stewart	Purchase	12/08/2016	86	£1.5998
Dave Lewis	Purchase	09/09/2016	80	£1.7151
Alan Stewart	Purchase	09/09/2016	81	£1.7151
Dave Lewis	Purchase	07/10/2016	69	£1.9941
Alan Stewart	Purchase	07/10/2016	69	£1.9941
Dave Lewis	Purchase	04/11/2016	67	£2.0612

Name	Purchase/Sale	Date of dealing	Number of Tesco securities	Price per unit
Alan Stewart	Purchase	04/11/2016	67	£2.0612
Dave Lewis	Purchase	02/12/2016	67	£2.0593
Alan Stewart	Purchase	02/12/2016	67	£2.0593
Dave Lewis	Purchase	30/12/2016	67	£2.06096
Alan Stewart	Purchase	30/12/2016	67	£2.06096
Dave Lewis	Purchase	27/01/2017	67	£2.0799
Alan Stewart	Purchase	27/01/2017	66	£2.0799
Dave Lewis	Purchase	24/02/2017	72	£1.9126
Alan Stewart	Purchase	24/02/2017	72	£1.9126
Dave Lewis	Purchase	24/03/2017	73	£1.8967
Alan Stewart	Purchase	24/03/2017	73	£1.8967
John Allan CBE	Purchase	12/04/2017	20,000	£1.8554
Mark Armour	Purchase	12/04/2017	25,000	£1.8536
Simon Patterson	Purchase	13/04/2017	100,000	£1.8529
Byron Grote	Purchase	18/04/2017	7,100 ADRs	US\$6.81
Deanna Oppenheimer	Purchase	18/04/2017	1,667 ADRs	US\$6.8434
Byron Grote	Purchase	19/04/2017	6,000 ADRs	US\$6.80
Dave Lewis	Purchase	21/04/2017	79	£1.73933
Alan Stewart	Purchase	21/04/2017	79	£1.73933
Steve Golsby	Purchase	24/04/2017	42,296	£1.7643
Mikael Olsson	Purchase	24/04/2017	15,000	£1.76486
Alison Platt	Purchase	03/05/2017	11,185	£1.778
Dave Lewis	Purchase	19/05/2017	76	£1.8217
Alan Stewart	Purchase	19/05/2017	76	£1.8217
Lindsey Pownall OBE	Purchase	22/05/2017	20,000	£1.851
Dave Lewis	Purchase	16/06/2017	77	£1.7916
Alan Stewart	Purchase	16/06/2017	77	£1.7916
John Allan CBE	Purchase	19/06/2017	20,000	£1.7103
Dave Lewis	Purchase	14/07/2017	79	£1.7483
Alan Stewart	Purchase	14/07/2017	79	£1.7483
Dave Lewis	Purchase	11/08/2017	78	£1.7672
Alan Stewart	Purchase	11/08/2017	78	£1.7672
Dave Lewis	Purchase	08/09/2017	73	£1.8838
Alan Stewart	Purchase	08/09/2017	73	£1.8838
John Allan CBE	Purchase	05/10/2017	20,000	£1.8726
Dave Lewis	Purchase	06/10/2017	73	£1.8864
Alan Stewart	Purchase	06/10/2017	74	£1.8864
Dave Lewis	Purchase	03/11/2017	77	£1.79457
Alan Stewart	Purchase	03/11/2017	77	£1.79457
Byron Grote	Purchase	03/11/2017	7,500 ADRs	US\$7.06
Byron Grote	Purchase	06/11/2017	2,500 ADRs	US\$6.96
Mikael Olsson	Purchase	24/11/2017	101	£1.9428
Dave Lewis	Purchase	24/11/2017	509	£1.9428
Dave Lewis	Purchase	24/11/2017	13	£1.9428
Alan Stewart	Purchase	24/11/2017	12	£1.9428
Alison Platt	Purchase	27/11/2017	57	£1.9200
Alan Stewart	Purchase	30/11/2017	254	£1.964
Deanna Oppenheimer	Purchase	01/12/2017	180 ADRs	US\$7.95
Dave Lewis	Purchase	01/12/2017	71	£1.957612
Alan Stewart	Purchase	01/12/2017	70	£1.957612
Dave Lewis	Purchase	29/12/2017	66	£2.08648
Alan Stewart	Purchase	29/12/2017	66	£2.08648
Dave Lewis	Purchase	26/01/2018	65	£2.12468
Alan Stewart	Purchase	26/01/2018	65	£2.12468

(B) Persons in acting in concert with Tesco:

The following reflects aggregated disclosure in respect of each of Barclays, Davy and Citi in accordance with Note 2 to Rule 24.4 of the Takeover Code. Lists of unaggregated dealings for each of Barclays, Davy and Citi will be available for inspection in accordance with paragraph 18 below.

<u>Name of Party</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco Securities ('000s)</u>	<u>Low Price (GBP)</u>	<u>High Price (GBP)</u>
Barclays.....	26/01/2016 to 26/04/2016	Purchase	19,877	1.5910	1.9933
	26/01/2016 to 26/04/2016	Sale	26,093	1.5910	1.9933
	27/04/2016 to 26/07/2016	Purchase	21,887	1.4920	1.7490
	27/04/2016 to 26/07/2016	Sale	21,901	1.4920	1.7490
	27/07/2016 to 26/10/2016	Purchase	23,452	1.5325	2.1175
	27/07/2016 to 26/10/2016	Sale	19,194	1.5325	2.1175
	27/10/2016 to 26/11/2016	Purchase	16,811	1.9887	2.1870
	27/10/2016 to 26/11/2016	Sale	16,811	1.9887	2.1870
	27/11/2016 to 26/12/2016	Purchase	301	2.0040	2.1150
	27/11/2016 to 26/12/2016	Sale	301	2.0040	2.1150
	27/12/2016 to 26/01/2017	Purchase	5,165	1.8945	2.1021
	27/12/2016 to 26/01/2017	Sale	5,165	1.8945	2.1021
	27/01/2017 to 01/02/2018	Purchase	32,975	1.7110	1.9493
	27/01/2017 to 01/02/2018	Sale	33,023	1.7110	1.9493

<u>Name of Party</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco ADRs ('000s)</u>	<u>Low Price (USD)</u>	<u>High Price (USD)</u>
Barclays.....	26/01/2016 to 26/04/2016	Purchase	2,332	7.4465	8.6403
	26/01/2016 to 26/04/2016	Sale	2,332	7.4465	8.6403
	27/04/2016 to 26/07/2016	Purchase	1,013	6.0308	7.6739
	27/04/2016 to 26/07/2016	Sale	1,013	6.0308	7.6739
	27/07/2016 to 26/10/2016	Purchase	927	6.0289	7.9297
	27/07/2016 to 26/10/2016	Sale	927	6.0289	7.9297
	27/10/2016 to 26/11/2016	Purchase	180	7.3500	8.0900
	27/10/2016 to 26/11/2016	Sale	180	7.3500	8.0900
	27/11/2016 to 26/12/2016	Purchase	417	7.4223	8.2105
	27/11/2016 to 26/12/2016	Sale	417	7.4223	8.2105
	27/12/2016 to 26/01/2017	Purchase	400	7.1006	7.7300
	27/12/2016 to 26/01/2017	Sale	400	7.1006	7.7300
	27/01/2017 to 01/02/2018	Purchase	6,410	6.3696	8.9883
	27/01/2017 to 01/02/2018	Sale	6,371	6.3696	8.9883

<u>Name of Party</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco Securities ('000s)</u>	<u>Low Price (GBP)</u>	<u>High Price (GBP)</u>
J&E Davy own account	27/01/2016 to 26/04/2016	Purchase	1,927	1.5855	1.9590
	27/01/2016 to 26/04/2016	Sale	1,927	1.5850	1.9557
	27/04/2016 to 26/07/2016	Purchase	66	1.4810	1.6715
	27/04/2016 to 26/07/2016	Sale	66	1.4810	1.6715
	27/07/2016 to 26/10/2016	Purchase	265	1.5675	1.8000
	27/07/2016 to 26/10/2016	Sale	265	1.5675	1.8000
	27/10/2016 to 26/11/2016	Purchase	222	2.1115	2.1364
	27/10/2016 to 26/11/2016	Sale	222	2.1127	2.1364
	27/11/2016 to 26/12/2016	Purchase	2	2.0370	2.0370
	27/11/2016 to 26/12/2016	Sale	2	2.0370	2.0370
	27/12/2016 to 26/01/2017	Purchase	36	1.9000	2.0970
	27/12/2016 to 26/01/2017	Sale	36	1.9000	2.0970
	27/01/2017 to 01/02/2018	Purchase	2,540	1.6585	2.1090
	27/01/2017 to 01/02/2018	Sale	2,540	1.6585	2.1090

<u>Name of Party</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco Securities ('000s)</u>	<u>Low Price (GBP)</u>	<u>High Price (GBP)</u>
J&E Davy on behalf of discretionary clients	27/01/2016 to 26/04/2016	Purchase	78	1.5695	1.9719
	27/01/2016 to 26/04/2016	Sale	32	1.6880	1.9850
	27/04/2016 to 26/07/2016	Purchase	60	1.5850	1.7540
	27/04/2016 to 26/07/2016	Sale	44	1.6036	1.7661
	27/07/2016 to 26/10/2016	Purchase	79	1.5654	2.0255
	27/07/2016 to 26/10/2016	Sale	66	1.5481	2.0865
	27/10/2016 to 26/11/2016	Purchase	25	2.0530	2.1455
	27/10/2016 to 26/11/2016	Sale	9	2.1000	2.1460
	27/11/2016 to 26/12/2016	Purchase	11	2.0340	2.0625
	27/11/2016 to 26/12/2016	Sale	20	2.0590	2.0859
	27/12/2016 to 26/01/2017	Purchase	53	1.9130	2.1026
	27/12/2016 to 26/01/2017	Sale	20	1.9625	2.0133
	27/01/2017 to 01/02/2018	Purchase	1,251	1.6705	2.1250
	27/01/2017 to 01/02/2018	Sale	1,654	1.7340	2.0921

<u>Name</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco Ordinary shares ('000s)</u>	<u>Low Price (£)</u>	<u>High Price (£)</u>
Citi.....	27/01/2016 to 26/04/2016	Buy	53,629	2.44	2.79
		Sell	53,779	2.45	2.82
	27/04/2016 to 26/07/2016	Buy	13,455	2.29	2.45
		Sell	13,455	2.29	2.42
	27/07/2016 to 26/10/2016	Buy	–	–	–
		Sell	–	–	–
	27/10/2016 to 26/11/2016	Buy	–	–	–
		Sell	–	–	–
	27/11/2016 to 26/12/2016	Buy	–	–	–
		Sell	–	–	–
	27/12/2016 to 26/01/2017	Buy	–	–	–
		Sell	–	–	–
	27/01/2017 to 01/02/2018	Buy	–	–	–
		Sell	–	–	–

<u>Name</u>	<u>Date of Dealing</u>	<u>Nature of Dealing</u>	<u>Number of Tesco ADRs</u>	<u>Low Price (£)</u>	<u>High Price (£)</u>
Citi.....	27/01/2016 to 26/04/2016	Buy	197,617	6.95	8.65
		Sell	196,633	6.95	8.68
	27/04/2016 to 26/07/2016	Buy	27,348	6.81	7.71
		Sell	29,806	6.75	7.69
	27/07/2016 to 26/10/2016	Buy	–	–	–
		Sell	–	–	–
	27/10/2016 to 26/11/2016	Buy	–	–	–
		Sell	–	–	–
	27/11/2016 to 26/12/2016	Buy	–	–	–
		Sell	–	–	–
	27/12/2016 to 26/01/2017	Buy	–	–	–
		Sell	–	–	–
	27/01/2017 to 01/02/2018	Buy	–	–	–
		Sell	–	–	–

(c) **Interests and dealings in relevant securities of Booker**

Interests held by Tesco, Tesco Directors and persons acting in concert with Tesco

As at the close of business on the disclosure date, neither Tesco, nor any of the Tesco Directors, nor any person acting in concert with Tesco was interested in, had rights to subscribe or short positions in respect of relevant securities in Booker.

Interests held by Booker Directors

As at the close of business on the disclosure date, the interests, rights to subscribe and short positions in respect of relevant securities of Booker held by Booker Directors and their close relatives and related trusts and companies were as follows:

Name	Number of Booker Shares	% of Booker's existing share capital	Nature of Interest
Charles Wilson	108,241,986	6.0396	Beneficial
Jonathan Prentis.....	10,413,807	0.5811	Beneficial
Guy Farrant	1,500,000	0.0837	Beneficial
Andrew Cripps	200,000	0.0112	Beneficial
Karen Jones CBE ⁽¹⁾	160,901	0.0090	Beneficial
Stewart Gilliland	50,000	0.0028	Beneficial
Gary Hughes.....	40,000	0.0022	Beneficial
Helena Andreas	10,000	0.0006	Beneficial

(1) 60,901 shares held by close relatives.

Booker Director's Share Plans

As at the close of business on the disclosure date, the following options to acquire Booker Shares had been granted and remained outstanding under the Booker Share Plans:

Name	Plan	Maximum Number of Booker Shares under option	Date of grant	Exercise price per Booker Share (£)	Exercise period
Charles Wilson.....	PSP	1,400,000	3 July 2008	Nil	3 July 2011 – 3 July 2018
Jonathan Prentis.....	PSP	427,689	18 Oct 2017	Nil	18 Oct 2020 – 18 Oct 2027
		466,967	19 Oct 2016	Nil	19 Oct 2019 – 19 Oct 2026
		499,242*	25 Nov 2015	Nil	25 Nov 2018 – 25 Nov 2025
		500,972	16 Oct 2014	Nil	16 Oct 2017 – 16 Oct 2024
		376,310	17 Oct 2013	Nil	17 Oct 2016 – 1 Oct 2023
		522,622	22 Nov 2012	Nil	22 Nov 2015 – 22 Nov 2022
Guy Farrant.....	PSP	422,716	18 Oct 2017	Nil	18 Oct 2020 – 18 Oct 2027
		461,538	19 Oct 2016	Nil	19 Oct 2019 – 19 Oct 2026
		476,804	25 Nov 2015	Nil	25 Nov 2018 – 25 Nov 2025
		494,631	16 Oct 2014	Nil	16 Oct 2017 – 16 Oct 2024
		365,402	17 Oct 2013	Nil	17 Oct 2016 – 1 Oct 2023
		537,769**	22 Nov 2012	Nil	22 Nov 2015 – 22 Nov 2022

Interests held by persons acting in concert with Booker

As at the close of business on the disclosure date, the interests, rights to subscribe and short positions in respect of relevant securities of Booker held by persons acting in concert with Booker (excluding the Booker Directors) were as follows:

Name	Number of Booker Shares	% of Booker's existing share capital	Nature of Interest
Investec Capital and Investments (Ireland) Limited.....	5,500	0.0003	Beneficial

* Of which 16,828 are linked company share option plan ("CSOP") options with an exercise price of £1.7827 per Booker Share. To the extent that there is a gain in the CSOP options, linked PSP options with the same value will be forfeited.

** Of which 30,296 are linked CSOP options with an exercise price of £0.9902 per Booker Share. To the extent that there is a gain in the CSOP options, linked PSP options with the same value will be forfeited.

(d) **General**

Save as disclosed above, none of Booker, any Booker Directors, any close relatives of such directors or any related trusts and companies, or any person with whom Booker or any person acting in concert with Booker has an arrangement, was interested, had any rights to subscribe or had any short positions in respect of any relevant securities on the disclosure date, nor has any such person dealt in any relevant securities during the disclosure period.

Save as disclosed above, none of Tesco, any member of Tesco Group, any of the directors of Tesco, any close relatives of such directors or any related trusts and companies, nor any person acting in concert with Tesco, or any person with whom Tesco or any person acting in concert with Tesco has an arrangement, was interested, had any rights to subscribe or had any short positions in respect of any relevant securities on the disclosure date nor has any such person dealt in any relevant securities during the disclosure period.

Save as disclosed above, neither Booker nor any person acting in concert with Booker has borrowed or lent any relevant securities of Booker or Tesco during the Offer Period, save for any borrowed shares which have either been on-lent or sold.

Save as disclosed above, neither Tesco nor any person acting in concert with Tesco has borrowed or lent any relevant securities of Booker or Tesco during the disclosure period, save for any borrowed shares which have either been on-lent or sold.

Save as disclosed above, neither Booker nor any person acting in concert with Booker has entered into or taken any action to unwind any financial collateral arrangements in respect of any relevant securities of Booker during the disclosure period.

Save as disclosed above, neither Tesco nor any person acting in concert with Tesco has entered into or taken any action to unwind any financial collateral arrangements in respect of any relevant securities of Booker during the disclosure period.

6. United Kingdom taxation

The comments set out below are based on current United Kingdom tax law as applied in England and Wales and HM Revenue & Customs practice (which may not be binding on HM Revenue & Customs) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They are intended as a general guide to certain limited aspects of the UK tax treatment of the Scheme and Parts A and B apply only to Booker Shareholders resident and, in the case of an individual, domiciled for tax purposes in the United Kingdom only and to whom “split year” treatment does not apply (except insofar as express reference is made to the treatment of non-United Kingdom residents), who hold their shares in Booker (and subsequently any shares in Tesco) as an investment (other than under a pension arrangement or an ISA or a Lifetime ISA) and who are the absolute beneficial owners thereof (“**UK Holders**”). The discussion does not address all possible tax consequences relating to the Scheme. This discussion does not address the tax considerations relevant to the receipt of Booker dividends (including the Closing Dividend) or the ownership and disposal of New Tesco Shares. Certain categories of shareholders, including those carrying on certain financial activities, those subject to specific tax regimes or benefitting from certain reliefs and exemptions, those connected with Booker or Tesco, and those for whom the shares are employment-related securities, may be subject to special rules and this summary does not apply to such shareholders.

Booker Shareholders or prospective shareholders who are in any doubt about their tax position, or who are resident or otherwise subject to taxation in a jurisdiction outside the United Kingdom, should consult their own professional advisers immediately.

Part A: Taxation of Chargeable Gains

A UK Holder’s liability to UK tax on chargeable gains will depend on the individual circumstances of that UK Holder and on the form of consideration received (taking into account the effect the Mix and Match Facility may have on the form of Consideration received).

(a) *Cash*

To the extent a UK Holder receives cash in respect of his or her Booker Shares, that UK Holder will, except in the circumstances set out in the next paragraph, be treated as disposing of his Booker Shares which may, depending on the UK Holder's individual circumstances (including the availability of exemptions, reliefs or allowable losses) give rise to a liability to UK tax on chargeable gains or, alternatively, an allowable capital loss.

To the extent that a UK Holder receives cash consideration in addition to New Tesco Shares under the Scheme (including in respect of fractional entitlements), and the amount of cash received is small in comparison with the value of his or her Booker Shares and the allowable cost attributable to his or her Booker Shares is equal to or greater than the amount of such cash received, the UK Holder will not be treated as having disposed of the Booker Shares in respect of which the cash was received. Instead, an amount equal to the amount of such cash will be deducted from the allowable cost of his or her New Tesco Shares. Under current HMRC practice, any cash payment of £3,000 or less or (if greater) which is 5 per cent. or less of the market value of a UK Holder's holding of Booker Shares immediately prior to disposal will generally be treated as small for these purposes.

In all other cases where a UK Holder receives cash in addition to New Tesco Shares, the UK Holder will be treated as having made a part disposal of his Booker Shares, with the chargeable gain being computed on the basis of an apportionment of the allowable cost of the holding by reference to the market value of the holding at the time of disposal.

(b) *New Tesco Shares*

To the extent that a UK Holder receives New Tesco Shares in exchange for his Booker Shares and does not hold (either alone or together with persons connected with him) more than 5 per cent. of, or of any class of, shares in or debentures of Booker, he or she will not be treated as having made a disposal of his Booker Shares. Instead, the New Tesco Shares should be treated as the same asset as those Booker Shares acquired at the same time and for the same consideration as those shares.

UK Holders who, alone or together with connected persons, hold more than 5 per cent. of, or of any class of shares in or debentures of Booker are advised that clearance has been obtained from HMRC under section 138 of the Taxation of Chargeable Gains Act 1992 that section 137 of that Act will not apply to prevent the treatment described in this paragraph.

Part B: Tax Treatment of Holdings of New Tesco Shares

(a) *Dividends on New Tesco Shares*

UK Holders who are issued New Tesco Shares pursuant to the Scheme are referred to the Prospectus for a description of the tax position in respect of dividends on those shares.

(b) *Future Disposal of New Tesco Shares*

A subsequent disposal of New Tesco Shares may, depending on individual circumstances (including the availability of exemptions, reliefs and allowable losses), give rise to a liability to UK tax on chargeable gains.

Part C: UK Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No UK stamp duty or SDRT will be payable by Booker Shareholders on the exchange of their Booker Shares for New Tesco Shares and/or cash under the Scheme.

The transfer of the Booker Shares will be liable to a stamp duty/SDRT charge of 0.5 per cent. on the Consideration and Tesco will be responsible for the payment of such charge.

7. Irrevocable undertakings

(a) ***Irrevocable undertakings from Booker Directors***

The following Booker Directors have given irrevocable undertakings to vote in favour of the Scheme at the Court Meeting and the Special Resolution to be proposed at the Booker General Meeting in relation to the following Booker Shares currently held by them as well as any further Booker Shares they may acquire:

Name	Number of Booker Shares	Percentage of issued ordinary share capital of Booker (%)
Charles Wilson*	108,241,986	6.0396
Jonathan Prentis**	10,413,807	0.5811
Guy Farrant***	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

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:

- (i) Tesco announces that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Takeover Offer is announced in accordance with Rule 2.7 of the Takeover Code at the same time;
- (ii) the Scheme or Takeover Offer lapses or is withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced, in accordance with Rule 2.7 of the Takeover Code, in its place or is announced, in accordance with Rule 2.7 of the Takeover Code, at the same time;
- (iii) the Tesco Shareholder 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: (i) the Tesco Board no longer intends to make such recommendation or intends adversely to modify or qualify such recommendation; (ii) it will not convene the Tesco General Meeting; or (iii) it does not intend to post the Tesco Shareholder Circular or (if different) the document convening the Tesco General Meeting;
- (iv) 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); or
- (v) the Scheme or Takeover Offer has not become effective by the Long-stop Date.

(b) ***Irrevocable undertakings from Tesco Directors***

Irrevocable undertakings in respect of Tesco Shares

The following Tesco Directors have given irrevocable undertakings to vote (or procure the vote) in favour of the resolutions to be proposed at the Tesco General Meeting in relation to the following Tesco Shares currently held by them as well as any further Tesco Shares they may acquire:

* 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.

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

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

Name	Number of Tesco Shares	Percentage of issued ordinary share capital of Tesco (%)
Dave Lewis.....	100,459	0.0012
Alan Stewart.....	50,254	0.0006
John Allan CBE.....	284,082	0.0035
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). As a result, they have each irrevocably undertaken to vote in favour of the resolutions to be proposed at the Tesco General Meeting in the event that their holding converts from the form of ADRs to Tesco Shares (and they therefore become entitled to vote at the Tesco General Meeting).

Name	Number of ADRs	Number of Tesco Shares	Percentage of issued ordinary share capital of Tesco (%)
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:

- (i) Booker announces that it does not intend to proceed with the Merger and no new, revised or replacement Scheme or Takeover Offer is announced in accordance with Rule 2.7 of the Takeover Code at the same time;
- (ii) the Scheme or Takeover Offer lapses or is withdrawn and no new, revised or replacement Scheme or Takeover Offer has been announced, in accordance with Rule 2.7 of the Takeover Code, in its place or is announced, in accordance with Rule 2.7 of the Takeover Code, at the same time;
- (iii) the Booker Board withdraws, adversely modifies or adversely qualifies its unanimous and unconditional recommendation made by the Booker Board to Booker Shareholders to vote in favour of the Scheme at the Court Meeting and in favour of the Merger at the Booker General Meeting (the “**Booker Board Recommendation**”) or fails to publicly reaffirm or re-issue the Booker Board 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); or
- (iv) the Scheme or Takeover Offer has not become effective by the Long-stop Date.

8. Significant change in financial or trading position of Booker

The Booker Directors are not aware of any significant change in the financial or trading position of Booker since 8 September 2017, being the end of the period for which Booker's latest unaudited interim financial statements were published.

9. Significant change in financial or trading position of Tesco

The Tesco Directors are not aware of any significant change in the financial or trading position of Tesco since 26 August 2017, being the end of the period for which Tesco's latest unaudited interim financial statements were published.

10. Financing and cash confirmation

The aggregate value of the cash component of the Consideration of approximately £760 million payable by Tesco under the terms of the Merger will be funded from existing cash resources.

In accordance with Rule 24.8 of the Takeover Code, Greenhill, as lead financial adviser to Tesco, is satisfied that sufficient resources are available to Tesco to satisfy in full the cash consideration payable pursuant to the terms of the Merger.

11. Service contracts and remuneration of Booker Directors and Proposed Tesco Directors

Save as disclosed below, there are no service contracts in force between any director or proposed director of Booker or any of its subsidiaries and no such contract has been entered into or amended during the six months preceding the date of this document:

Booker Executive Directors

Charles Wilson, Guy Farrant and Jonathan Prentis (the "**Executive Directors**") have entered into service agreements as summarised below:

Charles Wilson is Booker's Chief Executive. He is engaged under a service agreement with Booker dated 9 May 2007 which became effective on or around the same date and was subsequently amended on 27 January 2017. His employment commenced on 1 November 2005. He receives an annual base salary of £510,050. He does not participate in the Booker bonus scheme.

Guy Farrant is Booker's Chief Operating Officer. He is engaged under a service agreement with Booker dated 14 October 2010 which became effective on the same date, and his employment commenced on 14 October 2010. He receives an annual base salary of £440,437 and an annual bonus of up to 100 per cent. of base salary.

Jonathan Prentis is Booker's Group Finance Director. He is engaged under a service agreement with Booker dated 9 May 2007 which became effective on or around the same date and he commenced employment on 6 January 2003. He receives an annual salary of £445,619 and an annual bonus of up to 100 per cent. of base salary.

The Executive Directors may receive benefits including car allowance or company car, life cover, private medical insurance and permanent health insurance for themselves and their families and reimbursement of membership fees of professional bodies. Charles Wilson is contractually entitled to receive each of these benefits. Guy Farrant and Jonathan Prentis are contractually entitled to receive permanent health insurance. The Executive Directors each receive an employer pension contribution of 15 per cent. of base salary to a defined contribution pension arrangement or a cash payment in lieu of such contribution.

The Executive Directors are also eligible to participate in the Booker Share Plans. The details of outstanding options granted to the Executive Directors under the Booker Share Plans are set out in paragraph 5(c) of this Part V (*Additional Information*).

Each of the Executive Directors' employment can be terminated by Booker by giving 12 months' written notice or payment of gross salary (excluding bonus) in lieu of that notice (neither notice nor payment in lieu of notice will be required where, amongst other circumstances, the Executive Director has committed gross misconduct). Charles Wilson can terminate his employment by giving 9 months' written notice,

Guy Farrant can terminate his employment by giving 12 months' written notice and Jonathan Prentis can terminate his employment by giving 6 months' written notice.

Each of the Executive Directors' is subject to post termination restrictive covenants which restrict them from competing with Booker, soliciting customers, soliciting suppliers and soliciting employees for periods of 9 or 12 months following the termination of their employment. The period of the restrictive covenants is reduced by any time spent on garden leave.

Charles Wilson had a contractual right to terminate his employment on 30 days' notice within three months of a change in control of Booker and to receive a payment in lieu of notice. However, he has entered into the Service Agreement Amendment Deed under which he has agreed to waive this right (i) in connection with the Merger; or (ii) in the event of an intra-group transfer of Booker following the Effective Date.

Booker Non-Executive Directors

Stewart Gilliland, Helena Andreas, Andrew Cripps, Gary Hughes and Karen Jones (the "**Non Executive Directors**") are engaged by Booker under the following letters of appointment:

Stewart Gilliland is Booker's Non Executive Chairman. He is engaged under an appointment letter with Booker dated 17 June 2015. He was initially appointed on 8 December 2010 and he was re-elected on 5 July 2017. He receives an annual fee of £186,538 and an additional fee of £6,000 for acting as member and Chairman of the Nomination Committee.

Helena Andreas is engaged under an appointment letter with Booker dated 14 November 2012. She was initially appointed on the same date and was re-elected on 5 July 2017. She receives an annual fee of £46,635.

Andrew Cripps is engaged under an appointment letter dated 11 December 2013. He was initially appointed on 22 November 2007 and was re-elected on 5 July 2017. He receives an annual fee of £46,635 and an additional fee of £10,024 for acting as a member of the Audit Committee and member of the Remuneration Committee.

Gary Hughes is engaged under an appointment letter dated 1 December 2015. He was initially appointed on 3 December 2015 and he was re-elected on 5 July 2017. He receives an annual fee of £46,635 and an additional fee of £18,000 for acting as Chairman of the Audit Committee and member of the Audit Committee, Remuneration Committee and Nomination Committee.

Karen Jones is engaged under appointment letters dated 4 March 2015 and 18 May 2016. She was initially appointed on 4 March 2009 and was re-elected on 5 July 2017. She receives an annual fee of £45,810 and an additional fee of £25,012 for acting as Chairman of the Remuneration Committee, member of the Audit Committee and the Nomination Committee and Senior Independent Director.

Each of the Non Executive Directors' appointments may be terminated by giving one months' written notice.

The Non Executive Directors do not receive bonuses or pension contributions and are not entitled to participate in any of the Booker Share Plans.

Proposed Tesco Directors

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 Companies Act 2006) 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 shares 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 Companies Act 2006) and appropriate directors' and officers' liability insurance.

12. Material contracts – Booker

Save as disclosed in this paragraph and in paragraphs 14 and 15 below, there have been no contracts entered into by Booker or any of its subsidiaries during the period commencing on 26 January 2015 (the date two years before the commencement of the Offer Period) and ending on 1 February 2018 (the latest practicable date prior to publication of this document) which are outside the ordinary course of business and which are or may be considered material.

13. Material contracts – Tesco

Save as disclosed in this paragraph and in paragraphs 14 and 15 below, there have been no contracts entered into by Tesco or any of its subsidiaries during the period commencing on 26 January 2015 (the date two years before the commencement of the Offer Period) and ended on 1 February 2018 (the latest practicable date prior to publication of this document) which are outside the ordinary course of business and which are or may be considered material.

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.

Material profit overstatement

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.

14. Co-operation agreement

Tesco and Booker have entered into the Co-operation Agreement, pursuant to which Tesco and Booker have agreed to use their reasonable endeavours to secure the regulatory clearances and authorisations necessary to satisfy the CMA Pre-Condition and the Regulatory Conditions. As announced on 20 December 2017 the CMA Pre-Condition has now been satisfied.

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: (i) if Tesco and Booker so agree in writing; (ii) if the Merger is, with the permission of the Panel, withdrawn or lapses in accordance with its terms prior to the Long-stop Date; (iii) if the Scheme has not become effective by the Long-stop Date; or (iv) on the Effective Date.

Tesco has the right to terminate the Co-operation Agreement: (i) if 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); (ii) Booker announces that it will not convene the Booker Shareholder Meetings or that it does not intend to post the Scheme Document; (iii) where a competing proposal is recommended by the Booker Directors or effected; or (iv) if any Condition is not satisfied or waived or becomes incapable of satisfaction or waiver (where such invocation has been permitted by the Panel) by the Long-stop Date.

Booker has the right to terminate the Co-operation Agreement if: (i) 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); (ii) if Tesco announces that it will not convene the Tesco General Meeting or that it does not intend to post the Tesco Shareholder Circular; or (iii) where the Merger is implemented by way of the Scheme, if the Tesco General Meeting is not held within five Business Days of the Booker Shareholder Meetings.

In addition, either party has the right to terminate the Co-operation Agreement if the requisite resolutions are not passed at the Booker Shareholder 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 paragraph 14(g) of Part II (*Explanatory Statement*).

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

15. Offer-related arrangements

(a) Confidentiality Agreement and Confidentiality and Joint Defense Agreement

Tesco and Booker have 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 have also entered into the Confidentiality and Joint Defense Agreement to ensure that any exchange and/or disclosure of confidential information for the purpose of applying for CMA approval to satisfy the CMA Pre-Condition does 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.

(b) ***Clean Team Confidentiality Agreement***

Tesco and Booker have 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.

(c) ***Additional Confidentiality Agreements***

The General Counsel of Booker has 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: (i) 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 (ii) the provision of any Information to them shall not waive any privilege in relation to such Information.

(d) ***Lock-up Agreement***

On 27 January 2017, Charles Wilson, the Chief Executive of Booker, 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.

(e) ***Service Agreement Amendment Deed***

On 27 January 2017, Charles Wilson (the Chief Executive of Booker), 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: (i) in connection with the Merger; or (ii) 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.

16. Other information

Except as disclosed in this document, no agreement, arrangement or understanding (including any compensation arrangement) exists between Tesco or any concert party of Tesco and any of the directors, recent directors, shareholders or recent shareholders of Booker or any person interested or recently interested in shares of Booker having any connection with or dependence on the Merger.

Except as disclosed in this document, no agreement, arrangement or understanding of whatever nature, whether formal or informal (including indemnity or option arrangements), relating to relevant securities which may be an inducement to deal or refrain from dealing exists between Booker or any concert party of Booker and any other person.

Except as disclosed in this document, no agreement, arrangement or understanding of whatever nature, whether formal or informal (including indemnity or option arrangements), relating to relevant securities which may be an inducement to deal or refrain from dealing exists between Tesco or any concert party of Tesco and any other person.

The emoluments of the Tesco Directors will not be affected by the Merger or by any other associated transaction.

Except as disclosed in this document, there is no agreement, arrangement or understanding by which any securities acquired in pursuance of the Merger will be transferred to any other person, but Tesco reserves the right to transfer any such shares to any member of the Tesco Group.

Each of J.P. Morgan Cazenove and Investec has given and not withdrawn its consent to the issue of this document with the inclusion of their advice in the form and context in which it appears.

As required by Rule 28.1(a) of the Takeover Code, Deloitte, as reporting accountants to Tesco, and Greenhill, Barclays and Citi, as financial advisers to Tesco, have provided a report on the Tesco Profit Forecast under that Rule. Each of Deloitte, Greenhill, Barclays and Citi has given and has not withdrawn its consent to the publication of its report on the Tesco Profit Forecast in the form and context in which it is included.

As required by Rule 28.1(a) of the Takeover Code, Barclays and Citi, as financial advisers to Tesco, have provided a report on the Tesco Quantified Financial Benefits Statement under that Rule. Each of Barclays and Citi has given and has not withdrawn its consent to the publication of its report on the Tesco Quantified Financial Benefits Statement in the form and context in which it is included.

No management incentivisation arrangements, as envisaged by Rule 16.2 of the Takeover Code, are proposed in connection with the Merger.

17. Fees and expenses

Booker estimates that the aggregate fees and expenses expected to be incurred by Booker in connection with the Merger will be between £20.8 million and £23.0 million (excluding applicable VAT). Set out below are the estimates of fees and expenses (excluding applicable VAT) expected to be incurred in relation to:

Category	Amount – £m
(a) Financial and corporate broking advice ⁽¹⁾	11.0 – 13.2
(b) Legal advice ⁽²⁾	5.8
(c) Accounting advice.....	0.3
(d) Public relations advice.....	1.3
(e) Economists.....	1.2
(f) Other professional services e.g. management consultants, actuaries and specialist valuers/advisers.....	0.2
(g) Other costs and expenses.....	1.0
Total	20.8 – 23.0

(1) The amount of the aggregate fees and expenses for these services depends on whether the Merger successfully completes and whether a discretionary fee is paid.

(2) These services are charged by reference to hourly or daily rates with an element being contingent on whether the Merger successfully completes. Amounts included here reflect the time incurred up to the latest practicable date prior to the publication of this document and an estimate of the further time required.

Tesco estimates that the aggregate fees and expenses expected to be incurred by Tesco in connection with the Merger will be £64.7 million (excluding applicable VAT). Set out below are the estimates of fees and expenses (excluding applicable VAT) expected to be incurred in relation to:

Category	Amount – £m
(a) Financial and corporate broking advice.....	22.3
(b) Legal advice ⁽¹⁾	11.5
(c) Accounting advice ⁽¹⁾	3.5
(d) Public relations advice.....	1.5
(e) Economists.....	4.1
(f) Other professional services e.g. management consultants, actuaries and specialist valuers/advisers.....	1.2
(g) Stamp duty.....	19.7
(h) Other costs and expenses.....	0.8
Total	64.7

(1) These services are charged by reference to hourly or daily rates. Amounts included here reflect the time incurred up to the latest practicable date prior to the publication of this document and an estimate of the further time required.

18. Documents

Copies of the following documents are available, subject to any restrictions relating to persons resident in certain jurisdictions, at Booker's website <http://www.bookergroup.com/investor-centre/tesco-and-booker-proposed-merger.aspx> and at Tesco's website <https://www.tescopl.com/investors/tesco-booker-proposed-merger/> respectively until the Effective Date:

- (a) this document, the Forms of Proxy and the Forms of Election;
- (b) the memorandum and articles of association of Tesco;
- (c) the memorandum and articles of association of Booker and a copy of the articles of association as proposed to be amended at the Booker General Meeting;
- (d) the irrevocable commitments in favour of the Merger referred to in paragraph 7 above;
- (e) the Co-operation Agreement referred to in paragraph 14 above;
- (f) the written consents referred to in paragraph 16 above;
- (g) copies of the material contracts described in paragraph 15 above which were entered into in connection with the Merger;
- (h) a copy of the Announcement (including, at appendix 5 of the Announcement, a copy of the report of Deloitte and the report of Greenhill on the Tesco Quantified Financial Benefits Statement);
- (i) a copy of the Tesco Prospectus;
- (j) a copy of the Tesco Shareholder Circular;
- (k) a copy of the audited consolidated accounts of Tesco for the 52 weeks ended 25 February 2017;
- (l) a copy of the audited consolidated accounts of Tesco for the 52 weeks ended 27 February 2016;
- (m) a copy of the unaudited interim condensed consolidated financial statements for Tesco for the 26 weeks ended 26 August 2017;
- (n) a copy of Tesco's 3Q and Christmas trading statement for the 19 weeks ended 6 January 2018;
- (o) a copy of the audited consolidated accounts of Booker for the 52 weeks ended 24 March 2017;
- (p) a copy of the audited consolidated accounts of Booker for the 52 weeks ended 25 March 2016;
- (q) a copy of the unaudited interim condensed consolidated financial statements of Booker for the 24 weeks ended 8 September 2017;
- (r) a copy of Booker's Q3 trading update for the 16 weeks ended 29 December 2017;
- (s) letters of confirmation from Deloitte and Greenhill referred to in Part A of Appendix 1 (*Tesco Quantified Financial Benefit Statement*) to this document;
- (t) a report from Barclays and Citi set out in Part B of Appendix 1 (*Tesco Quantified Financial Benefit Statement*) to this document;
- (u) a report from each of Deloitte, Greenhill, Barclays and Citi on the Tesco Profit Forecast as set out in Appendix 3 (*Tesco Profit Forecast*) to this document; and
- (v) the unaggregated dealings of Barclays, Citi and Davy referred to in paragraph 5 of Part V (*Additional Information*).

The content of the websites referred to in this document is not incorporated into and does not form part of this document.

Dated: 5 February 2018

PART VI

SOURCE OF INFORMATION AND BASIS OF CALCULATION

Unless otherwise stated in this document:

1. All references to Booker Shares are to Booker ordinary shares of one penny each. References to Tesco Shares are to Tesco ordinary shares of five pence each.
2. The aggregate value of the cash component of the Consideration of approximately £763 million is calculated by multiplying the offered amount of 42.6 pence in cash per Booker Share by Booker's issued ordinary share capital (as referred to in paragraph (7) below).
3. The aggregate value of the share component of the Consideration of approximately £3.2 billion is calculated by multiplying the number of Tesco Shares to be issued under the terms of the Merger (as referred to in paragraph 9(ii) below) by the price per Tesco Share of 206.3 pence (being the Closing Price on 1 February 2018, the latest practicable date prior to the publication of this document).
4. The aggregate Merger value of £3.7 billion, as at 27 January 2017, is based on a value of 205.3 pence per Booker Share, being the Closing Price on 26 January 2017, being the latest practicable date prior to the Announcement, on the basis of the number of 1,780,895,173 Booker Shares in issue as at 5.00 p.m. on 26 January 2017.
5. The value attributed to the entire existing issued share capital of Booker under the terms of the Merger of approximately £3.9 billion is the sum of the aggregate value of the cash component and the aggregate value of the share component of the Consideration (as referred to in paragraphs (2) and (3) above respectively).
6. The percentage of the share capital of the Combined Group that will be owned by Booker Shareholders of approximately 16 per cent. is calculated by dividing the number of New Tesco Shares to be issued under the terms of the Merger referred to in paragraph 9(ii) below by the issued share capital of the Combined Group (as set out in paragraph (9) below) and multiplying the resulting sum by 100 to produce a percentage.
7. Booker's issued ordinary share capital refers to the 1,792,195,220 Booker Shares in issue as at 5.00 p.m. on 1 February 2018 (being the latest practicable date prior to publication of this document). At the date of this document Booker holds no Booker Shares in treasury.
8. The calculations regarding the existing issued share capital of Tesco are based on 8,191,798,719 Tesco Shares in issue on 1 February 2018 (being the latest practicable date prior to publication of this document).
9. The share capital of the Combined Group (being 9,734,878,803 Tesco Shares) has been calculated as the sum of:
 - (i) a total number of 8,191,798,719 Tesco Shares in issue (as at the close of business on 1 February 2018, being the latest practicable date prior to publication of this document); and
 - (ii) 1,543,080,084 New Tesco Shares which would be issued under the terms of the Merger (being 0.861 Tesco Shares per Booker Share multiplied by the issued ordinary share capital of Booker as referred to in paragraph (7) above).
10. On the date of this document Tesco holds no ordinary shares in treasury.
11. The total number of New Tesco Shares to be allotted pursuant to the Merger is the product of multiplying the fully diluted share capital of Booker by the 0.861 New Tesco Shares to be issued per Booker Share. Please note that, as there are a number of factors affecting how many Booker Shares are in issue after the date of this document, the actual number of New Tesco Shares issued pursuant to the Merger may differ from this total amount.
12. Unless otherwise stated, all prices quoted for Tesco Shares and Booker Shares have been derived from the Daily Official List of the London Stock Exchange and represent Closing Prices on the relevant date(s).
13. The calculations regarding the fully diluted share capital of Booker are based on 1,833,565,992 Booker Shares, being:
 - (i) 1,792,195,220 Booker Shares in issue on 1 February 2018 (being the latest practicable date prior to the publication of this document); and

- (ii) 41,370,772 Booker Shares which may be issued on or after the publication of this document on the exercise of options under the Booker Share Plans.
14. The premium calculations to the price per Booker Share have been calculated by reference to the Closing Price of a Tesco Share of 206.3 pence and of a Booker Share of 224.2 pence, as of 1 February 2018 (being the latest practicable date prior to publication of this document).
15. Unless otherwise stated, the financial information relating to Booker has been extracted or derived (without material adjustment) from the audited financial statements of Booker contained in the Booker Annual Report and Accounts 2017 and from the audited financial statements of Booker contained in the annual report and accounts of Booker for the 52 weeks ended 28 March 2008, each prepared in accordance with IFRS.
16. Unless otherwise stated, the financial information relating to Tesco has been extracted or derived (without material adjustment) from the audited consolidated financial statements of Tesco contained in the Tesco annual report and accounts for the 52 week period ended 25 February 2017, prepared in accordance with IFRS.
17. The synergy numbers are unaudited and are based on analysis by Tesco management and on Tesco and Booker's internal records. Further information underlying the Tesco Quantified Financial Benefits Statement contained in this document is provided in Appendix 1 (*Tesco Quantified Financial Benefits Statement*).
18. The Tesco Group operating profit number referred to in the Tesco Profit Forecast is based on analysis by Tesco's management and on Tesco's internal records. Further information underlying the Tesco Profit Forecast contained in this document is provided in Appendix 3 (*Tesco Profit Forecast*).
19. The increased shareholder value figure referred to in paragraph 4 of Part I (*Letter from the Chairman of Booker Group plc*) is based on:
- (i) the market capitalisation of the Booker Group being approximately £4.0 billion, derived from data provided by the London Stock Exchange as of 1 February 2018 (being the latest practicable date prior to publication of this document);
 - (ii) the value of the Booker Group being approximately nil in 2005, derived from correspondence with HMRC; and
 - (iii) the value of dividends paid and returns of capital made or announced as at 1 February 2018 (being the latest practicable date prior to publication of this document), totalling approximately £695 million in cash returned to Booker Shareholders including interim, final and special dividends (in aggregate amounting to £515 million as extracted from each of the audited financial statements of Booker for the relevant year in which the dividend was declared), as well as returns of capital via redemptions of B shares (in aggregate amounting to £180 million as extracted from each of the audited financial statements of Booker for the relevant year in which the redemption of B shares was made).
20. The reference in paragraph 6 of the Chairman's letter at Part I (*Letter from the Chairman of Booker Group plc*) and paragraph 3 of Part II (*Explanatory Statement*) to independent retail partners that operate over 5,000 convenience stores relates to Booker's relationship with its Budgens, Londis, Family Shopper and Premier symbol group retailers only and does not take account of the many other independent retail partners that are also served by Booker.
21. Per cent. dividend payout of profit after tax by Booker is calculated as the ratio of the amounts (i) of ordinary dividends, special dividends and other returns of capital on a per share basis to (ii) basic earnings per share. All financials have been extracted from the audited financial statements of Booker contained in the Booker Annual Report and Accounts 2017, prepared in accordance with IFRS.
22. For the purposes of the financial comparisons contained in this document, no account has been taken of any liability to taxation or the treatment of fractions under the Merger.
23. Earnings per share figures are stated exclusive of exceptional and extraordinary items where these have been disclosed.
24. Certain figures included in this document have been subject to rounding adjustments.

PART VII

NOTES FOR MAKING ELECTIONS UNDER THE MIX AND MATCH FACILITY

If you wish to receive 0.861 New Tesco Shares and 42.6 pence in cash for each Booker Share that you will hold at the Scheme Record Time, **DO NOT RETURN** a Form of Election or send an Electronic Election.

If you hold Booker Shares in certificated form (that is, not in CREST) and you wish to make an Election:

- You must complete and sign a Form of Election in accordance with the instructions printed thereon and return it to Computershare Investor Services PLC, either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE.
- The Election Return Time (being the deadline for making an Election) is 1.00 p.m. on 1 March 2018, as set out in the expected timetable of principal events on pages 2 and 3 of this document.

If you hold Booker Shares in uncertificated form (i.e. in CREST) and you wish to make an Election:

- You must submit your election electronically by taking (or procuring to be taken) the actions set out below to transfer the Booker Shares in respect of which you wish to make an Election to an escrow balance, using an Electronic Election specifying Computershare (in its capacity as a CREST participant under the ID 3RA25) as the escrow agent.
- The Election Return Time (being the deadline for making an Election) is 1.00 p.m. on 1 March 2018, as set out in the expected timetable of principal events on pages 2 and 3 of this document.
- If you wish to make an Election by completing a Form of Election, you must first rematerialise your Booker Shares by completing a CREST stock withdrawal form, and you may request a Form of Election by contacting the Shareholder Helpline on the telephone number set out on page 4 of this document.

If you are an Overseas Shareholder or hold Booker Shares on behalf of an Overseas Shareholder:

- Overseas Shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction will not be sent the Form of Election and will not be entitled to participate in the Mix and Match Facility.
- You should inform yourself about and should observe any applicable legal or regulatory requirements in the jurisdiction in which you or the Booker Shareholder(s) on whose behalf you hold Booker Shares are located. If you are in any doubt about your position, you should consult your professional adviser in the relevant territory. The Mix and Match Facility may not be available to certain Overseas Shareholders.
- By signing and returning the Form of Election or submitting your election electronically, you are deemed to represent that you are not an Overseas Shareholder with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction.

If you hold Booker Shares in both certificated and uncertificated form and you wish to make a Mix and Match Election in respect of both such holdings, you must make a separate Election in respect of each holding.

Any changes to the Election Return Time (the last time for lodging your Form of Election or making your Electronic Election) will be announced by Booker via a Regulatory Information Service in due course, with such announcement being made available on Booker and Tesco's websites at <http://www.bookergroup.com> and <https://www.tescopl.com> respectively.

If you have any queries relating to the Form of Election or require further copies of the Form of Election, please call the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230. Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

An Election will only be accepted under the Mix and Match Facility in respect of a whole number of Booker Shares. Any Election which is made in respect of a number of Booker Shares which is not a whole number shall be deemed to be made in respect of the nearest whole number of Booker Shares when rounded down.

Cash Elections and Share Elections will be satisfied only to the extent that other Booker Shareholders make equal and opposite Elections. To the extent that Share Elections or Cash Elections cannot be satisfied in full: (i) the number of Booker Shares in respect of which a Share Election or Cash Election has been made shall be scaled down *pro rata* in proportion to the number of Booker Shares in respect of which the relevant Election is made (or as near thereto as Booker and Tesco in their absolute discretion consider practicable among electors); and (ii) the balance of the Booker Shares the subject of such an Election shall be deemed to be Booker Shares in respect of which no Election has been made.

Minor adjustments to the entitlements of Booker Shareholders pursuant to Elections made under the Scheme may be made by Computershare under instruction from Booker and Tesco, on a basis that Booker and Tesco consider to be fair and reasonable to the extent necessary to satisfy all entitlements pursuant to Elections under the Scheme as nearly as may be practicable. Such adjustments shall be final and binding on Booker Shareholders.

You should be aware that if you buy or sell Booker Shares after having made an Election, then the number of Booker Shares to which your Election applies may be affected, as set out below.

If a Booker Shareholder has made a valid Election in respect of ALL of his or her Booker Shares, then:

- (a) the validity of the Cash Election or the Share Election (as the case may be) shall not be affected by any alteration in the number of Booker Shares held by the Booker Shareholder at any time prior to the Scheme Record Time; and
- (b) accordingly, the Cash Election or the Share Election (as the case may be) will apply in respect of all of the Booker Shares which the Booker Shareholder holds immediately prior to the Scheme Record Time.

If a Booker Shareholder has made a valid Cash Election or Share Election in respect of a specified number representing part, but not all, of his or her Booker Shares and immediately prior to the Scheme Record Time the number of Booker Shares held by the Booker Shareholder is:

- (a) equal to or in excess of the number of Booker Shares to which such Election(s) relate, then the validity of the Election(s) made by the Booker Shareholder shall not be affected by any alteration in the number of Booker Shares held by the Booker Shareholder at any time prior to the Scheme Record Time, and any reduction in his or her holding shall be treated first as a disposal of those Booker Shares in respect of which he or she did not make such Election; or
- (b) less than the aggregate number of Booker Shares to which such Election(s) relate, then:
 - (i) if the Booker Shareholder has made only a valid Cash Election, he or she shall be treated as having made a Cash Election in respect of his or her entire holding of Booker Shares;
 - (ii) if the Booker Shareholder has made only a valid Share Election, he or she shall be treated as having made a Share Election in respect of his or her entire holding of Booker Shares;
 - (iii) if the Booker Shareholder has made both a valid Cash Election and a valid Share Election, then:
 - (A) Share Elections made by the Booker Shareholder shall be reduced so as to apply to the number of Booker Shares calculated by multiplying: (i) the number of Booker Shares held by the Booker Shareholder immediately prior to the Scheme Record Time, by (ii) the fraction calculated by dividing the number of Booker Shares the subject of the relevant Share Elections above by the aggregate number of Booker Shares the subject of all of the Share Elections and Cash Elections made by the Booker Shareholder, rounding down to the nearest whole number of Booker Shares; and
 - (B) the Cash Elections made by the Booker Shareholder shall be reduced so as to apply to all the Booker Shares held by the Booker Shareholder immediately prior to the Scheme Record Time which are not the subject of Share Elections as scaled down pursuant to sub-paragraph (A) above.

Booker Shares held in uncertificated form (that is, in CREST)

If you are a CREST personal member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Booker Shares are held. In addition, only your CREST sponsor will be able to send the Electronic Election to Euroclear in relation to your Booker Shares.

You should send (or, if you are a CREST personal member, procure that your CREST sponsor sends) an Electronic Election to Euroclear, which must be properly authenticated in accordance with Euroclear's specifications and which must contain, in addition to the other information that is required for an Electronic Election to settle in CREST, the following details:

- (a) the number of Booker Shares in respect of which you are making an Election (such Booker Shares to be transferred to an escrow balance);
- (b) your member account ID;
- (c) your participant ID;
- (d) the participant ID of the escrow agent, Computershare, in its capacity as a CREST Receiving Agent. This is "3RA25";
- (e) the relevant member account ID(s) of the escrow agent, Computershare, in its capacity as a CREST Receiving Agent:
 - (i) to make a Share Election, this is "BOOKSH01";
 - (ii) to make a Cash Election, this is "BOOKCA02"; and
 - (iii) to transfer shares held on behalf of certain Overseas Shareholders, this is "RESTRICT";
- (f) the ISIN of the relevant Booker Shares (this is "GB00B01TND91");
- (g) the intended settlement date (this should be as soon as possible and in any event by the Election Return Time);
- (h) the corporate action number for the transaction: this is allocated by Euroclear and can be found by viewing the relevant corporate action details onscreen in CREST;
- (i) CREST standard delivery instructions priority of 80; and
- (j) a contact name and telephone number (inserted in the shared note field of the Electronic Election).

After making the Electronic Election, you will not be able to access the Booker Shares concerned in CREST for any transaction or for charging purposes. If the Scheme is implemented in accordance with its terms, the escrow agent will arrange for the transfer of the Booker Shares to Tesco. You are recommended to refer to the CREST Manual published by Euroclear for further information on the CREST procedure outlined above. An Electronic Election is revocable. Please refer to the CREST Manual for information about how to withdraw an Electronic Election.

If you have sent an Electronic Election to the RESTRICT member account as described above, a valid ESA instruction (a "**Restricted ESA Instruction**") will also need to be sent. Such purported Election will not be treated as valid unless both the Electronic Election and the Restricted ESA Instruction settle in CREST and Tesco and Booker decide, in their absolute discretion, that such purported an Election should be accepted. If Tesco and Booker so decide, the Receiving Agent will accept the purported Election on the terms of this document by transmitting in CREST a receiving agent accept ("AEAN") message. Otherwise, the Receiving Agent will reject the purported Election by transmitting in CREST a receiving agent reject ("AEAD") message. Each Restricted ESA Instruction must, in order for it to be valid and settle, include the following details:

- (i) the corporate action ISIN number of the Booker Shares. This is "3RA25";
- (ii) the number of Booker Shares in uncertificated form relevant to that Restricted ESA Instruction;
- (iii) your participant ID;
- (iv) your member account ID;

- (v) the participant ID of the escrow agent, Computershare, in its capacity as CREST Receiving Agent set out in the restricted escrow transfer. This is “3RA25”;
- (vi) the member account ID of the escrow agent, Computershare, in its capacity as CREST Receiving Agent set out in the restricted escrow transfer. This is “RESTRICT”;
- (vii) the relevant member account ID(s) of the escrow agent, Computershare, in its capacity as a CREST Receiving Agent:
- (viii) to make a Share Election, this is “BOOKSH01”;
- (ix) to make a Cash Election, this is “BOOKCA02”;
- (x) the CREST transaction ID of the Electronic Election message sent to the member account to which the Restricted ESA Instruction relates;
- (xi) the intended settlement date (this should be as soon as possible and in any event by the Election Return Time);
- (xii) the corporate action number for the transaction; and
- (xiii) input with a standard delivery instruction priority of 80.

You should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timings and limitations will therefore apply in connection with an Electronic Election and its settlement. You should, therefore, ensure that all necessary action is taken by you (or by your CREST sponsor) to enable an Electronic Election relating to your Booker Shares to settle prior to the Election Return Time (or such later time (if any) to which the right to make an Election may be extended). In this connection, you are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Withdrawals

If you have returned a Form of Election and subsequently wish to withdraw or amend that Election, please contact Computershare in writing by the Election Return Time, which is currently expected to be 1.00 p.m. on 1 March 2018 (or such other time (if any) to which the right to make an Election may be amended). Please specify clearly whether you would like to withdraw or amend the Election that you have made, and ensure that your request contains an original signature. Any written requests of this nature should be sent to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE. It is at Computershare’s absolute discretion to require the submission of a new Form of Election if an amendment is requested.

If your Election was made through an Electronic Election, you may withdraw your Election through CREST by sending (or, if you are a CREST sponsored member, procuring that your CREST sponsor sends) an ESA instruction to settle in CREST by no later than 1.00 p.m. on 1 March 2018, in relation to each Election to be withdrawn. Each ESA instruction must, in order for it to be valid and to settle, include the following details:

- (a) the number of Booker Shares to be withdrawn;
- (b) the ISIN number of the Booker Shares to be withdrawn, which is “GB00B01TND91”;
- (c) your member account ID;
- (d) your participant ID;
- (e) the participant ID of the escrow agent, Computershare, in its capacity as a CREST Receiving Agent. This is “3RA25”;
- (f) the relevant member account ID(s) of the escrow agent, Computershare, in its capacity as a CREST Receiving Agent included in the relevant Election (this is either “BOOKCA02” if a Cash Election was made or “BOOKSH01” if a Share Election was made);
- (g) the CREST transaction ID of the Election to be withdrawn;
- (h) the intended settlement date for the withdrawal;

- (i) the corporate action number for the transaction: this is allocated by Euroclear and can be found by viewing the relevant corporate action details on screen in CREST; and
- (j) CREST standard delivery instructions priority of 80.

Any such withdrawal will be conditional upon Computershare verifying that the withdrawal request is validly made. Accordingly, Computershare will, on behalf of Booker and Tesco, reject or accept the withdrawal or amendment by transmitting in CREST a receiving agent reject (“**AEAD**”) or receiving agent accept (“**AEAN**”) message.

Late or incomplete Elections

If any Form of Election or Electronic Election in respect of an Election is either received after the Election Return Time, which is currently expected to be 1.00 p.m. on 1 March 2018 (or such other time (if any) to which the right to make an Election may be amended), or is received before such time and date but is not valid or complete in all respects at such time and date, such Election shall, for all purposes, be void unless and to the extent that Booker and Tesco, in their absolute discretion, elect to treat as valid, in whole or in part, any such Election (and in such case it shall be treated as a valid Election in whole or in part).

General

Without prejudice to any other provision of this section or the Form of Election or otherwise, Booker and Tesco reserve the right (subject to the terms of the Merger and the provisions of the Takeover Code) to treat as valid in whole or in part any Election which is not entirely in order.

No acknowledgements of receipt of any Form of Election, Electronic Election or other documents will be given. All communications, notices, other documents and remittances to be delivered by, or to or sent to or from, holders of Booker Shares (or their designated agent(s)) or as otherwise directed will be delivered by or to, or sent to or from, such holders of Booker Shares (or their designated agent(s)) at their own risk.

Booker and Tesco and their respective agents reserve the right to notify any matter to all or any Booker Shareholders with registered addresses outside the UK, or to the nominees, trustees or custodians for such Booker Shareholders, by announcement in the UK or paid advertisement in any daily newspaper published and circulated in the UK or any part thereof, in which case such notice shall be deemed to have been sufficiently given, notwithstanding any failure by any such Booker Shareholders to receive or see such notice. All references in this document to notice in writing, or the provision of information in writing, by or on behalf of Booker, Tesco and their respective agents shall be construed accordingly. No such document shall be sent to an address outside the UK where it would or might infringe the laws of that jurisdiction or would or might require Booker or Tesco to obtain any governmental or other consent or to effect any registration, filing or other formality with which, in the opinion of Booker or Tesco, it would be unable to comply or which it regards as unduly onerous.

The Forms of Election and all Elections thereunder, and all action taken or made, or deemed to be taken or made, pursuant to any of these terms, shall be governed by and interpreted in accordance with English law.

Execution of a Form of Election or the submission of an Electronic Election by or on behalf of a Booker Shareholder will constitute his or her agreement that the courts of England are (subject to the paragraph below) to have non-exclusive jurisdiction to settle any dispute which may arise in connection with the creation, validity, effect, interpretation or performance of the Form of Election or the submission of an Electronic Election, and for such purposes that he irrevocably submits to the jurisdiction of the English courts.

Execution of a Form of Election or the submission of an Electronic Election by or on behalf of a Booker Shareholder will constitute his or her agreement that the agreement in the paragraph above is included for the benefit of Booker and Tesco and their respective agents and, accordingly, notwithstanding the agreement in the paragraph above, each of Booker and Tesco and their respective agents shall retain the right to, and may in its absolute discretion, bring proceedings in the courts of any other country which may have jurisdiction, and that the electing Booker Shareholder irrevocably submits to the jurisdiction of the courts of any such country.

If the Scheme is not implemented in accordance with its terms, any Election made shall cease to be valid.

None of Booker, Tesco, Computershare nor any of their respective advisers or any person acting on behalf of any one of them shall have any liability to any person for any loss or alleged loss arising from any decision as to the treatment of Elections on any of the bases set out in this section or otherwise in connection therewith.

Unsettled trades

As at the close of trading on the last day of dealings in Booker Shares prior to the Effective Date, there may be unsettled, open trades for the sale and purchase of Booker Shares within CREST. The Booker Shares that are the subject of such unsettled trades will be treated under the Scheme in the same way as any other Booker Shares registered in the name of the relevant seller under that trade. Consequently, those Booker Shares will be transferred under the Scheme and the seller will receive the Consideration in accordance with the terms of the Merger and any valid Election made by the seller on behalf of the buyer. However, CREST will automatically require the seller to settle that unsettled trade in Tesco Shares at the same exchange ratio provided by the terms of the Merger. Consequently, a seller within CREST will need to ensure that it holds or acquires the appropriate number of Tesco Shares necessary to satisfy that trade at the relevant time. This position will be confirmed in due course by way of a CREST bulletin to all CREST participants.

Helpline

If you have any queries relating to this document or the completion and return of the Forms of Proxy or the Form of Election, please call the Booker Shareholder Helpline between 9.00 a.m. and 5.00 p.m. Monday to Friday (except UK public holidays) on +44 (0)370 889 3230. Calls will be charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Booker Shareholder Helpline operators cannot provide advice on the merits of the Scheme or the Merger or give any financial, legal, investment or tax advice.

PART VIII
DEFINITIONS

The following definitions apply throughout this document, other than in the Scheme set out at the end of this document and in the notices of the Booker Shareholder Meetings, unless the context requires otherwise:

“2016/17 Final Dividend”	has the meaning set out in Appendix 2;
“2016/17 Special Dividend”	has the meaning set out in Appendix 2;
“2017/18 Final Dividend”	has the meaning set out in Appendix 2;
“2017/18 Interim Dividend”	has the meaning set out in Appendix 2;
“2018/19 Interim Dividend”	has the meaning set out in Appendix 2;
“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”	the lawful currency of the UK;
“Accrued Booker Dividend”	has the meaning set out in Appendix 2;
“Accrued Tesco Dividend”	has the meaning set out in Appendix 2;
“Additional Confidentiality Agreements”	has the meaning set out in Part V (<i>Additional Information</i>);
“ADRs”	American Depositary Receipts;
“AEAD”	a receiving agent reject message transmitted in CREST in connection with the Mix and Match Facility, as further defined in Part VII (<i>Notes for making Elections under the Mix and Match Facility</i>);
“AEAN”	a receiving agent accept message transmitted in CREST in connection with the Mix and Match Facility, as further defined in Part VII (<i>Notes for making Elections under the Mix and Match Facility</i>);
“Announcement”	the joint announcement of the Merger, dated 27 January 2017, by Tesco and Booker in accordance with Rule 2.7 of the Takeover Code;
“associated undertaking”	shall be construed in accordance with paragraph 19 of Schedule 6 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (but for this purpose ignoring paragraph 19(1)(b) of Schedule 6 to those regulations);
“Authorisation”	has the meaning set out at the end of Part A of Part III (<i>Conditions to and further terms of the Scheme and the Merger</i>);
“Barclays”	Barclays Bank PLC, acting through its Investment Bank;
“B Shares”	the unlisted redeemable shares of 3.2 pence each previously forming part of the capital of Booker which have been redeemed and cancelled;
“Booker”	Booker Group plc, registered in England and Wales with registered number 05145685;
“Booker Annual Report and Accounts 2017”	the annual report and accounts of Booker Group for the year ending 24 March 2017;
“Booker Articles”	the articles of association of Booker in force from time to time;
“Booker Board”	the board of directors of Booker at the date of this document or, where the context so requires, the board of directors of Booker from time to time;
“Booker Board Recommendation”	has the meaning set out in Part V (<i>Additional Information</i>);

“Booker Directors”	the directors of Booker as at the date of this document or, where the context so requires, the directors of Booker from time to time;
“Booker General Meeting”	the general meeting of Booker Shareholders (and any adjournment thereof) convened for the purposes of considering and, if thought fit, approving the Special Resolution required to implement the Scheme;
“Booker Group”	Booker, its subsidiaries and its subsidiary undertakings from time to time;
“Booker Pensions Scheme”	the defined benefit pension arrangement based on final salary of Booker Group;
“Booker Scheme Shareholders”	holders of Booker Scheme Shares;
“Booker Scheme Shares”	Booker Shares: <ul style="list-style-type: none"> (a) in issue as at the date of the Scheme Document; (b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and (c) (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, and in each case remaining in issue at the Scheme Record Time excluding any Excluded Shares;
“Booker Share Plans”	the Booker Performance Share Plan 2008 (including the UK tax-favoured appendix) as amended from time to time and the Booker Savings Related Share Option Plan 2008 as amended from time to time;
“Booker Shareholder Helpline”	the Booker Shareholder helpline, established for the purposes of the Merger, details of which are set out on page 4 of this document;
“Booker Shareholder Meetings”	the Court Meeting and the Booker General Meeting;
“Booker Shareholders”	the registered holders of Booker Shares from time to time;
“Booker Shares”	the ordinary shares of one penny each in the capital of Booker from time to time;
“Budgens Pension Scheme”	the trust based occupational defined benefit pension scheme operated by Booker;
“Business Day”	a day, other than a Saturday, Sunday or public or bank holiday, when banks are open for business in London;
“Cash Election”	an Election to receive a greater proportion of cash for each Booker Scheme Share pursuant to the terms of the Mix and Match Facility;
“certificated” or “in certificated form”	a share or other security which is not in uncertificated form (that is, not in CREST);
“Citi”	Citigroup Global Markets Limited;
“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 17 of Part II (<i>Explanatory Statement</i>);

“Closing Price”	the closing, middle market quotation of a share as derived from the Daily Official List;
“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, Charles Wilson and Stewart Gilliland;
“Combined Group’s Executive Committee”	the executive committee of Tesco as at the date of completion of the Merger and Charles Wilson;
“Companies Act 2006”	the Companies Act 2006, as amended from time to time;
“Company’s Confirmation Statement”	the statement described as such and set out in Appendix 1;
“Compensation Scheme”	has the meaning set out in Part V (<i>Additional Information</i>);
“Completion”	in the context of the Merger: <ul style="list-style-type: none"> (a) if the Merger is implemented pursuant to the Scheme, the Scheme having become Effective and all other Conditions having been fulfilled or (if capable of waiver) waived; or (b) if the Merger is implemented by way of a Takeover Offer, the Takeover Offer having become or been declared unconditional in all respects;
“Computershare”	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE;
“Conditions”	the conditions to the implementation of the Merger as set out in Part III (<i>Conditions to and further terms of the Scheme and the Merger</i>) of this document and “Condition” means such one or more of them as the context may require;
“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 of a New Tesco Share 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 in England and Wales;

“Court Meeting”	the meeting of Booker Shareholders to be convened at the direction of the Court pursuant to Part 26 of the Companies Act 2006 at which a resolution will be proposed to approve the Scheme with or without modification, including any adjournment thereof;
“Court Order”	the order of the Court sanctioning the Scheme under Part 26 of the Companies Act 2006 and authorising the re-registration of Booker as a private company under section 651 of the Companies Act 2006;
“CREST”	the relevant system (as defined in the Regulations) in respect of which Euroclear is the Operator (as defined in the Regulations);
“CREST Manual”	the CREST Manual published by Euroclear, as amended from time to time;
“CREST Proxy Instructions”	a properly authenticated CREST message appointing and instructing a proxy to attend and vote in place of a Booker Shareholder in the Court Meeting and/or the Booker General Meeting and containing the information required to be contained in the CREST Manual;
“CSOP”	a company share option plan;
“Daily Official List”	the daily official list of the London Stock Exchange;
“Dealing Disclosure”	an announcement pursuant to Rule 8 of the Takeover Code containing details of dealings in relevant securities of a party to an offer;
“Deloitte”	Deloitte LLP;
“Disclosed”	the information fairly disclosed by, or on behalf of Booker: (i) in the Annual Report and Accounts of the Booker Group for the financial year ended 25 March 2016; (ii) in the Announcement; (iii) in any other public announcement made by Booker in accordance with the Market Abuse Regulation, Listing Guidance, Disclosure Rules or Transparency Rules of the FCA after 25 March 2016; or (iv) as fairly disclosed in writing prior to the date of the Announcement by or on behalf of Booker to Tesco (or its respective officers, advisers, employees or agents in their capacity as such);
“DPA”	has the meaning set out in Part V (<i>Additional Information</i>);
“Earnings”	Booker’s profits after tax, calculated and determined in accordance with and consistent with past practice;
“Effective”	in the context of the Merger: (i) if the Merger is implemented by way of the Scheme, the Scheme having become effective pursuant to its terms; or (ii) if the Merger is implemented by way of the Takeover Offer, the Takeover Offer having been declared or having become unconditional in all respects in accordance with the requirements of the Takeover Code;
“Effective Date”	the date upon which either: <ul style="list-style-type: none"> (a) the Scheme becomes effective, in accordance with its terms; or (b) if Tesco elects to implement the Merger by way of a Takeover Offer becomes or is declared unconditional in all respects;
“Election”	an election made in accordance with the Scheme in respect of the Mix and Match Facility, including both an Electronic Election and an election made by a Form of Election;
“Election Return Time”	1.00 p.m. on the Business Day immediately prior to the date of the hearing to sanction this Scheme or such later date and time (if any) as

	Booker and Tesco may agree and Tesco may announce through a Regulatory Information Service;
“Electronic Election”	a transfer to escrow election made in accordance with the Scheme in respect of the Mix and Match Facility by a Booker Shareholder who holds Booker Shares in uncertificated form immediately prior to the Election Return Time;
“Euro Notes”	selected series of euro denominated notes issued by Tesco Corporate Treasury Services PLC as defined in Part V (<i>Additional Information</i>);
“Euroclear”	Euroclear UK & Ireland Limited incorporated in England and Wales with registration number 02878738;
“Excluded Shares”	any Booker Shares beneficially owned by Tesco or any subsidiary undertaking of Tesco immediately prior to the Scheme Record Time;
“Executive Directors”	has the meaning set out in Part V (<i>Additional Information</i>);
“Explanatory Statement”	the explanatory statement (in compliance with Part 26 of the Companies Act 2006) relating to the Scheme, as set out in Part II (<i>Explanatory Statement</i>) of this document;
“FCA”	the Financial Conduct Authority or its successor from time to time;
“FCA Handbook”	the FCA’s Handbook of rules and guidance as amended from time to time;
“Fitch”	Fitch Ratings Limited;
“Form of Election”	the form of election relating to the Mix and Match Facility sent to Booker Scheme Shareholders who hold their Booker Scheme Shares in certificated form other than holders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction;
“Forms of Proxy”	the blue form of proxy for use at the Court Meeting and the white form of proxy for use at the Booker General Meeting, both of which accompany this document, and a “Form of Proxy” means either of them as the context requires;
“FSMA”	the Financial Services and Markets Act 2000, as amended from time to time;
“Governance Code”	the UK Corporate Governance Code;
“Greenhill”	Greenhill & Co. International LLP;
“HMRC”	HM Revenue & Customs;
“IFRS”	International Financial Reporting Standards (as adopted in the European Union);
“Information”	has the meaning set out in Part V (<i>Additional Information</i>);
“Investec”	Investec Group (UK) Limited;
“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 Stock Exchange”	the Irish Stock Exchange plc;
“ISA”	an Individual Savings Account;

“Joining Forces Team”	the integration team established by Tesco and Booker, bringing together the relevant capabilities of both businesses described in paragraph 7 of Part I (<i>Letter from the Chairman of Booker Group plc</i>) of this document;
“J.P. Morgan Cazenove”	J.P. Morgan Limited (which conducts its UK investment banking activities under the marketing name J.P. Morgan Cazenove);
“Listing Rules”	the listing rules, made by the FCA under Part 6 FSMA, referred to in Section 73A(2) of the same, contained in the FCA’s publication of the same name and as amended from time to time;
“Lock-up Agreement”	the lock-up agreement between Charles Wilson, the Chief Executive of Booker, and Tesco, entered into on 27 January 2017;
“Londis Pension Scheme”	the trust based occupational defined benefit pension scheme operated by Booker;
“London Stock Exchange”	London Stock Exchange plc, together with any successors thereto;
“Long-stop Date”	30 November 2018, or such later date as may be agreed in writing by Booker and Tesco (with the Panel’s consent and as the Court may approve (if such approval(s) are required));
“Main Market”	the main market for listed securities of the London Stock Exchange;
“Market Abuse Regulation”	the Market Abuse Regulation (2014/596/EU);
“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 Panel) by way of the Takeover Offer;
“Mix and Match Election”	any election by Booker Shareholders in connection with the Mix and Match Facility;
“Mix and Match Facility”	the 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 Mix and Match Elections made by other Booker Shareholders, elect to vary the proportions in which they receive New Tesco Shares and cash as part of the Consideration on the basis of, for every 42.6 pence in cash 0.206495395055744 of a New Tesco Share, or for every 0.861 of a New Tesco Share 177.6243 pence in cash;
“Moody’s”	Moody’s Investors Service Limited;
“New Tesco Shares”	the Tesco Shares which are to be issued pursuant to the Merger;
“Nominated Person”	has the meaning set out on page 6 of this document;
“Non-Executive Directors”	has the meaning set out in Part V (<i>Additional Information</i>);
“Non-US Notes”	certain euro and sterling denominated notes issued by Tesco as defined in Part V (<i>Additional Information</i>);
“Offer Document”	should Tesco elect to make the Takeover Offer, the document to be sent to Booker Shareholders which will contain, <i>inter alia</i> , the terms and conditions of the Takeover Offer;
“Offer Period”	the period commencing on 27 January 2017 with the Announcement and ending on the later of (i) the date of Completion; or (ii) the date on which the Merger lapses or is withdrawn (or such other date as the Panel may decide);

“Official List”	the official list maintained by the FCA;
“Opening Position Disclosure”	an announcement containing details of interests or short positions in, or rights to subscribe for, any relevant securities of a party to the offer if the person concerned has such a position;
“Options”	has the meaning set out in paragraph 12 of Part II (<i>Explanatory Statement</i>);
“Overseas Shareholders”	Booker Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“Permitted Booker Dividend” or “Permitted Booker Dividends”	has the meaning set out in Appendix 2;
“PRA”	Prudential Regulation Authority or its successor from time to time;
“Proposed Tesco Directors”	Charles Wilson and Stewart Gilliland, who it is proposed shall join the Tesco Board on completion of the Merger;
“Prospectus”	the prospectus to be published by Tesco at or around the same time as this document 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 and Irish Admission;
“Receiving Agent”	the receiving agent appointed for the purposes of the Scheme, being Computershare;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755);
“Regulatory Conditions”	the Conditions set out in paragraphs 5 to 7 (inclusive) of Part A of Part III (<i>Conditions to and further terms of the Scheme and the Merger</i>) to this document so far as the relevant Third Party under those Conditions is a Relevant Authority, as defined in the Co-operation Agreement;
“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. For the avoidance of doubt, the United States is not a Restricted Jurisdiction for the purposes of the Scheme (including the Mix and Match Facility). Please refer to paragraph 20 of Part II (<i>Explanatory Statement</i>);
“Restricted Overseas Shareholder”	Booker Scheme Shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction;
“ROI”	the Republic of Ireland;
“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;
“RIS” or “Regulatory Information Service”	a regulatory information service as defined in the FCA Handbook;
“Scheme”	the scheme of arrangement proposed to be made under Part 26 of the Companies Act 2006 to effect the Merger between Booker and the Booker Scheme Shareholders, as set out in Part IX (<i>The Scheme of Arrangement</i>) of this document with or subject to any modification, addition or condition approved or imposed by the Court and agreed by Booker and Tesco;

“Scheme Court Sanction Hearing”	the hearing by the Court to sanction the Scheme;
“Scheme Record Time”	6.00 p.m. on the Business Day immediately prior to the Effective Date;
“Scheme Voting Record Time”	6.00 p.m. on 26 February 2018 or if the Court Meeting is adjourned, 6.00 p.m. 48 hours (excluding any part of a day that is not a working day) before the date of such adjourned meeting;
“SDRT”	United Kingdom stamp duty reserve tax;
“SEC”	the US Securities and Exchange Commission or any successor agency thereto;
“Securities Act”	the United States Securities Act 1933 (as amended) and the rules and regulations promulgated thereunder;
“Service Agreement Amendment Deed”	the service agreement amendment deed between Charles Wilson, Tesco and Booker, dated 27 January 2017;
“SFO”	has the meaning set out in Part V (<i>Additional Information</i>);
“Share Election”	an Election to receive a greater proportion of New Tesco Shares for each Booker scheme share pursuant to the terms of the Mix and Match Facility;
“Standard & Poor’s”	Standard & Poor’s Credit Market Services Europe Limited;
“Special Resolution”	the special resolution to be proposed at the Booker General Meeting in connection with the Scheme;
“Sterling Notes”	sterling denominated notes issued by Tesco as defined in Part V (<i>Additional Information</i>);
“subsidiary”, “subsidiary undertaking” and “undertaking”	shall be construed in accordance with the Companies Act 2006;
“Substantial Interest”	a direct or indirect interest in 20 per cent. or more of the voting equity capital of an undertaking;
“Synergy Team”	has the meaning set out in Appendix 1;
“Takeover Code”	the Takeover Code issued by the Panel on Takeovers and Mergers, as amended from time to time;
“Takeover Offer”	should Tesco elect to implement the Merger by way of a takeover offer (as defined in section 974 of the Companies Act 2006), 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 (<i>Conditions to and further terms of the Scheme and the Merger</i>) and to be set out in the Offer Document and, where the context admits, any subsequent revision, variation, extension or renewal of such Takeover Offer;
“Tesco”	Tesco PLC, incorporated in England and Wales with registered number 00445790 and, following the Effective Date, the Combined Group;
“Tesco 2017 FY”	has the meaning set out in Appendix 2;
“Tesco 2017/18 Final Dividend”	has the meaning set out in Appendix 2;
“Tesco 2017/18 Interim Dividend”	has the meaning set out in Appendix 2;
“Tesco 2018/19 Interim Dividend”	has the meaning set out in Appendix 2;

“Tesco Board”	the board of directors of Tesco as at the date of this document or, where the context so requires, the board of directors of Tesco from time to time;
“Tesco Board Recommendation”	has the meaning set out in Part II (<i>Explanatory Statement</i>);
“Tesco Directors”	the directors of Tesco as at the date of this document or, where the context so requires, the directors of Tesco from time to time;
“Tesco General Meeting”	the general meeting of Tesco to consider and, if thought fit, to approve, amongst other things, the Merger, including any adjournment thereof;
“Tesco Group”	Tesco, its subsidiaries and its subsidiary undertakings from time to time;
“Tesco Quantified Financial Benefits Statement”	the statement described as such and set out in Appendix 1;
“Tesco Resolution”	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 Shareholder Circular”	the circular to be sent to Tesco Shareholders outlining the Merger and containing the notice convening the Tesco General Meeting;
“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;
“Tesco’s 2016 Annual Report and Financial Statements”	the annual report and audited financial statements of Tesco for the year ended 27 February 2016;
“Third Party”	any central bank, government, government department or governmental, quasi-governmental, supranational, statutory, regulatory, environmental or investigative body, authority (including any national or supranational anti-trust or merger control authority), court, trade agency, association, institution or professional or environmental body or any other person or body whatsoever in any relevant jurisdiction, including, for the avoidance of doubt, the Panel;
“TSL”	Tesco Stores Limited, incorporated in England and Wales with registered number 00519500;
“UK Admission”	admission of the New Tesco Shares to the premium listing segment of the Official List and to trading on the Main Market;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for listing under FSMA;
“uncertificated” or “in uncertificated form”	in relation to a share or other security, a share or other security which is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST;
“United Kingdom” or “UK”	the United Kingdom of Great Britain and Northern Ireland;
“United States” or “US” or “USA”	the United States of America, its territories and possessions, any state or political subdivision of the United States of America and the District of Columbia;
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder;
“US Notes”	has the meaning set out in Part V (<i>Additional Information</i>);

“US Person”	a US person as defined in Regulation S under the US Securities Act;
“US Securities Act”	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder;
“VAT”	Value Added Tax and any similar sales or turnover tax;
“Wider Booker Group”	Booker and the subsidiaries and subsidiary undertakings of Booker and associated undertakings (including any joint venture, partnership, firm or company in which any member of the Booker Group is interested or any undertaking in which Booker and such undertakings (aggregating their interests) have a Substantial Interest); and
“Wider Tesco Group”	Tesco and the subsidiaries and subsidiary undertakings of Tesco and associated undertakings (including any joint venture, partnership, firm or company in which any member of the Tesco Group is interested or any undertaking in which Tesco and such undertakings (aggregating their interests) have a Substantial Interest).

Any reference to any provision of any legislation shall include any amendment, modification, re-enactment or extension thereof.

PART IX

THE SCHEME OF ARRANGEMENT

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
COMPANIES COURT (ChD)**

CR-2017-008955

**IN THE MATTER OF BOOKER GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006**

SCHEME OF ARRANGEMENT

(under Part 26 of the Companies Act 2006)

between
Booker Group plc
and
the Booker Scheme Shareholders
(as hereinafter defined)

PRELIMINARY

In this Scheme, unless inconsistent with the subject or context, the following expressions shall bear the following meanings:

“2016/17 Special Dividend”	a special dividend of 3.02 pence per Booker Share paid by Booker on 7 July 2017;
“2017/18 Final Dividend”	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;
“2017/18 Interim Dividend”	an interim dividend of 0.69 pence per Booker Share paid by Booker in respect of the financial period ended 8 September 2017;
“2018/19 Interim Dividend”	an interim dividend of up to 0.76 pence per Booker Share in respect of the 24 weeks ending 14 September 2018;
“Accrued Booker Dividend”	has the meaning set out in the Annex to this Scheme;
“Accrued Tesco Dividend”	has the meaning set out in the Annex to this Scheme;
“Admission”	admission of the New Tesco Shares to the Official List with a premium listing and to trading on the Main Market;
“Booker Scheme Shareholders”	holders of Booker Scheme Shares;
“Booker Scheme Shares”	Booker Shares: <ul style="list-style-type: none">(i) in issue at the date of the Scheme Document;(ii) (if any) issued after the date of the Scheme Document but prior to the Scheme Voting Record Time; and(iii) (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 this Scheme or in respect of which the holders thereof shall have agreed in writing to be bound by this Scheme,

	and in each case remaining in issue at the Scheme Record Time excluding any Excluded Shares;
“Booker Share Plans”	the Booker Performance Share Plan 2008 (including the UK tax-favoured appendix) as amended from time to time and the Booker Savings Related Share Option Plan 2008 as amended from time to time;
“Booker Shares”	the ordinary shares of one penny each in the capital of Booker from time to time;
“Business Day”	a day, other than a Saturday, Sunday or public or bank holiday, when banks are open for business in London;
“certificated” or “in certificated form”	not in uncertificated form (that is, not in CREST);
“Closing Dividend”	as defined in Clause 4.2 of this Scheme and the Annex to this Scheme;
“Companies Act 2006”	the Companies Act 2006 (as amended);
“Company” or “Booker”	Booker Group plc, a company incorporated in England and Wales with registered number 05145685, whose registered office is at Equity House, Irthlingborough Road, Wellingborough, Northants NN8 1LT;
“Computershare” or “Registrars”	Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, being the registrars of the Company;
“Consideration”	the basic consideration payable to Booker Scheme Shareholders pursuant to this Scheme comprising a share component of 0.861 of a New Tesco Share per Booker Share and a cash component of 42.6 pence per Booker Share, subject to final allocations under the Mix and Match Facility;
“Court”	the High Court of Justice in England and Wales;
“Court hearing”	the hearing by the Court to sanction this Scheme;
“Court Meeting”	the meeting of the holders of the Booker Shares, convened by order of the Court pursuant to Part 26 of the Companies Act 2006 to consider and, if thought fit, approve this Scheme with or without modification, including any adjournment thereof;
“Court Order”	the order of the Court sanctioning this Scheme under Part 26 of the Companies Act 2006 and authorising the re-registration of Booker as a private company under section 651 of the Companies Act 2006;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001) in respect of which Euroclear is the Operator (as defined in the Uncertificated Securities Regulations 2001);
“Earnings”	Booker’s profits after tax, calculated and determined in accordance with and consistent with past practice;
“Effective”	this Scheme having become effective pursuant to its terms;
“Effective Date”	the date on which this Scheme becomes Effective;
“Election”	an election made in accordance with this Scheme in respect of the Mix and Match Facility, including both an Electronic Election and an election made by a Form of Election;
“Election Return Time”	1.00 p.m. on the Business Day immediately prior to the Court hearing or such later date and time (if any) as Booker and Tesco may agree and Tesco may announce through a Regulatory Information Service;

“Electronic Election”	a transfer to escrow election made in accordance with this Scheme in respect of the Mix and Match Facility by a Booker Shareholder who holds Booker Shares in uncertificated form immediately prior to the Election Return Time;
“Euroclear”	Euroclear UK & Ireland Limited incorporated in England and Wales with registered number 02878738;
“Excluded Shares”	any Booker Shares beneficially owned by Tesco or any subsidiary undertaking of Tesco immediately prior to the Scheme Record Time;
“FCA”	the Financial Conduct Authority or its successor from time to time;
“FCA Handbook”	the FCA’s Handbook of rules and guidance as amended from time to time;
“Form of Election”	the form of election relating to the Mix and Match Facility sent to Booker Scheme Shareholders who hold their Booker Scheme Shares in certificated form other than holders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction;
“holder”	a registered holder and includes a person entitled by transmission;
“Irish Official List”	the official list maintained by the Irish Stock Exchange;
“Irish Stock Exchange”	the Irish Stock Exchange plc;
“London Stock Exchange”	London Stock Exchange plc, together with any successors thereto;
“Main Market”	the main market for listed securities of the London Stock Exchange;
“Merger”	the proposed acquisition of the entire issued and to be issued share capital of Booker by Tesco, to be implemented by way of this Scheme or (should Tesco so elect, subject to the consent of the Panel) by way of a takeover offer;
“members”	members of Booker on the register of members at any relevant date;
“Mix and Match Facility”	the facility provided for in this Scheme under which Booker Scheme Shareholders (other than holders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction) may elect to vary the proportions in which they receive New Tesco Shares and cash as part of the Consideration on the basis of, for every 42.6 pence in cash 0.206495395055744 of a New Tesco Share, or for every 0.861 of a New Tesco Share 177.6243 pence in cash;
“New Tesco Shares”	the Tesco Shares which are to be issued pursuant to this Scheme;
“Official List”	the official list maintained by the FCA;
“Overseas Shareholders”	Booker Scheme Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom;
“Panel”	the Panel on Takeovers and Mergers;
“Permitted Booker Dividends”	as described in Appendix 2 of the Scheme Document;
“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Regulatory Information Service”	a regulatory information service as defined in the FCA Handbook;
“Relevant Share Elections”	has the meaning set out in sub-Clause 3.13(b)(iii)(A);
“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 Scheme

	Shareholders in that jurisdiction, or the Mix and Match Facility is made available to Booker Scheme Shareholders in that jurisdiction. For the avoidance of doubt, the United States is not a Restricted Jurisdiction for the purposes of this Scheme (including the Mix and Match Facility). Please refer to paragraph 20 of Part II (<i>Explanatory Statement</i>) of the Scheme Document;
“Restricted Overseas Shareholder”	Booker Scheme Shareholders with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction;
“Scheme”	this scheme of arrangement in its present form or with or subject to any modification, addition or condition which Booker and Tesco may agree and which the Court may approve or impose;
“Scheme Document”	the circular dated 5 February 2018, sent by Booker to Booker Scheme Shareholders and persons with information rights of which this Scheme forms part;
“Scheme Record Time”	6.00 p.m. on the Business Day immediately prior to the Effective Date;
“Scheme Voting Record Time”	6.00 p.m. on 26 February 2018 or, if the Court Meeting is adjourned, 6.00 p.m. 48 hours (excluding any part of a day that is not a working day) before the date of such adjourned meeting;
“subsidiary undertaking”	shall be construed in accordance with the Companies Act 2006;
“Tesco”	Tesco PLC, a company incorporated in England and Wales (registered number 00445790), whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA;
“Tesco 2017 FY”	has the meaning set out in the Annex to this Scheme;
“Tesco 2017/18 Final Dividend”	has the meaning set out in the Annex to this Scheme;
“Tesco 2017/18 Interim Dividend”	has the meaning set out in the Annex to this Scheme;
“Tesco 2018/19 Interim Dividend”	has the meaning set out in the Annex to this Scheme;
“Tesco Group”	Tesco, its subsidiaries and its subsidiary undertakings from time to time;
“Tesco Shares”	the ordinary shares of five pence each in the capital of Tesco from time to time;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for listing under the Financial Services and Markets Act 2000; and
“uncertificated” or “in uncertificated form”	recorded on the relevant register as being held in uncertificated form in CREST and title to which, by virtue of the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), may be transferred by means of CREST,

and where the context so admits or requires, the plural includes the singular and *vice versa*.

All references in this Scheme to times are to times in London (unless otherwise stated).

References to Clauses and sub-Clauses are to clauses or sub-clauses of this Scheme.

- (a) The issued share capital of Booker at 1 February 2018 (being the latest practicable date prior to the date of this Scheme) is £17,921,952 divided into fully paid ordinary shares of one penny each. Booker did not hold any Booker Shares in treasury as at the close of business on 1 February 2018 (being the latest practicable date prior to the date of this Scheme).
- (b) Share options to acquire up to 41,370,772 Booker Shares have been awarded and remain outstanding as at 1 February 2018 (being the latest practicable date prior to the date of this Scheme) pursuant to the Booker Share Plans.

- (c) At the date of this Scheme, no Booker Shares are registered in the name of or beneficially owned by Tesco and other members of the Tesco Group.
- (d) Tesco has agreed to appear by Counsel on the hearing to sanction this Scheme and to undertake to the Court to be bound thereby and to execute and do and procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to this Scheme.
- (e) Tesco will rely upon the Court's sanctioning of this Scheme for the purpose of qualifying for the exemption from the registration requirements on the US Securities Act of 1933, as amended, provided by section 3(a)(10) thereof with respect to the New Tesco Shares to be issued pursuant to this Scheme.

THE SCHEME

1. Transfer of the Booker Scheme Shares

- 1.1 On the Effective Date, Tesco and/or its nominee(s) shall acquire all of the Booker Scheme Shares fully paid up, with full title guarantee, 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 at the date of this Scheme or thereafter, including voting rights and entitlement to receive and retain all dividends and other distributions declared, paid or made by Booker on or after the date of this Scheme, save that Tesco and/or its nominee(s) shall not be entitled to any Permitted Booker Dividends.
- 1.2 For such purposes, the Booker Scheme Shares shall be transferred to Tesco and/or its nominee(s) by means of a form of transfer or other instrument or instruction of transfer and to give effect to such transfer any person may be appointed by Tesco as attorney and/or agent and/or otherwise and shall be authorised as such attorney and/or agent and/or otherwise on behalf of the relevant holder of Booker Scheme Shares to execute and deliver, as transferor, a form of transfer or other instrument or instruction of transfer (whether as a deed or otherwise), or procure the transfer by means of CREST, of such Booker Scheme Shares and every form, instrument or instruction of transfer so executed shall be effective as if it had been executed by the holder or holders of the Booker Scheme Shares thereby transferred. Such form of transfer shall be the principal instrument of transfer.
- 1.3 Pending the transfer of the Booker Scheme Shares pursuant to Clause 1.2, each Booker Scheme Shareholder irrevocably appoints Tesco and/or its nominee(s) as their attorney and/or agent and/or otherwise to exercise (in place of and to the exclusion of the relevant Booker Scheme Shareholder) any voting rights attached to the Booker Scheme Shares and any or all rights and privileges attaching to the Booker Scheme Shares, to sign any consent to short notice of a general or separate class meeting and on their behalf to execute a form of proxy in respect of such shares appointing any person nominated by Tesco to attend general and separate class meetings of the Company and authorises the Company to send to Tesco any notice, circular, warrant or other document or communication which may be required to be sent to them as a member of the Company, such that from the Effective Date, no Booker Scheme Shareholder shall be entitled to exercise any voting rights attached to the Booker Scheme Shares or any other rights or privileges attaching to the Booker Scheme Shares.

2. Consideration for transfer of the Booker Scheme Shares

- 2.1 Not more than 14 days after the Effective Date (or such other period as may be approved by the Panel), in consideration of the transfer of the Booker Scheme Shares to Tesco, Tesco shall subject to the remaining provisions of this Scheme:
 - (a) pay or procure that there shall be paid to or for the account of each Booker Scheme Shareholder (as appearing in the register of members of Booker at the Scheme Record Time) 42.6 pence in cash per Booker Scheme Share held by the Booker Scheme Shareholder at the Scheme Record Time; and
 - (b) issue to each Booker Scheme Shareholder (as appearing in the register of members of Booker at the Scheme Record Time), 0.861 New Tesco Shares per Booker Scheme Share held by the Booker Scheme Shareholder at the Scheme Record Time.
- 2.2 The New Tesco Shares issued pursuant to Clause 2.1(b) and the remaining provisions of this Scheme 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 this Scheme, 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 and to participate in the assets of Tesco upon winding up of Tesco. Applications will be made to (i) the UK Listing Authority and to the London Stock Exchange for the New Tesco Shares to be admitted to the premium listing segment of the Official List of the UK Listing Authority and to trading on the Main Market; and (ii) the Irish Stock Exchange for admission 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.

3. Mix and Match Facility

- 3.1 The Consideration due to Booker Scheme Shareholders shall be subject to Elections under the Mix and Match Facility made by such shareholders in their capacity as Booker Scheme Shareholders.
- 3.2 Each Election by a holder of Booker Scheme Shares in certificated form shall be made by completion of a Form of Election, which shall be executed by the Booker Scheme Shareholder or their duly authorised agent (or, in the case of a body corporate, executed by an authorised representative). Booker Scheme Shareholders who hold their Booker Scheme Shares in uncertificated form shall make any such Election by way of an Electronic Election. To be effective, a Form of Election must be completed and returned in accordance with the instructions printed thereon so as to arrive at the offices of the Registrars by no later than the Election Return Time. To be effective, an Electronic Election must be made and received by the Registrars by no later than the Election Return Time.
- 3.3 If a Form of Election or an Electronic Election is received by the Registrars after the Election Return Time or if a Form of Election or an Electronic Election is received by the Registrars before such time but is not, or is deemed not to be, valid or complete in all respects at such time, then such Election shall be void unless and to the extent that Booker and Tesco, in their absolute discretion, elect to treat as valid in whole or in part any such Election (and in such case it shall be treated as a valid Election in whole or in part for the purposes of this Scheme).
- 3.4 Upon execution and delivery by a Booker Scheme Shareholder of a valid Form of Election or the making of a valid Electronic Election, such Booker Scheme Shareholder shall be bound by the terms and provisions contained in the Form of Election or the Electronic Election (as the case may be) and by the terms and provisions contained in the part entitled “Notes for making Elections under the Mix and Match Facility” of the Scheme Document.
- 3.5 A Form of Election duly completed and delivered or an Electronic Election made in accordance with Clause 3.2 above may be withdrawn by notice to the Registrars in writing to be received by the Election Return Time.
- 3.6 If a Booker Scheme Shareholder delivers more than one Form of Election or Electronic Election in respect of his or her Booker Scheme Shares, in the case of an inconsistency between such Forms of Election or Electronic Elections, the last Form of Election or Electronic Election which is delivered by the Election Return Time shall prevail over any earlier Form of Election or Electronic Election. The delivery time for a Form of Election or Electronic Election shall be determined on the basis of which Form of Election or Electronic Election is last sent or, if the Registrars are unable to determine which is last sent, is last received. Forms of Election which are sent in the same envelope shall be treated for these purposes as having been sent and received at the same time, and, in the case of an inconsistency between such Forms of Election, none of them shall be treated as valid (unless the Company and Tesco otherwise determine in their absolute discretion).
- 3.7 Elections made by Booker Scheme Shareholders under the Mix and Match Facility shall not affect the entitlements of Booker Scheme Shareholders who do not make any such Election.
- 3.8 An Election shall only be accepted under the Mix and Match Facility in respect of a whole number of Booker Scheme Shares. Any Election which is made in respect of a number of Booker Scheme Shares which is not a whole number shall be deemed to be made in respect of the nearest whole number of Booker Scheme Shares when rounded down.
- 3.9 A Booker Scheme Shareholder may make an Election in respect of all or part of their holding of Booker Scheme Shares. A Booker Scheme Shareholder may make an Election to receive more cash in respect of some of their Booker Scheme Shares and an Election to receive more New Tesco shares in respect of others.

3.10 The following provisions shall apply:

- (a) the aggregate number of New Tesco Shares to be issued to Booker Scheme Shareholders shall not be increased or decreased as a result of Elections made pursuant to this Clause 3, save where required to accommodate rounding of individual entitlements to the nearest whole New Tesco Share;
- (b) the aggregate amount of cash consideration to be paid to Booker Scheme Shareholders shall not be increased or decreased as a result of Elections made pursuant to this Clause 3;
- (c) Elections made by Booker Scheme Shareholders to receive more New Tesco Shares than they would receive absent such an Election shall be satisfied only to the extent that other Booker Scheme Shareholders make equal and opposite Elections for more cash than they would receive absent such an Election; and
- (d) Elections made by Booker Scheme Shareholders to receive more cash than they would receive absent such an Election shall be satisfied only to the extent that other Booker Scheme Shareholders make equal and opposite Elections to receive more New Tesco Shares than they would receive absent such an Election.

3.11 To the extent that Elections to receive more cash or more New Tesco Shares cannot be satisfied in full:

- (a) the number of Booker Scheme Shares in respect of which each Election has been made shall be scaled down *pro rata* in proportion to the total number of Booker Scheme Shares in respect of which Elections have been made by Booker Scheme Shareholders (or as near thereto as the Company and Tesco in their absolute discretion consider practicable) until and so that all such Elections can be satisfied in full; and
- (b) the balance of the Booker Scheme Shares, the subject of such Election shall be deemed to be Booker Scheme Shares in respect of which no Election has been made.

3.12 If a Booker Scheme Shareholder has made a valid Election in respect of all of their Booker Scheme Shares, then:

- (a) the validity of the Election shall not be affected by any alteration in the number of Booker Scheme Shares held by the Booker Scheme Shareholder at any time prior to the Scheme Record Time; and
- (b) accordingly, the Election shall apply in respect of all of the Booker Scheme Shares which the Booker Scheme Shareholder holds immediately prior to the Scheme Record Time.

3.13 If a Booker Scheme Shareholder has made a valid Election in respect of a specified number of Booker Scheme Shares and immediately prior to the Scheme Record Time the number of Booker Scheme Shares held by the Booker Scheme Shareholder:

- (a) is equal to or exceeds the number of Booker Scheme Shares to which such Election relates, then the validity of the Election made by the Booker Scheme Shareholder shall not be affected by any alteration in the number of Booker Scheme Shares held by the Booker Scheme Shareholder at any time prior to the Scheme Record Time and any reduction in that holding shall be treated first as a disposal of those Booker Scheme Shares in respect of which no Election was made; or
- (b) is less than the number of Booker Scheme Shares to which such Election relates, then:
 - (i) if the Booker Scheme Shareholder has made only a valid Election to receive more cash, such Booker Scheme Shareholder shall be treated as having made such an Election in respect of their entire holding of Booker Scheme Shares;
 - (ii) if the Booker Scheme Shareholder has made only a valid Election to receive more New Tesco Shares, such Booker Scheme Shareholder shall be treated as having made such an Election in respect of their entire holding of Booker Scheme Shares; and

- (iii) if the Booker Scheme Shareholder has made both a valid Election to receive more cash and a valid Election to receive more New Tesco Shares, then:
 - (A) Elections to receive more New Tesco Shares made by the Booker Scheme Shareholder (the “**Relevant Share Elections**”) shall be reduced so as to apply to the number of Scheme Shares calculated by multiplying (x) the number of Booker Scheme Shares held by the Booker Scheme Shareholder immediately prior to the Scheme Record Time by (y) the fraction calculated by dividing the number of Booker Scheme Shares the subject of the Relevant Share Elections by the aggregate number of Booker Scheme Shares the subject of: (i) the Relevant Share Elections; and (ii) Elections to receive more cash made by the Booker Scheme Shareholder, and rounding down to the nearest whole number of Booker Scheme Shares; and
 - (B) the Elections to receive more cash made by the Booker Scheme Shareholder shall be reduced so as to apply to all the Booker Scheme Shares held by the Booker Scheme Shareholder immediately prior to the Scheme Record Time which are not the subject of Relevant Share Elections as scaled down pursuant to sub-Clause (A) above.

3.14 Minor adjustments to the entitlements of Booker Scheme Shareholders pursuant to Elections made under this Scheme may be made by the Registrars with the prior consent of the Company and Tesco on a basis that the Company and Tesco consider to be fair and reasonable to the extent necessary to satisfy all entitlements pursuant to Elections under this Scheme as nearly as may be practicable. Such adjustments shall be final and binding on Booker Scheme Shareholders.

3.15 No Election shall be available to Restricted Overseas Shareholders, and any purported Election by a Restricted Overseas Shareholder shall be void. The Company shall omit to send any Restricted Overseas Shareholder a Form of Election and shall deny any Restricted Overseas Shareholder access to any platform required to effect an Electronic Election.

4. Dividends

4.1 The Booker Scheme Shareholders remain 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.

4.2 In addition, Booker Scheme Shareholders on the register at the Scheme Record Time will be entitled to receive a closing dividend which, in the event of an Effective Date falling on or before 31 March 2018, will be 3.7 pence per Booker Share (the “**Closing Dividend**”). To the extent that the Effective Date falls after 31 March 2018, then the amount of the Closing Dividend will be recalculated in accordance with the Annex to this Scheme or as otherwise agreed between Tesco and Booker.

4.3 The amount of the Closing Dividend will be payable by no later than the day falling 14 days after the Effective Date.

4.4 If Booker announces, declares, makes or pays any dividend or other distribution on or after the date of the Announcement and prior to the Effective Date, other than the Permitted Booker Dividends, or in excess of the Permitted Booker Dividends, Tesco reserves the right to reduce the amount of cash payable and the number of New Tesco Shares to be issued to each Booker Scheme Shareholder in respect of each Booker Share so as to reflect the value attributable to any such dividend or such excess.

5. Settlement of the Consideration

5.1 Settlement of the Consideration shall be effected as follows:

- (a) where, immediately prior to the Scheme Record Time, a Booker Scheme Shareholder holds Booker Scheme Shares in certificated form, settlement of any cash consideration to which the Scheme Shareholder is entitled shall be settled by Tesco by cheque. Cheques shall be despatched as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date;

- (b) where, immediately prior to the Scheme Record Time, a Booker Scheme Shareholder holds Booker Scheme Shares in uncertificated form, settlement of any cash consideration to which the Booker Scheme Shareholder is entitled shall be paid by means of CREST by Tesco procuring that Euroclear is instructed to create an assured payment obligation in favour of the Booker Scheme Shareholder's payment bank in respect of the cash consideration due to them as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date, in accordance with the CREST assured payment arrangements, provided that Tesco reserves the right to make such payment by cheque as set out in Clause 5.1(a) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this Clause 5.1(b);
 - (c) where, immediately prior to the Scheme Record Time, a Booker Scheme Shareholder holds Booker Scheme Shares in certificated form, Tesco shall procure that the entitlement to New Tesco Shares will be effected by the despatch of share certificates representing the New Tesco Shares to which the relevant Booker Scheme Shareholder is entitled, by first class post as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date;
 - (d) where, immediately prior to the Scheme Record Time, a Booker Scheme Shareholder holds Booker Scheme Shares in uncertificated form, settlement of entitlements to New Tesco Shares will be effected through CREST. Tesco shall procure that Euroclear is instructed to credit the appropriate stock account in CREST of the relevant Booker Scheme Shareholder (or such stock account in CREST as that Booker Scheme Shareholder shall, with the approval of Tesco, direct) with such relevant Booker Scheme Shareholder's entitlement to New Tesco Shares as soon as practicable after the Effective Date, and in any event within 14 days of the Effective Date, provided that Tesco reserves the right to settle all or part of such consideration in the manner set out in Clause 5.1(c) if, for reasons outside its reasonable control, it is not able to effect settlement in accordance with this Clause 5.1(d).
- 5.2 As from the Effective Date, each holding of Booker Scheme Shares credited to any stock account in CREST shall be disabled and all Booker Scheme Shares will be removed from CREST in due course.
- 5.3 All deliveries of notices, statements of entitlement and/or cheques required to be made under this Scheme shall be made by sending the same by first class post (or by such other method as may be approved by the Panel) addressed to the person entitled thereto to the address appearing in the register of members of the Company or, in the case of joint holders, to the address of the holder whose name stands first in such register in respect of the joint holding concerned at such time.
- 5.4 All cheques shall be in pounds sterling and drawn on a United Kingdom clearing bank and shall be made payable to the Booker Scheme Shareholder concerned or, in the case of joint holders, to the holder whose name stands first in the register of members of the Company in respect of the joint holding concerned at the Scheme Record Time and the encashment of any such cheque or the creation of any such assured payment obligation as is referred to in Clause 5.1(b) shall be a complete discharge to Tesco for the moneys represented thereby.
- 5.5 Neither the Company nor Tesco shall be responsible for any loss or delay in the transmission of the statements of entitlement, share certificates or cheques sent to Booker Scheme Shareholders in accordance with this Clause 5, which shall be posted at the risk of the Booker Scheme Shareholder.
- 6. Fractional Entitlements**
- 6.1 The aggregate number of New Tesco Shares to which a Scheme Shareholder is entitled shall in each case, be rounded down to the nearest whole number.
- 6.2 Fractions of New Tesco Shares will not be allotted to Booker Scheme Shareholders but will be aggregated and sold as soon as practicable after this 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 Scheme Shareholders in accordance with their fractional entitlements (rounded down to the nearest penny).
- 6.3 Payment of any amounts to which a Booker Scheme Shareholder is entitled under Clause 6.2 will be made in accordance with Clause 5.1(a) or 5.1(b), as appropriate.

7. Overseas Shareholders

7.1 The provisions of Clauses 2, 3, 4, 5 and 6 shall be subject to any prohibition or condition imposed by law. Without prejudice to the generality of the foregoing, if in the case of any Booker Scheme Shareholder, Tesco is advised that the law of a country or territory outside the United Kingdom precludes:

- (a) the allotment, issue or delivery to it of New Tesco Shares under Clause 5; or
- (b) the provision to it of the right to make an election under the Mix and Match Facility; or

in either case, precludes the same except after compliance by the Company or Tesco (as the case may be) with any governmental or other consent or any registration, filing or other formality with which the Company or Tesco (as the case may be) is unable to comply or compliance with which the Company or Tesco (as the case may be) regards as unduly onerous, then:

- (i) the Company and Tesco may, in their sole discretion, determine that the New Tesco Shares shall not be allotted and issued to a Booker Scheme Shareholder to whom Clause 7.1(a) applies but instead shall be allotted and issued to a nominee, appointed by the Company, on terms that the nominee shall be authorised on behalf of such Booker Scheme Shareholder to procure that such New Tesco Shares shall, as soon as reasonably practicable following the Effective Date, be sold on behalf of such Booker Scheme Shareholder at the best price which can be reasonably be obtained in the market at the time of sale and the net proceeds of sale (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with such sale) shall be paid to the persons entitled thereto in due proportions as soon as practicable, save that fractional cash entitlements shall be rounded down to the nearest whole penny. In the absence of bad faith and/or wilful default, none of the Company, Tesco or any broker or agent of any of them shall have any liability for any loss arising as a result of the timing or terms of any such sale; and
- (ii) in the case of a Booker Scheme Shareholder with a registered address in, or who are a citizen, resident or national of, a Restricted Jurisdiction or to whom Clause 7.1(b) applies, no election made by such Booker Scheme Shareholder under the Mix and Match Facility shall be of any effect and the omission to send a Form of Election to such Booker Scheme Shareholder or to recognise any Election made by such Booker Scheme Shareholder shall not constitute a breach by the Company or Tesco of any of their respective obligations under this Scheme.

8. Certificates and Cancellations

8.1 With effect from and including the Effective Date:

- (a) all certificates representing Booker Scheme Shares shall cease to be valid as documents of title to the shares represented thereby and Booker Scheme Shareholders are free to retain them for their records or, alternatively, can destroy them following the Effective Date;
- (b) Euroclear shall be instructed to cancel the entitlements to Booker Scheme Shares of holders of Booker Scheme Shares in uncertificated form;
- (c) following the cancellation of the entitlements to Booker Scheme Shares of holders of Booker Scheme Shares in uncertificated form, Computershare shall be authorised to rematerialise entitlements to such Booker Scheme Shares; and
- (d) subject to the completion of such transfers, forms, instruments or instructions as may be required in accordance with Clause 1.2 and the payment of any UK stamp duty thereon by Tesco, as regards all Booker Scheme Shares, appropriate entries will be made in the Company's register of members to reflect their transfer.

9. Mandates

All mandates relating to the monetary payment of dividends on the Booker Scheme Shares and other instructions, including communications preferences, given to the Company by Booker Scheme Shareholders and in force at the Scheme Record Time shall, unless and until revoked or amended, be deemed as from the Effective Date to be valid and effective mandates or instructions to Tesco in relation

to the New Tesco Shares issued in respect thereof, except to the extent that a Booker Scheme Shareholder already holds Tesco Shares at the Scheme Record Time (and the registrars of Tesco is able to match such holdings), in which case any mandates and instructions in relation to those existing Tesco Shares will also apply to the New Tesco Shares issued to that Booker Scheme Shareholder.

10. The Effective Date

- 10.1 This Scheme shall become Effective as soon as the copy of the Court Order shall have been delivered to the Registrar of Companies.
- 10.2 Unless this Scheme shall become Effective on or before midnight on 30 November 2018 or such later date if any as the Company and Tesco may agree and the Court and the Panel may allow, this Scheme shall never become Effective.

11. Modification

Tesco and the Company may jointly consent on behalf of all concerned to any modification of, or addition to, this Scheme or to any condition which the Court may approve or impose.

12. Governing Law

This Scheme is governed by the laws of England and Wales and is subject to the exclusive jurisdiction of the English Courts. The rules of the City Code on Takeovers and Mergers apply to this Scheme.

Dated 5 February 2018

ANNEX

To the extent the Closing Dividend is to be recalculated as described of Clause 4.2 to this Scheme, 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:

- o 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;
- o 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;
- o 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:

- o D equals the amount of the interim dividend by Tesco for the financial year ending 24 February 2018 (the “**Tesco 2017 FY**” and “**Tesco 2017/18 Interim Dividend**”) multiplied by 3;
- o 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;
- o 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;

- o 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;
- o 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 this Scheme becoming Effective.

PART X
NOTICE OF COURT MEETING

**IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS
OF ENGLAND AND WALES
COMPANIES COURT (ChD)**

CR-2017-008955

MR REGISTRAR JONES

IN THE MATTER OF BOOKER GROUP PLC
and
IN THE MATTER OF THE COMPANIES ACT 2006

NOTICE IS HEREBY GIVEN that by an Order dated 2 February 2018 made in the above matters, the Court has given permission for a meeting (the “**Court Meeting**”) to be convened of the holders of Booker Scheme Shares (as defined in the Scheme of Arrangement hereinafter mentioned) for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement (the “**Scheme of Arrangement**”) proposed to be made between (i) Booker Group plc (the “**Company**” or “**Booker**”); and (ii) the holders of Booker Scheme Shares and that the Court Meeting will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 28 February 2018 at 12.00 p.m. at which place and time all Booker Scheme Shareholders (as defined in the Scheme of Arrangement) are requested to attend.

A copy of the said Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Part 26 of the Companies Act 2006 are incorporated in the document of which this Notice forms part.

Voting on the resolution to approve the Scheme of Arrangement will be by poll, which shall be conducted as the Chairman of the Court Meeting may determine.

Booker Scheme Shareholders entitled to attend and vote at the Court Meeting may vote in person at the Court Meeting or they may appoint another person or persons, whether or not a member of Booker, as their proxy or proxies to attend and vote in their stead.

A blue Form of Proxy for use in connection with the Court Meeting is enclosed with this Notice or shall be sent in a separate mailing to those Booker Scheme Shareholders who have elected or are deemed to have elected to receive documents and notices from the Company via the Company’s website. Scheme Shareholders entitled to attend and vote at the meeting, who hold their shares through CREST, may appoint a proxy using the CREST electronic proxy appointment service.

CREST members who wish to appoint a proxy or proxies through the CREST Electronic Proxy Appointment Service may do so for the Court Meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “**CREST Proxy Instruction**”) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (“**Euroclear**”) and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Computershare (ID 3RA50) by 12.00 p.m. on 26 February 2018 or in the case of any adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned Court Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which Computershare is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

Booker may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Completion and return of a blue Form of Proxy will not prevent a Booker Scheme Shareholder from attending and voting in person at the Court Meeting or at any adjournment thereof.

In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority will be determined by the order in which the names stand in the register of members of Booker in respect of the joint holding.

Booker Scheme Shareholders are entitled to appoint a proxy in respect of some or all of their shares. Booker Scheme Shareholders are also entitled to appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such Booker Scheme Shareholder. A space has been included in the blue Form of Proxy to allow Booker Scheme Shareholders to specify the number of shares in respect of which that proxy is appointed. Booker Scheme Shareholders who return the blue Form of Proxy duly executed but leave this space blank shall be deemed to have appointed the proxy in respect of all their Booker Scheme Shares.

Booker Scheme Shareholders who wish to appoint more than one proxy in respect of their shareholding should contact the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, for further blue Forms of Proxy or photocopy the blue Form of Proxy as required. Such Booker Scheme Shareholders should also read the information regarding the appointment of multiple proxies set out on page 7 of the document of which this Notice forms part and on the blue Form of Proxy.

As an alternative to appointing a proxy, any Booker Scheme Shareholder which is a corporation may appoint one or more corporate representatives who may exercise on its behalf, all of its powers as a member, provided that they do not do so in relation to the same shares. Only one corporate representative is to be counted in determining whether under section 899(1) of the Companies Act 2006 a majority in number of the Booker Scheme Shareholders approved the Scheme of Arrangement. The Chairman of the Court Meeting may require a corporate representative to produce to the Company's registrars, Computershare, his or her written authority to attend and vote at the Court Meeting at any time before the start of the Court Meeting. The representative shall not be entitled to exercise the powers conferred on them by the Booker Scheme Shareholder until any such demand has been satisfied.

It is requested that blue Forms of Proxy be returned either by using the pre-paid envelope provided, to Computershare, Corporate Actions Projects, BS99 6AH, or by hand, during normal business hours only, to Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE by 12.00 p.m. on 26 February 2018 or in the case of any adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time appointed for the adjourned Court Meeting, but if blue Forms of Proxy are not so returned they may be handed to the Chairman of the Court Meeting at the commencement of the Court Meeting.

Only those shareholders registered in the register of members of Booker as at 6.00 p.m. on 26 February 2018 or, in the event that the Court Meeting is adjourned, in the register of members at 6.00 p.m. 48 hours (excluding any part of a day that is not a working day) before the day of any adjourned meeting shall be entitled to attend or vote in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of members after 6.00 p.m. on 26 February 2018 or, in the event that the Court Meeting is adjourned, after 6.00 p.m. 48 hours (excluding any part of a day that is not a working day) before the day of any adjourned meeting shall be disregarded in determining the rights of any person to attend or vote at the Court Meeting.

By the said order, the Court has appointed Stewart Gilliland or, failing him, Karen Jones or, failing her, Charles Wilson or, failing him, any other director of the Company to act as Chairman of the Court Meeting and has directed the Chairman to report the result of the Court Meeting to the Court.

The Scheme of Arrangement will be subject to the subsequent approval of the Court.

DATED: 5 February 2018

Clifford Chance LLP
10 Upper Bank Street
London E14 5JJ

Solicitors for the Company

PART XI
NOTICE OF BOOKER GENERAL MEETING

BOOKER GROUP PLC
(incorporated in England and Wales with registered number 05145685)

NOTICE IS HEREBY GIVEN that a General Meeting of Booker Group plc (the “**Company**”) will be held at the offices of Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ on 28 February 2018 at 12.10 p.m. (or as soon thereafter as the meeting of Booker Scheme Shareholders (as defined in the circular dated 5 February 2018 of which this Notice forms part (the “**Circular**”)) of the Company convened by direction of the Court for the same place and date shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a special resolution.

SPECIAL RESOLUTION

THAT:

for the purpose of giving effect to the scheme of arrangement dated 5 February 2018 (the “**Scheme**”) between the Company and the holders of the Booker Scheme Shares (as defined in the Scheme), a print of which has been produced to this meeting and for the purposes of identification signed by the Chairman hereof, in its original form or subject to such modification, addition or condition agreed between the Company and Tesco PLC (“**Tesco**”) and approved or imposed by the Court:

- (a) the directors of the Company be authorised to take all such action as they may consider necessary or appropriate for carrying the Scheme into effect; and
- (b) with effect from the passing of this resolution, the articles of association of the Company be amended by the adoption and inclusion of the following new article 139 after existing article 138:

“SCHEME OF ARRANGEMENT

- (A) In this article, references to the “**Scheme**” are to the scheme of arrangement dated 5 February 2018 between the Company and the holders of Booker Scheme Shares (as defined in the Scheme) under Part 26 of the Act in its original form or with or subject to any modification, addition or condition agreed by the Company and Tesco PLC (“**Tesco**”) (which expression includes any other name which Tesco may adopt from time to time) and which the Court may approve or impose and (save as defined in this article) expressions defined in the Scheme shall have the same meanings in this article.
- (B) Notwithstanding any other provision of these articles or the terms of any resolution, whether ordinary or special, passed by the Company in general meeting, if the Company issues any ordinary shares (other than to Tesco or its nominee(s)) on or after the adoption of this article and on or prior to the Scheme Record Time (as defined in the Scheme), such shares shall be issued subject to the terms of the Scheme (and shall be Booker Scheme Shares for the purposes thereof) and the original or any subsequent holder or holders of such ordinary shares shall be bound by the Scheme accordingly.
- (C) Subject to the Scheme becoming Effective, if the Company issues or is obliged to issue any ordinary shares in the Company to any person (the “**New Member**”) after the Scheme Record Time (other than under the Scheme or to Tesco and/or its nominee(s)) (the “**Post-Scheme Shares**”), such New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) will, provided the Scheme has become Effective, be obliged to transfer all the ordinary shares in the Company held by the New Member (or any subsequent holder or any nominee of such New Member or any such subsequent holder) to Tesco and/or its nominee(s) (as Tesco may direct) who shall be obliged to acquire all of the Post-Scheme Shares. In consideration for the transfer of the Post-Scheme Shares, the purchaser shall pay to the New Member the Consideration for each Post-Scheme Share transferred to it (or such lesser or greater amount as may be payable for Booker Scheme Shares under the Scheme if each Post-Scheme Share were a Booker Scheme Share), provided that:
 - (i) if in respect of any New Member with a registered address in a jurisdiction outside the United Kingdom or whom the Company reasonably believes to be a citizen, resident or national of a jurisdiction outside the United Kingdom, the Company is advised that the allotment and/or issue or transfer of New Tesco Shares pursuant to this article would or may infringe the laws of such

jurisdiction or would or may require the Company and/or Tesco to comply with any governmental or other consent or any registration, filing or other formality with which the Company and/or Tesco is unable to comply or compliance with which the Company and/or Tesco regards as unduly onerous, the Company and Tesco may, in their sole discretion, determine that the New Tesco Shares shall be sold and a cash amount equal to the value of the New Tesco Shares be delivered to the New Member. In the event that the New Tesco Shares are to be sold, the Company shall appoint a person to act as agent for the New Member pursuant to this article and such person shall be authorised on behalf of such New Member to procure that any shares in respect of which the Company and Tesco have made such determination shall, as soon as practicable following the allotment, issue or transfer of such shares, be sold at the best price which can reasonably be obtained in the market at the time of sale, including being authorised to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer on behalf of the New Member and the net proceeds of sale (after the deduction of all expenses and commissions, including any value added tax thereon incurred in connection with such sale) shall be paid to the persons entitled thereto in due proportions as soon as practicable, save that fractional cash entitlements shall be rounded down to the nearest whole penny; and

- (ii) any New Member may, prior to the issue of any Post-Scheme Shares to such New Member pursuant to the exercise of an option or satisfaction of an award under any of the Booker Share Plans, give not less than five business days' written notice to the Company in such manner as the board shall prescribe of their intention to transfer some or all of such Post-Scheme Shares to their spouse or civil partner. Any such New Member may, if such notice has been validly given, on such Post-Scheme Shares being issued to such New Member, immediately transfer to their spouse or civil partner any such Post-Scheme Shares, provided that such Post-Scheme Shares shall then be immediately transferred from that spouse or civil partner to Tesco (or as it may direct) pursuant to this article as if the spouse or civil partner were a New Member. Where a transfer of Post-Scheme Shares to a New Member's spouse or civil partner takes place in accordance with this article, references to "New Member" in this article shall be taken as referring to the spouse or civil partner of the New Member. If notice has been validly given pursuant to this article but the New Member does not immediately transfer to their spouse or civil partner the Post-Scheme Shares in respect of which notice was given, such shares shall be transferred directly to Tesco (or as it may direct) pursuant to this article.

For the purposes of this article, "**Booker Share Plans**" means the Booker Performance Share Plan 2008 (including the UK tax-favoured appendix) as amended from time to time, and the Booker Savings Related Share Option Plan 2008 as amended from time to time.

- (D) The New Tesco Shares allotted and issued or transferred to a New Member pursuant to paragraph (C) of this article shall be credited as fully paid and shall rank equally in all respects with all other fully paid Tesco Shares in issue at that time (other than as regards any dividend or other distribution payable by reference to a record date preceding the date of allotment or transfer) and shall be subject to the articles of association of Tesco from time to time.
- (E) On any reorganisation of, or material alteration to, the share capital of the Company or Tesco (including, without limitation, any subdivision and/or consolidation) effected after the Effective Date, the amount of Consideration, including the number of New Tesco Shares, due to a New Member for each Post-Scheme Share pursuant to paragraph (C) of this article may be adjusted by the board of the Company and the directors of Tesco in such manner as the auditors of the Company may determine to be appropriate to reflect such reorganisation or alteration. References in this article to ordinary shares shall, following such adjustment, be construed accordingly.
- (F) No fraction of a New Tesco Share shall be allotted, issued or transferred to a New Member pursuant to this article. Any fraction of a New Tesco Share, to which a New Member would otherwise have become entitled, shall be aggregated with the fractional entitlements of any other New Members whose shares are being transferred under this article on the same date and sold in the market and the net proceeds of sale (after the deduction of all expenses and commissions, including any VAT thereon, incurred in connection with such sale) shall be paid to the persons entitled thereto in due proportions as soon as practicable, save that fractional cash entitlements shall be rounded down to the nearest whole penny.
- (G) To give effect to any transfer of Post-Scheme Shares, the Company may appoint any person as attorney and agent for the New Member (the "**agent**") to transfer the Post-Scheme Shares to Tesco or as it may

direct and do all such other things and execute and deliver all such documents as may in the opinion of the agent be necessary or desirable to vest the Post-Scheme Shares in Tesco or another person as directed by Tesco, and pending such vesting to exercise all such rights attaching to the Post-Scheme Shares as Tesco may direct. If an agent is so appointed, the New Member shall not thereafter (except to the extent that the agent fails to act in accordance with the directions of Tesco) be entitled to exercise any rights attaching to the Post-Scheme Shares unless so agreed by Tesco. The agent shall be empowered to execute and deliver as transferor a form of transfer or other instrument or instruction of transfer on behalf of the New Member (or any subsequent holder) in favour of Tesco and/or another person as directed by Tesco and the Company may give a good receipt for the consideration for the Post-Scheme Shares and may register Tesco and/or another person as directed by Tesco as holder thereof and issue to it certificates for the same. The Company shall not be obliged to issue a certificate to the New Member for the Post-Scheme Shares. Tesco shall, subject to paragraph (C) of this article, settle the Consideration due to the New Member within 14 days of the issue of the Post-Scheme Shares to the New Member.

- (H) Notwithstanding any other provision of these articles, neither the Company nor the board shall register the transfer of any Booker Scheme Shares effected between the Scheme Record Time and the Effective Date.
- (I) If the Scheme shall not have become Effective by the date referred to in clause 10 of the Scheme, this article 139 shall be of no effect.”

Registered Office:

Booker Group plc
Equity House
Irthlingborough Road
Wellingborough
Northants
NN8 1LT

By order of the Board

Mark Chilton
Company Secretary

Dated 5 February 2018

Notes

The following notes explain your general rights as a shareholder and your rights to attend and vote at the Booker General Meeting or to appoint someone else to vote on your behalf.

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 and section 360B of the Companies Act 2006, the Company specifies that only persons on the register of members as at 6.00 p.m. on 26 February 2018 (or, if the meeting is adjourned, at 6.00 p.m. on the date which is not later than 48 hours (excluding any part of a day that is not a working day) prior to the date set for the adjourned meeting) shall be entitled to attend the Booker General Meeting either in person or by proxy and the number of shares then registered in their respective names shall determine the number of votes such persons are entitled to cast on a poll at the meeting. Changes to entries on the register after that time shall be disregarded in determining the rights of any person to attend or vote at the Booker General Meeting.
2. A shareholder is entitled to appoint a proxy to exercise all or any of his rights to attend and to speak and vote instead of him at the Booker General Meeting. A white Form of Proxy is enclosed with this notice for use in relation to the Booker General Meeting. A shareholder may appoint more than one proxy in relation to the Booker General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by him. A proxy need not be a shareholder of the Company. If you do not have a proxy form and believe that you should have one, or if you require additional forms, please contact the Company's registrars, Computershare Investor Services PLC. Instructions for use are shown on the white Form of Proxy. Completion and return of a white Form of Proxy, an electronic proxy, or any CREST Proxy Instruction (as described in note 9 below) will not preclude a shareholder from attending the meeting and voting there in person. Tesco will not exercise any rights in relation to any shares held by, or on behalf of, Tesco.
3. The special resolution to be put to the Booker General Meeting will be voted on by way of a poll and not by show of hands. The Company believes that a poll is more representative of shareholders' voting intentions because shareholder votes are counted according to the number of shares held and all votes tendered are taken into account.
4. A person who is not a shareholder of the Company, but has been nominated by a shareholder to enjoy information rights in accordance with section 146 of the Companies Act 2006 (a "**Nominated Person**") does not have a right to appoint a proxy. Nominated Persons may have a right, under an agreement with the shareholder, to be appointed (or to have someone else appointed) as a proxy for the Booker General Meeting. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under an agreement with the relevant shareholder to give instructions as to the exercise of voting rights.
5. If you have been nominated to receive general shareholder communications directly from the Company, it is important to remember that your main contact in terms of your investment remains the registered shareholder or custodian or broker who administers the investment on your behalf. Therefore, any changes or queries relating to your personal details and holding (including any administration) must continue to be directed to your existing contact at your investment manager or custodian. The Company cannot guarantee dealing with matters that are directed to them in error. The only exception to this is where the Company, in exercising one of its powers under the Companies Act 2006, writes to you directly for a response.
6. To be valid, the form of proxy must be executed by or on behalf of the shareholder or, if the shareholder is a corporation, under its common seal or be signed on its behalf by an attorney or officer duly authorised, stating their capacity (e.g. director or secretary).

7. If two or more valid, but differing, appointments of proxy are delivered or received in respect of the same share, the one which is last validly delivered or received (regardless of its date or of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered or received, none of them shall be treated as valid in respect of that share.
8. The form of proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified or office copy of such power or authority must be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE, not later than 12.10 p.m. on 26 February 2018, or if the Booker General Meeting is adjourned, 48 hours (excluding any part of a day that is not a working day) prior to the adjourned meeting. Shareholders may also lodge their proxy vote online at www.investorcentre.co.uk/eproxy. In order for an online proxy vote to be valid it must be sent to www.investorcentre.co.uk/eproxy and received by not later than 12.10 p.m. on 26 February 2018. Any communication found to contain a computer virus will not be accepted. In order to access the voting system, shareholders will need their Shareholder Reference Number, PIN and Control Number which can be found on their proxy card. Return of the form of proxy, submitting an online proxy vote or any CREST Proxy Instruction (as described in note 9 below) will not prevent you from attending and voting at the meeting instead of the proxy, if you wish. If you do this and there is a poll vote, your proxy votes will be ignored.
9. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by Computershare Investor Services PLC ID 3RA50 not later than 12.10 p.m. on 26 February 2018. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which Computershare Investor Services PLC is able to retrieve the message by enquiry to CREST. After this time, any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

10. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder, provided that they do not do so in relation to the same shares.
11. Under section 527 of the Companies Act 2006, members meeting the threshold requirements set out in that section have the right to require the Company to publish, on a website, a statement setting out any matter relating to: (i) the audit of the Company's accounts (including the auditors' report and the conduct of the audit) that are to be laid before the next accounts meeting; or (ii) any circumstance connected with an auditor of the Company ceasing to hold office since the previous meeting at which annual accounts and reports were laid in accordance with section 437 of the Companies Act 2006. The Company may not require the shareholders requesting any such website publication to pay its expenses in complying with section 527 or section 528 of the Companies Act 2006. Where the Company is required to place a statement on a website under section 527 of the Companies Act 2006, it must forward the statement to the Company's auditors not later than the time when it makes the statement available on the website. The business which may be dealt with at the meeting includes any statement that the Company has been required to publish on a website under section 527 of the Companies Act 2006.
12. Shareholders attending the meeting have the right to ask questions. The Company has an obligation to answer such questions relating to the business being dealt with at the meeting, but no such answer need be given if: (i) it is undesirable in the interest of the Company or the good order of the meeting; (ii) to do so would unduly interfere with the preparation for the meeting or involve the disclosure of confidential information; or (iii) the answer has already been given on a website in the form of an answer to a question.
13. The "Vote Withheld" option is provided to enable you to abstain on the specified resolution. However, it should be noted that a "Vote Withheld" is not a vote in law and will not be counted in the calculation of the proportion of votes "For" and "Against" the specified resolution.
14. In the case of joint holders of a share the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company.
15. As at 1 February 2018 (being the latest practicable date prior to publication of this notice), the Company's issued share capital consisted of 1,792,195,220 Booker Shares, carrying one vote each. The Company does not currently hold any shares in treasury. Therefore, the total voting rights in the Company as at 1 February 2018 was 1,792,195,220. On a vote by poll, every shareholder who is present in person or by proxy has one vote for every Booker Share held.
16. A copy of this notice, and other information required by s.311A of the Companies Act 2006, can be found at <http://www.bookergroup.com/investor-centre>.

17. Copies of the Company's existing articles of association and the articles of association as proposed to be amended by the special resolution set out in this notice are available for inspection at the offices of the Company's Solicitors, Clifford Chance LLP, 10 Upper Bank Street, London E14 5JJ during normal business hours on any weekday (excluding Saturdays, Sundays and public holidays), until the opening of business on the day on which the meeting is held, and will also be available for inspection at the place of the meeting for at least 15 minutes prior to and during the meeting.
18. Except as provided above, shareholders who have general queries about the meeting should use the following means of communication (no other methods of communication will be accepted): call our general shareholder helpline on +44 (0)370 889 3230; or write to the Company's Registrars, Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE. Shareholders may not use any electronic address provided either in this notice or any related documents (including the Chairman's letter and white Form of Proxy) to communicate with the Company for any purposes other than those expressly stated. Calls from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that Computershare cannot provide advice on the merits of the Merger or give any financial, legal or tax advice.

APPENDIX 1

TESCO QUANTIFIED FINANCIAL BENEFITS STATEMENT

PART A

TESCO 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 brought together. The reassessment 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 Takeover 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 Announcement in respect of the Tesco Quantified Financial Benefits Statement. Copies of these reports were included in Appendix 5 to the 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 Takeover Code in respect of the Tesco Quantified Financial Benefits Statement and a copy of this report is set out at Section B of this Appendix 1 below.

3. Confirmation of validity

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

As required by Rule 27.2(d)(ii) of the Takeover 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 Takeover Code and do not form part of this document.

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 document, 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.

PART B
REPORT FROM BARCLAYS AND CITI

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 Appendix 1 (*Tesco Quantified Financial Benefits Statement*) of the scheme document dated 5 February 2018 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 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 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 adviser) (“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

APPENDIX 2

BOOKER DIVIDENDS

Summary of dividend entitlements agreed at the time of the 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 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 of Booker Group plc*), 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. The amount of the Closing Dividend will be confirmed to Booker Shareholders via a Regulatory Information Service on or prior to the Effective Date. The record date and time for the Closing Dividend will be the Scheme Record Time and the payment date will be no later than the date falling 14 days after 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:

- o 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;

- o 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;
- o 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:

- o D equals the amount of the interim dividend by Tesco for the financial year ending 24 February 2018 (the “**Tesco 2017 FY**” and “**Tesco 2017/18 Interim Dividend**”) multiplied by 3;
- o 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;
- o 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;
- o 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;
- o 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 9(c) in Part A of Part III (*Conditions to and further terms of the Scheme and the Merger*) of this document), 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.

APPENDIX 3
TESCO PROFIT FORECAST

PART A
TESCO PROFIT FORECAST

In the Tesco Shareholder Circular and in this document, Tesco includes the following statement, which for the purposes of Rule 28 of the Takeover 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.

PART 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 Part A of Appendix 3 of the scheme document (the “Scheme Document”) issued by Booker Group plc 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 Scheme Document.

Basis of preparation of the Tesco Profit Forecast

The Tesco Profit Forecast has been prepared on the basis stated in Part A of Appendix 3 of the Scheme Document 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.

PART 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 Appendix 3 (*Tesco Profit Forecast*) of the scheme document dated 5 February 2018 (the “Scheme Document”), 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 Scheme Document 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 Appendix 3 (*Tesco Profit Forecast*) of the Scheme Document.

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

PART 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 Appendix 3 (*Tesco Profit Forecast*) of the scheme document dated 5 February 2018 (the “Scheme Document”), 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 Scheme Document 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 Appendix 3 (*Tesco Profit Forecast*) of the Scheme Document.

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

PART 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 Appendix 3 (*Tesco Profit Forecast*) of the scheme document dated 5 February 2018 (the “Scheme Document”), 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 Scheme Document 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 Appendix 3 (*Tesco Profit Forecast*) of the Scheme Document.

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

