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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

FOR IMMEDIATE RELEASE

**27 January 2017**

**TESCO AND BOOKER ANNOUNCE MERGER TO CREATE THE UK'S  
LEADING FOOD BUSINESS**

**RECOMMENDED SHARE AND CASH MERGER**

**of**

**TESCO PLC**

**and**

**BOOKER GROUP PLC**

The boards of Tesco PLC (“Tesco”), the UK’s leading food retailer, and Booker Group plc (“Booker”), the UK’s leading food wholesaler, are pleased to announce that they have reached an agreement on the terms of a recommended share and cash merger (the “Merger”) to create the UK’s leading food business.

The Combined Group will bring benefits for consumers, independent retailers, caterers, small businesses, suppliers, and colleagues, as well as delivering significant value to shareholders.

The Combined Group will be well placed to serve the large, established ‘in home’ food market as well as the faster growing ‘out of home’ food market. By bringing together Tesco and Booker’s retail and wholesale expertise, supply chain and digital capabilities, the Combined Group will be able to provide greater choice, quality, price and service in the food market, whilst improving efficiency and reducing food waste. The Combined Group will bring together the capacity and capability to generate new growth and deliver significant revenue and cost synergies.

The Merger is expected to:

- delight consumers with better availability of quality food at attractive prices across retail and eating out locations;
- serve better the faster growing ‘out of home’ food market;

- help independent retailers, caterers and small businesses by further improving choice, price and service, with enhanced digital and delivery service options;
- present a broader market opportunity for our suppliers, with strong growth prospects and a clear opportunity to develop better own brand and fresh ranges;
- cut food waste and increase efficiency by creating a broader, multi-channel partner who can work with producers across their full agricultural crop;
- create significant opportunities for synergies whilst retaining market-leading retail and wholesale expertise; and
- create attractive innovation opportunities to serve customers and consumers better in a rapidly evolving market place.

Commenting on today's Announcement, Dave Lewis, Chief Executive Officer of Tesco said:

"Tesco has made significant progress in turning around our UK retail business. This Merger with Booker will further enhance Tesco's growth prospects by creating the UK's leading food business with combined expertise in retail, wholesale, supply chain and digital. Wherever food is prepared and eaten – 'in home' or 'out of home' – we will meet this opportunity with the widest choice and best service available."

Commenting on today's Announcement, Charles Wilson, Chief Executive Officer of Booker said:

"Booker is committed to improving choice, prices and service for the independent retailers, caterers and small businesses that we are proud to serve. We believe that joining forces with Tesco offers the potential to bring major benefits to end consumers, our customers, suppliers, colleagues and shareholders."

### Summary

- Under the terms of the Merger, each Booker Scheme Shareholder will receive:
  - for each Booker Scheme Share:           0.861 New Tesco Shares; and**
  - 42.6 pence in cash**
- Based on the Closing Price of 189.0 pence per Tesco Share on 26 January 2017 (being the last Business Day before the date of this Announcement), the terms of the Merger represent:
  - a value of approximately 205.3 pence per Booker Share;
  - a value of approximately £3.7 billion for Booker's ordinary share capital; and
  - a premium of approximately 12 per cent. to the Closing Price of 183.1 pence per Booker Share on 26 January 2017, being the last Business Day prior to this Announcement.
- The Merger represents:
  - a premium of approximately 15 per cent. based on the volume weighted average share prices of Booker and Tesco since 12 January 2017, being the

date on which Booker and Tesco published their Christmas trading updates;  
and

- a premium of approximately 24 per cent. based on the three month volume weighted average share prices of Booker and Tesco.
- The Merger will result in Booker Shareholders owning approximately 16 per cent. of the Combined Group (based on the existing issued ordinary share capital of Tesco and Booker) and sharing in the benefits accruing to the Combined Group via attractive growth prospects and the realisation of significant revenue and cost synergies.
- Opportunities for revenue and cost synergies have been identified which support the significant shareholder value creation opportunity of the Merger. The Tesco Board expect pre-tax synergies for the Combined Group to reach a run-rate of at least £200 million per annum by the end of the third year following completion of the Merger. Quantified revenue synergies of at least £25 million per annum are anticipated to come by the end of the third year following completion of the Merger, primarily from an enhanced offering and customer proposition. The Tesco Board also believes that there is significant opportunity for further revenue synergies which have not been fully quantified for reporting under the Code at this stage. The Merger is also expected to enable opportunity for cost synergies of at least £175 million, mainly in areas such as procurement and distribution.
- Booker's Chief Executive Officer will join the Combined Group's Board and Executive Committee and Booker's Chairman will also join the Combined Group's Board.

### **Financial Benefits and Effects**

- The shareholders of the Combined Group will benefit from a leading market position in both the 'in home' food market and the faster growing 'out of home' food market. In addition, the Merger will combine Tesco and Booker's capabilities and skills and provide a platform for substantial growth and to realise revenue and cost synergies.
- The Merger is expected 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.

### **Tesco Dividend Policy and Booker Dividends**

- Reflecting Tesco's improved performance and the Tesco Board's confidence in its future prospects, the Tesco Board has reviewed its dividend policy and intends to recommence paying dividends in respect of the financial year 2017/18. The Tesco Board expects dividends to grow progressively from that financial year with the aim of achieving a target cover of c.2x earnings per share over the medium term.

- Tesco and Booker have agreed that Booker Shareholders will be entitled to receive: (i) 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; and (ii) a special dividend in respect of the financial year ending 24 March 2017 which Booker intends to pay in lieu of the annual B share scheme (as stated in Booker's interim results announcement on 13 October 2016), in each case as described in Appendix 7. In addition, Booker Shareholders will also be entitled to receive a Closing Dividend soon after the Effective Date, as described in Appendix 7. This dividend will reflect 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 announced, made, declared or paid until the Effective Date, such payment to be reduced by any dividends that a Booker Shareholder would be expected to become entitled to receive as a holder of New Tesco Shares after the Effective Date in relation to the same period. Appendix 7 sets out further details of the dividend entitlements of Booker Shareholders.
- The rights of holders of B Shares issued by Booker on 18 July 2016, who elected for the deferred redemption option set out in the B Share Scheme Circular, will not be impacted by the Merger and the B Shares will be redeemed on or around 27 April 2017, as per the indicative timeline set out in the B Share Scheme Circular (the “2017 B Share Redemption”).
- If Booker announces, declares, makes or pays any dividend or other distribution on or after the date of this Announcement and prior to the Effective Date, other than the Permitted Booker Dividends or 2017 B Share Redemption, or in excess of the Permitted Booker Dividends or 2017 B Share Redemption, 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.

### **Merger Details**

- On completion of the Merger, Charles Wilson, Booker’s Chief Executive Officer and Stewart Gilliland, Booker’s Chairman, will join the Combined Group’s Board. Charles Wilson will also join the Combined Group’s Executive Committee.
- It is intended that the Merger will be implemented by means of a Court-sanctioned scheme of arrangement under Part 26 of the Act, further details of which are contained in the full text of this Announcement. However, Tesco reserves the right to implement the Merger by way of a Takeover Offer, subject to the Panel’s consent and the terms of the Co-operation Agreement.
- Tesco will provide a Mix and Match Facility, which will allow Booker Shareholders to elect, subject to off-setting elections made by other Booker Shareholders, to vary the proportion in which they receive New Tesco Shares and cash. The Mix and Match Facility will not change the total number of New Tesco Shares to be issued or the maximum amount of cash that will be paid under the terms of the Merger.

- Elections made by Booker Shareholders under the Mix and Match Facility will be satisfied only to the extent that other Booker Shareholders make off-setting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis.
- In connection with the Mix and Match Facility, Charles Wilson, the Chief Executive Officer 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.
- Charles Wilson has also entered into the Lock-up Agreement pursuant to which he has agreed not to (subject to certain customary carve-outs) dispose of his current holding of 24,533 Tesco Shares and the New Tesco Shares he will receive pursuant to the Merger without Tesco's consent during the lock-up period of five years from the Effective Date.
- 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. The Booker Directors intend unanimously to recommend that Booker Shareholders vote in favour of the Scheme at the Scheme Court Meeting and the resolutions relating to the Merger 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 6.8 per cent. of the existing issued ordinary share capital of Booker on 26 January 2017, being the last Business Day before the date of this Announcement. In providing its advice, J.P. Morgan Cazenove has taken into account the commercial assessments of the Booker Directors.
- The Merger constitutes a Class 1 transaction for Tesco for the purposes of the Listing Rules. Accordingly, the Merger will be conditional on the approval of the Tesco Shareholders at the Tesco General Meeting.
- The Tesco Directors consider the Merger to be in the best interests of Tesco and the Tesco Shareholders as a whole and unanimously intend to recommend that Tesco Shareholders vote in favour of the Tesco Resolutions to be proposed at the Tesco General Meeting which will be convened in connection with the Merger, as all Tesco Directors who hold Tesco Shares have irrevocably undertaken to do in respect of their own holdings of, in aggregate, 400,970 Tesco Shares representing approximately 0.0049 per cent. of the existing issued ordinary share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement. 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 Resolutions to be proposed at the Tesco General Meeting in the event that their current 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, 277,200 Tesco Shares representing approximately 0.0034 per cent. of the existing issued ordinary share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement.
- The Tesco Directors have received financial advice from Greenhill, Barclays and Citi in relation to the Merger. In providing their advice to the Tesco Directors, Greenhill,

Barclays and Citi have relied upon the Tesco Directors' commercial assessments of the Merger.

- The Merger is subject to, *inter alia*, the satisfaction or waiver of the CMA Pre-Condition set out in Appendix 1 to this Announcement and the Conditions set out in Appendix 2 to this Announcement. The Merger is also subject to the further terms set out in Appendix 2 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document.
- The Scheme Document will contain further information about the Merger and notices of the Scheme Court Meeting and Booker General Meeting, and will specify the action to be taken by Booker Scheme Shareholders. It is expected that the Scheme Document will be despatched to Booker Shareholders together with the Forms of Proxy no later than 28 days after the date on which the CMA Pre-Condition is satisfied or waived, as applicable, save as the Panel may otherwise permit.
- It is expected that the Prospectus, containing information about the New Tesco Shares, will be published at or around the same time as the Scheme Document is posted to Booker Shareholders. It is also expected that the Circular, containing details of the Merger and notice of the Tesco General Meeting, will be posted to Tesco Shareholders at or around the same time as the Scheme Document is posted to Booker Shareholders, with the Tesco General Meeting being held at or around the same time as the Booker Meetings.
- The Scheme is expected to become effective in late 2017/early 2018, subject to the satisfaction or waiver of the CMA Pre-Condition set out in Appendix 1 to this Announcement and the Conditions set out in Appendix 2 to this Announcement.

**This summary should be read in conjunction with, and is subject to, the full text of the following Announcement (including its Appendices). The Merger is subject to, *inter alia*, the satisfaction or waiver of the CMA Pre-Condition set out in Appendix 1 to this Announcement and the Conditions set out in Appendix 2 to this Announcement. The Merger is also subject to the further terms set out in Appendix 2 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document. Appendix 3 to this Announcement contains the sources and bases of certain information contained in this summary and the following Announcement. Appendix 4 to this Announcement contains details of the irrevocable undertakings received by Tesco and by Booker. Appendix 5 to this Announcement contains the Tesco Quantified Financial Benefits Statement, together with the reports from Deloitte, Tesco's reporting accountants, and Greenhill, Tesco's lead financial adviser, as required under Rule 28.1(a) of the Code. Appendix 6 to this Announcement contains an outlook statement made by Tesco, together with the reports from Deloitte, its reporting accountants and Greenhill, Tesco's lead financial adviser, as required under Rule 28.1(b) of the Code. Appendix 7 to this Announcement contains details of the dividend entitlements of the Booker Shareholders. Appendix 8 to this Announcement contains the definitions of certain terms used in this summary and the following Announcement.**

**For the purposes of Rule 28 of the Code, the Tesco Quantified Financial Benefits Statement contained in Appendix 5 to this Announcement and the Tesco Outlook Statement contained in Appendix 6 to this Announcement are the responsibility of Tesco and the Tesco Directors. Any statement of intention, belief or expectation for the**

**Combined Group following the Effective Date is an intention, belief or expectation of the Tesco Directors and not of the Booker Directors.**

There will be an analysts' briefing at 8.30 a.m. and a press conference at 11 a.m. today at J.P. Morgan Cazenove, 60 Victoria Embankment, London EC4Y 0JP.

There will also be live webcasts of this briefing. Information on how to access the live audio webcast can be found at [www.tescopl.com](http://www.tescopl.com) and [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre).

Subject to certain restrictions, the recorded briefing and the accompanying slides will be available to all interested parties at [www.tescopl.com](http://www.tescopl.com) and [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre). Your attention is also drawn to the important information below.

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**Further information**

*This Announcement is for information purposes only and is not intended to and does not constitute, or form part of, an offer, invitation or the solicitation of an offer or invitation to*

*purchase, otherwise acquire, subscribe for, sell or otherwise dispose of any securities, or the solicitation of any vote or approval in any jurisdiction, pursuant to the Merger or otherwise, nor shall there be any sale, issuance or transfer of securities of Booker in any jurisdiction in contravention of applicable law. The Merger will be implemented solely by means of the Scheme Document (or in the event that the Merger is to be implemented by means of a Takeover Offer, the offer document), which will contain the full terms and conditions of the Merger including details of how to vote in respect of the Merger. Any vote in respect of the Scheme or other response in relation to the Merger should be made only on the basis of the information contained in the Scheme Document.*

*Tesco will prepare the Circular to be distributed to Tesco Shareholders and will also publish the Prospectus containing information on the New Tesco Shares and the Combined Group. Tesco urges Booker Shareholders to read the Scheme Document and the Prospectus carefully when they become available because they will contain important information in relation to the Merger, the New Tesco Shares and the Combined Group. Tesco urges Tesco Shareholders to read the Prospectus and the Circular carefully when they become available. Any vote in respect of resolutions to be proposed at the Booker Meetings or the Tesco General Meeting to approve the Merger, the Scheme or related matters, should be made only on the basis of the information contained in the Scheme Document, the Prospectus and, in the case of Tesco Shareholders, the Circular.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*Please be aware that addresses, electronic addresses and certain other 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 required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c).*

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

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

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

*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 Announcement.*

### ***Overseas jurisdictions***

*The release, publication or distribution of this Announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any applicable legal or regulatory requirements. In particular the ability of persons who are not resident in the United Kingdom, to vote their Booker Shares with respect to the Scheme at the Scheme Court Meeting, or to appoint another person as proxy to vote at the Scheme Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions 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 restrictions by any person. This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside of England and Wales. Unless otherwise determined by Tesco or required by the Code, and permitted by applicable law and regulation, the Merger will not be made available directly or indirectly, in, into or from a Restricted 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 a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction*

*Copies of this Announcement and any formal documentation relating to the Merger will not be and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Merger. If the Merger is implemented by way of Offer (unless otherwise permitted by applicable law or regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, email or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.*

*The availability of New Tesco Shares under the Merger to Booker Shareholders who are not resident in the United Kingdom or the ability of those persons to hold such shares may be affected by the laws or regulatory requirements of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.*

*Further details in relation to Overseas Shareholders will be contained in the Scheme Document.*

### ***Additional information for US investors***

*The Merger is being made to acquire the securities of an English company by means of a scheme of arrangement provided for under English law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act and is exempt from the registration requirements under the US Securities Act. Accordingly, the Scheme will be subject to disclosure requirements and practices applicable in the UK to schemes of arrangement, which are different from the disclosure and other requirements of the US tender offer and securities laws. The financial information included in this Announcement and the Scheme documentation has been or will have been prepared in accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.*

*The receipt of consideration pursuant to the Merger by a US holder for the transfer of its Booker Scheme Shares pursuant to the Scheme may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as foreign and other, tax laws. Each Booker Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger applicable to him.*

*It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under US federal securities laws in connection with the Merger, since Tesco and Booker are each organised under the laws of a country other than the US, some or all of their officers and directors may be residents of countries other than the US and most of the assets of Tesco and Booker are located outside of the US. US holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's jurisdiction or judgement.*

*The Merger is intended to be carried out under a scheme of arrangement provided for under English company law (which requires the approval of the Booker Scheme Shareholders). If so, it is expected that any Tesco Shares to be issued pursuant to the Scheme to Booker Shareholders would be issued in reliance upon the exemption from the registration requirements of the US Securities Act, provided by Section 3(a)(10) thereof.*

*Securities issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.*

*For the purpose of qualifying for the exemption provided by Section 3(a)(10) of the US Securities Act, Booker will advise the Court that its sanctioning of the Scheme will be relied on by Tesco as an approval of the Scheme following a hearing on its fairness to Booker Shareholders, at which Court hearing all Booker Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.*

*The Merger may in the circumstances provided for in this Announcement, instead be carried out by way of a Takeover Offer under English law. If Tesco exercises its right to implement the Merger by way of a Takeover Offer, such Offer will be made in compliance with*

*applicable US tender offer and securities laws and regulations, including the exemptions therefrom.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Tesco or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Booker Shares outside of the US, other than pursuant to the Merger, until the date on which the Merger and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*Investors are urged to read any documents related to the Merger filed, furnished or to be filed or furnished with the SEC because they will contain important information regarding the Merger and any related offer of securities. Such documents will be available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov), Tesco's website at [www.tescopl.com](http://www.tescopl.com) and Booker's website at [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre).*

### ***Forward-looking statements***

*This Announcement (including information incorporated by reference into this Announcement), oral statements made regarding the Merger, and other information published by Tesco and Booker contain statements which are, or may be deemed to be, "forward-looking statements" with respect to the financial condition, results of operations and businesses of Booker and Tesco and the Booker Group and the Tesco Group, and certain plans and objectives of Booker and Tesco with respect to the Combined Group. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Tesco and Booker about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this Announcement include statements relating to the expected effects of the Merger on Tesco and Booker, the expected timing and scope of the Merger and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Tesco and Booker believe that the expectations reflected in such forward-looking statements are reasonable, Tesco and Booker can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the CMA Pre-Condition and the Conditions, as well as additional factors, such as: risks relating to the Tesco Group's credit rating; local and global political and economic conditions including Brexit; the Tesco Group's and the Booker Group's economic model and liquidity risks; financial services risk; the risks associated with each of Tesco's and Booker's brand, reputation and trust; environmental risks; safety,*

technology, data security and data privacy risks; changes in consumer habits and preferences; legal or regulatory developments and changes; the outcome of any litigation; the impact of any acquisitions or similar transactions; competition and market risks; competitive product and pricing pressures; business continuity and crisis management; pensions risks; joint venture governance and partnerships; and failure to report accurate financial information in compliance with accounting standards and applicable legislation. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither Tesco nor Booker, nor any of their respective associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Each forward looking statement speaks only as of the date of this Announcement. None of Booker, the Booker Group, Tesco or the Tesco Group undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

### **Rounding**

Certain figures included in this Announcement 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 arithmetic aggregation of the figures that precede them.

### **Tesco Quantified Financial Benefits Statement**

The statements in the Tesco Quantified Financial Benefits Statement relate to future actions and circumstances which by their nature, involve risks, uncertainties and contingencies. The synergies and cost savings 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. No statement in the Tesco Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast (other than the Tesco Outlook Statement) or interpreted to mean that the Combined Group's earnings in the first full year following the Effective Date, or in any subsequent period, would necessarily match or be greater than or be less than those of Tesco and/or Booker for the relevant preceding financial period or any other period. For the purposes of Rule 28 of the Code, the Tesco Quantified Financial Benefits Statement is the responsibility of Tesco and the Tesco Directors.

### **Tesco Outlook Statement**

The Tesco Outlook Statement is a profit forecast for the purposes of Rule 28 of the Code. The Tesco Outlook Statement is repeated in Appendix 6, together with the reports from Deloitte, Tesco's reporting accountants and Greenhill, Tesco's lead financial adviser, as required under Rule 28.1(b) of the Code. For the purposes of Rule 28 of the Code, the Tesco Outlook Statement is the responsibility of Tesco and the Tesco Directors.

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

### **Rule 2.9 information**

*In accordance with Rule 2.9 of the Code, Tesco confirms that, as at close of business on 26 January 2017, being the last Business Day before the date of this Announcement, it has 8,174,829,405 ordinary shares of 5 pence each in issue and admitted to trading on the London Stock Exchange. Tesco currently holds no ordinary shares in treasury. Tesco's International Securities Identification Number ("ISIN") is GB0008847096. Tesco has an ADR programme. Each ADR represents three ordinary shares of 5 pence each. The ADRs have the trading symbol TSCDY and ISIN US8815753020.*

*In accordance with Rule 2.9 of the Code, Booker confirms that, as at close of business on 26 January 2017, being the last Business Day before the date of this Announcement, it has 1,780,895,173 ordinary shares of 1 penny each in issue and admitted to trading on the London Stock Exchange. Booker currently holds no ordinary shares in treasury. The ISIN for the Booker Shares is GB00B01TND91.*

### **Disclosure requirements of the Code**

*Under Rule 8.3(a) of the Code, any person who is interested in 1 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 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 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).*

*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](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. 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.*

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

*A copy of this Announcement and the documents required to be published by Rule 26 of the Code will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Tesco's website at [www.tescopl.com](http://www.tescopl.com) and Booker's website at [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre) by no later than 12 noon (London time) on the Business Day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated into and do not form part of this Announcement.*

*Tesco Shareholders may request a hard copy of this Announcement by: (i) contacting Equiniti during business hours on +44 371 384 2977 if calling from the UK, or +44 121 415 7053 if calling from outside the UK (lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales)); or (ii) by submitting a request in writing to Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Calls to 03 numbers cost no more than a national rate call to a 01 or 02 number. If you have received this Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. Tesco Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Merger should be in hard copy form.*

*Booker Shareholders may request a hard copy of this Announcement by contacting Computershare during business hours on +44 370 889 3230 or by submitting a request in writing to Computershare at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE. If you have received this Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. Booker Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Merger should be in hard copy form.*

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



- a premium of approximately 12 per cent. to the Closing Price of 183.1 pence per Booker Share on 26 January 2017, being the last Business Day prior to this Announcement.

The Merger represents:

- a premium of approximately 15 per cent. based on the volume weighted average share prices of Booker and Tesco since 12 January 2017, being the date on which Booker and Tesco published their Christmas trading updates; and
- a premium of approximately 24 per cent. based on the three month volume weighted average share prices of Booker and Tesco.

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

Reflecting Tesco's improved performance and the Tesco Board's confidence in its future prospects, the Tesco Board has reviewed its dividend policy and intends to recommence paying dividends in respect of the financial year 2017/18. The Tesco Board expects dividends to grow progressively from that financial year with the aim of achieving a target cover of c.2x earnings per share over the medium term.

Tesco and Booker have agreed that Booker Shareholders will be entitled to receive: (i) 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; and (ii) a special dividend in respect of the financial year ending 24 March 2017 which Booker intends to pay in lieu of the annual B share scheme (as stated in Booker's interim results announcement on 13 October 2016), in each case as described in Appendix 7. In addition, Booker Shareholders will also be entitled to receive a Closing Dividend soon after the Effective Date, as described in Appendix 7. This dividend will reflect 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 announced, made, declared or paid until the Effective Date, such payment to be reduced by any dividends that a Booker Shareholder would be expected to become entitled to receive as a holder of New Tesco Shares after the Effective Date in relation to the same period. Appendix 7 sets out further details of the dividend entitlements of Booker Shareholders.

The rights of holders of B Shares issued by Booker on 18 July 2016, who elected for the deferred redemption option set out in the B Share Scheme Circular, will not be impacted by the Merger and the B Shares will be redeemed on or around 27 April 2017, as per the indicative timeline set out in the B Share Scheme Circular (the "2017 B Share Redemption").

If Booker announces, declares, makes or pays any dividend or other distribution on or after the date of this Announcement and prior to the Effective Date, other than the

Permitted Booker Dividends or 2017 B Share Redemption, or in excess of the Permitted Booker Dividends or 2017 B Share Redemption, 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 will also provide a Mix and Match Facility (as further described in paragraph 7), which will allow Booker Shareholders to elect, subject to off-setting elections, to vary the proportions in which they receive New Tesco Shares and cash. The Mix and Match Facility will not change the total number of New Tesco Shares to be issued or the maximum amount of cash that will be paid under the terms of the Merger.

In connection with the Mix and Match Facility, Charles Wilson, the Chief Executive Officer 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 not to (subject to certain customary carve-outs) dispose of his current holding of 24,533 Tesco Shares and the New Tesco Shares he will receive pursuant to the Merger without Tesco's consent during the lock-up period of five years from the Effective Date.

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. Application will be made to 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 of the UK Listing Authority and to trading on the Main Market.

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 this Announcement or subsequently attaching or accruing to them, save for any Permitted Booker Dividends set out in Appendix 7 to this Announcement.

### **3. Background to and reasons for the Merger**

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

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

*Booker is the UK's leading food wholesaler*

Booker operates a cash and carry network and, through its 200 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.

*Tesco is the UK's leading food retailer*

Tesco operates as a leading food retailer via its own distribution channels and with an efficiently managed network of 3,500 directly owned and operated stores within easy reach of 95 per cent. of the population. 330,000 skilled colleagues help serve 50 million customer transactions a week. 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.

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

### **Consumers**

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

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

### **Customers: Independent Retailers, Caterers and Small Businesses**

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

- offer a significant enhancement to the range of food available for independent retailers, caterers and small businesses, including fresh food and the availability of new, own brand ranges;
- improve the value equation through better sourcing, allowing access to competitive prices from larger brands;
- significantly enhance the delivery service by utilising the Combined Group's range and fleet;

- provide access to Tesco banking, mobile and PayQwiq 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. It anticipates greater opportunity for innovation in food production as a result; and
- help reduce carbon emissions through improved production measures and the utilisation of the most efficient storage and transportation network.

### **Colleagues**

The Combined Group will open up opportunities for colleagues of both businesses 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 4 below).

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

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

#### *Summary*

The Tesco Board believes that the Merger represents a compelling opportunity for shareholders of both Tesco and Booker to benefit from the growth opportunities arising from the merger of the two highly complementary businesses.

#### **4. Financial benefits and effects of the Merger**

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

- help independent retailers grow their business by enabling them to offer an enhanced customer proposition, better value and quality, with strong fresh and own brand ranges;
- help independent caterers by improving the value equation through better sourcing and enhancing the range of food available, including fresh food and own brand ranges;
- better utilise the combined asset base, leading to enhanced delivery service propositions and digital offerings for all customers and improving accessibility to the full offering of the Combined Group;
- accelerate growth in the food service sector, by utilising the Combined Group's combined skills and network;
- attract more catering and symbol group customers due to the enhanced product range and service proposition; and

- bring together complementary capabilities and a new source of consumer and customer insight to drive new innovative offerings.

#### *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 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 Code at this stage.

The Tesco Board is able to anticipate 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 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 fleet and expanding click and collect services. Tesco also anticipates savings in relation to final mile delivery to customers.

- 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 5 for further details on these anticipated synergies. The Quantified Financial Benefits Statement set out above has been reported on under the Code by Deloitte, and by Tesco's lead financial adviser, Greenhill. References to those anticipated synergies should be read in conjunction with Appendix 5.

## **5. Recommendations**

The Merger constitutes a Class 1 transaction for Tesco for the purposes of the Listing Rules. Accordingly, the Merger will be conditional on the approval of the Tesco Shareholders at the Tesco General Meeting.

The Tesco Directors consider the Merger to be in the best interests of Tesco and the Tesco Shareholders as a whole and unanimously intend to recommend that Tesco Shareholders vote in favour of the Tesco Resolutions to be proposed at the Tesco General Meeting which will be convened in connection with the Merger, as all Tesco Directors who hold Tesco Shares have irrevocably undertaken to do in respect of their own holdings of, in aggregate, 400,970 Tesco Shares representing approximately 0.0049 per cent. of the existing issued ordinary share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement. 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 Resolutions to be proposed at the Tesco General Meeting in the event that their current 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, 277,200 Tesco Shares representing approximately 0.0034 per cent. of the existing issued ordinary share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement.

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

Each of Greenhill, Barclays and Citi has given and not withdrawn its consent to the inclusion in this Announcement of reference to its advice to the Tesco Directors in the form and context in which it appears.

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. Accordingly, the Booker Directors intend unanimously to recommend that Booker Shareholders vote in favour of the Scheme at the Scheme Court Meeting and the resolutions relating to the Merger 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 6.8 per cent. of the issued ordinary share capital of Booker on 26 January 2017, being the last Business Day before the date of this Announcement). In providing its advice, J.P. Morgan Cazenove has taken into account the commercial assessments of the Booker Directors.

J.P. Morgan Cazenove has given and not withdrawn its consent to the inclusion in this Announcement of reference to its advice to the Booker Directors in the form and context in which it appears.

## **6. Background to and reasons for the Booker Board's recommendation**

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 customer's business and growing with its customers. The Booker Board believes that becoming a part of the Tesco Group will help it further improve choice, prices and service. The Booker Board believes this will 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 will be delivered.

## **7. Mix and Match Facility**

Booker Shareholders (other than certain Overseas Shareholders) will be entitled to elect to vary the proportions in which they receive New Tesco Shares and cash in respect of their holdings of Booker Shares. However, the total number of New Tesco Shares that will be issued and the maximum amount of cash that will be paid under the terms of the Merger will not be varied as a result of elections made under the Mix and Match Facility. In connection with the Mix and Match Facility, Charles Wilson, the Chief Executive Officer 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.

Elections made by Booker Shareholders under the Mix and Match Facility will be satisfied only to the extent that other Booker Shareholders make off-setting elections. To the extent that elections cannot be satisfied in full, they will be scaled down on a pro rata basis. As a result, Booker Shareholders who make an election under the Mix

and Match Facility will not know the exact number of New Tesco Shares or the amount of cash they will receive until settlement of the Merger Consideration due to them, although an announcement will be made of the approximate extent to which elections under the Mix and Match Facility will be satisfied.

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

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

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

## **8. 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 existing cash resources.

In accordance with Rule 2.7(d) of the 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.

## **9. CMA Pre-Condition and Conditions**

The Merger is subject to the CMA Pre-Condition set out in Appendix 1.

It is expected that the Scheme Document will be despatched to Booker Shareholders no later than 28 days after the date on which the CMA Pre-Condition is satisfied and/or waived, as applicable, save as the Panel may otherwise permit.

In addition to the CMA Pre-Condition, the Merger will be subject to the Conditions as set out in Appendix 2 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document, including, amongst other things: (i) approval by a majority in number representing not less than 75 per cent. in value of Booker Shareholders who are on the register of members of Booker at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Scheme Court Meeting; (ii) the passing of all resolutions required to approve and implement the Scheme and to approve certain related matters by the requisite majority of Booker Shareholders at the Booker General Meeting; (iii) the Scheme becoming effective no later than the Longstop Date; (iv) the passing of all resolutions required to approve and implement the Scheme and acquisition of the Booker Shares and to approve certain related matters by the requisite majority of Tesco Shareholders at the Tesco General Meeting; and (v) Admission.

## **10. Information relating to the Tesco Group**

Tesco operates as a leading food retailer via its own distribution channels and with an efficiently managed network of 3,500 directly owned and operated stores within reach of 95 per cent. of the population. 330,000 skilled colleagues help make 50 million customer transactions a week. 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 a 98 per cent. reach of the population through this on-line service. The Tesco Group has operations in the United Kingdom and the Republic of Ireland, and also in Central Europe and Asia.

The progress Tesco has made against the three priorities first set out in October 2014 has stabilised the Tesco Group. Tesco is more competitive, its balance sheet is more secure and Tesco is rebuilding trust and transparency in the Tesco brand.

The entire Tesco team is focused on serving shoppers a little better every day. The price of a typical basket remains nearly 7 per cent. cheaper than in September 2014, availability and service have never been better and the Tesco range is more compelling. Tesco's new fresh food brands are performing ahead of expectations, and have improved Tesco's value proposition and further removed reasons for customers to shop elsewhere.

Whilst Tesco expects the market to remain challenging and uncertain, Tesco has clear plans which will enable it to deliver more value for all of its stakeholders: customers, colleagues, suppliers and shareholders. Tesco's ambition is to deliver a Tesco Group operating margin of between 3.5 per cent. and 4.0 per cent. by its 2019/20 financial year. This ambition is underpinned by six strategic drivers including the identification of £1.5 billion further operating cost reductions which Tesco expects to secure over the next three years. This will enable Tesco to further invest in its offer for customers, offset expected inflationary pressures on costs and continue to rebuild profitability. Alongside these cost reductions, Tesco is looking to further differentiate its brand, continue its focus on strong cash generation, maximise the margin mix from its sales, maximise the value of its property portfolio and continue to innovate both in how it operates the business and in its offer for customers.

For the 26 weeks ended 27 August 2016, Tesco Group revenue (excluding fuel) was £24,402 million, an increase of 3.3 per cent. over the corresponding period in the previous year, Tesco Group operating profit before exceptional items was £596 million, an increase of 60.2 per cent. over the corresponding period in the previous year and Tesco Group profit before tax before exceptional items and net pension costs was £410 million, an increase of 124 per cent. over the corresponding period in the previous year. In accordance with accounting practices, these figures cover continuing operations only and exclude the Tesco Group's Turkish and Korean businesses. For the 52 weeks ended 27 February 2016, Group revenue (excluding fuel) was £48,352 million, a decrease of 1.6 per cent. over the corresponding period in the previous year, Tesco Group operating profit before exceptional items was £44 million, an increase of 0.4 per cent. over the corresponding period in the previous year and Tesco Group profit before tax before exceptional items and net pension finance costs was £435 million, a decrease of 11.9 per cent. over the corresponding

period in the previous year. In accordance with accounting practices, these figures cover continuing operations only and exclude the Tesco Group's Turkish and Korean businesses.

Included in Tesco's Christmas trading update announcement released on 12 January 2017, was a statement by Tesco that: "We are well-placed against the medium-term aspirations we outlined in October 2016 and we are on track to deliver at least £1.2 bn Group operating profit before exceptional items for the full year." Tesco has elected to repeat this statement in this Announcement, which, for the purposes of Rule 28 of the Code, constitutes a profit forecast (the "Tesco Outlook Statement").

The Tesco Outlook Statement, the assumptions on which it is based, and the reports from Deloitte (acting as reporting accountants for Tesco) and Greenhill (acting as lead financial adviser for Tesco) as required by Rule 28.1 of the Code are set out in Appendix 6 to this Announcement. Each of Deloitte and Greenhill has given and not withdrawn its consent to the publication of its report in this Announcement in the form and context in which it is included.

## **11. Information relating to the Booker Group**

The Booker Group is the UK's leading food wholesaler, offering branded and own label goods which are sold to approximately 120,000 retail customers, 450,000 catering customers and 700,000 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 27 March 2016, sales totalling £3.2 billion were collected by customers from the Booker Group's branches and sales totalling £1.8 billion were delivered to the premises of Booker's customers. The Booker Group currently trades from 200 branches in the UK. The average size of the sales area of these branches is approximately 44,000 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 27 March 2016, the Booker Group generated profits of £127.8 million and as at 27 March 2016 the Booker Group had gross assets of £1,385.7 million.

For the 24 weeks ended 9 September 2016, the Booker Group generated profits of £67.8 million and as at 9 September 2016 had gross assets of £1,351.5 million.

## **12. Irrevocable Undertakings**

Tesco has received irrevocable undertakings from the Booker Directors to vote in favour of the Scheme at the Scheme Court Meeting and the resolutions to be proposed at the Booker General Meeting (and if the Merger is subsequently structured as a Takeover Offer, to accept any Offer made by Tesco) in respect of their entire holdings, amounting to 120,555,793 Booker Shares in aggregate, representing

approximately 6.8 per cent. of Booker's existing issued ordinary share capital on 26 January 2017, being the last Business Day before the date of this Announcement. The undertakings from the Booker Directors 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 Circular does not contain a unanimous recommendation from the Tesco Board to Tesco Shareholders to approve the resolutions 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 Longstop Date.

Booker has received irrevocable undertakings from the Tesco Directors to vote in favour of the resolutions to be proposed at the Tesco General Meeting in respect of their entire holdings, amounting to 400,970 Tesco Shares in aggregate, representing approximately 0.0049 per cent. of Tesco's existing issued ordinary share capital on 26 January 2017, being the last Business Day before the date of this Announcement. 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 Resolutions to be proposed at the Tesco General Meeting in the event that their holdings convert from the form of ADRs to Tesco Shares (and they therefore become entitled to vote at the Tesco General Meeting), with such undertakings relating to, in aggregate, 277,200 Tesco Shares representing approximately 0.0034 per cent. of the existing issued ordinary share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement. 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 Scheme Document does not contain a unanimous recommendation from the Booker Board to Booker Shareholders to approve the resolutions to be proposed at the Scheme Court Meeting and the Booker General Meeting; (iv) the Booker Board withdraws, adversely modifies or adversely qualifies its recommendation; or (v) the Merger has not become effective by the Longstop Date.

Further details of these irrevocable undertakings are set out in Appendix 4 to this Announcement.

### **13. Management, employees and locations**

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. Management and employees of the Booker Group will have the possibility of benefitting from potential new opportunities within the Combined Group following the Merger.

On completion of the Merger, Charles Wilson, Booker's Chief Executive Officer and Stewart Gilliland, Booker's Chairman, will join the Combined Group's Board. Charles Wilson will also join the Combined Group's Executive Committee.

Tesco will aim to retain the best talent across the Combined Group. 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. Initial work on integration has begun, but more detailed analysis will need to be undertaken. Finalisation of the integration plan will be subject to engagement with appropriate stakeholders, including employee representatives.

Following completion of the Merger, the existing contractual and statutory employment rights of the Booker employees shall be observed and pension obligations complied with, in accordance with applicable law.

#### **14. Booker Share Schemes**

Participants in the Booker Share Schemes will be contacted regarding the effect of the Merger on their rights under the Booker Share Schemes and appropriate proposals will be made to such participants in due course. Details of these proposals will be set out in the Scheme Document and in separate letters to be sent to participants in the Booker Share Schemes.

The Merger will extend to any Booker Shares which are unconditionally allotted, issued or transferred to satisfy the exercise of existing options or vesting of awards under the Booker Share Schemes prior to the Scheme Record Time.

#### **15. Offer-related Arrangements**

##### ***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.

##### ***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.

##### ***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.

### ***Lock-up Agreement***

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

### ***Service Agreement Amendment Deed***

On 27 January 2017, Charles Wilson, Booker’s Chief Executive Officer, 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.

### ***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.

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

The Co-operation Agreement shall be terminated with immediate effect if: (i) 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 Longstop Date; (iii) if the Scheme has not become effective by the Longstop Date; or (iv) on the Effective Date.

Tesco has the right to terminate the Co-operation Agreement if: (i) 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 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) the CMA Pre-condition or

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 Longstop 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) Tesco announces that it will not convene the Tesco General Meeting or that it does not intend to post the Circular; or (iii) where the Merger is implemented by way of the Scheme, the Tesco General Meeting is not held within five Business Days of the Booker Meetings.

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

The Co-operation Agreement records Tesco's and Booker's intention to implement the Merger by way of the Scheme, subject to the ability of Tesco to proceed by way of a Takeover Offer in the circumstances described in paragraph 22 below.

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

## **16. Structure of the Merger**

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

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

- a resolution to approve the Scheme is passed by a majority in number representing not less than 75 per cent. in value of Booker Shareholders who are on the register of members of Booker at the Scheme Voting Record Time, present and voting, whether in person or by proxy, at the Scheme 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; and
- an office copy of the Scheme Court Order is delivered to the Registrar of Companies.

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 Scheme 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.

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

The Scheme Document will include full details of the Scheme, together with notices of the Scheme Court Meeting and the Booker General Meeting. The Scheme Document will also contain the expected timetable for the Merger, and will specify the necessary actions to be taken by Booker Shareholders. The Scheme Document will be posted to Booker Shareholders and, for information only, to persons with information rights and to holders of options granted under the Booker Share Schemes, as soon as practicable, and no later than 28 days after the date on which the CMA Pre-Condition is satisfied or waived, as applicable, save as the Panel may otherwise permit. Subject, amongst other things, to the satisfaction or waiver of the CMA Pre-Condition and the Conditions, it is currently expected that the Scheme will become effective in late 2017/ early 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 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 Code, the Panel, the London Stock Exchange and the FCA.

## **17. Tesco Shareholder approval and Prospectus**

The Merger constitutes a Class 1 transaction for Tesco for the purposes of the Listing Rules. Accordingly, Tesco will be required to seek the approval of Tesco 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 Resolutions 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 aggregated, 400,970 Tesco Shares (representing approximately 0.0049 per cent. of the issued share capital of Tesco on 26 January 2017, being the last Business Day before the date of this Announcement), 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, 277,200 Tesco Shares representing approximately 0.0034 per cent. of the existing issued ordinary share capital of Tesco

on 26 January 2017, being the last Business Day before the date of this Announcement).

Tesco will send Tesco Shareholders the Circular summarising the background to and reasons for the Merger which will include a notice convening the Tesco General Meeting. The Merger is conditional on, among other things, the Tesco Resolutions being passed by the requisite majority of Tesco Shareholders at the Tesco General Meeting.

It is expected that the Circular will be posted to Tesco Shareholders at or around the same time as the Scheme Document is posted to Booker Shareholders and that the Tesco General Meeting will be held at or around the same time as the Booker Meetings.

Tesco will also be required to produce the Prospectus in connection with the issue of the New Tesco Shares. The Prospectus will contain information relating to the Merger, the Combined Group and the New Tesco Shares. It is expected that the Prospectus will be published at or around the same time as the Scheme Document is posted to Booker Shareholders.

#### **18. Delisting and re-registration**

It is intended that dealings in Booker Shares will be suspended at 5.00 p.m. London time on the Business Day prior to the Effective Date. It is further 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 Act.

#### **19. Disclosure of interests in Booker relevant securities**

As at close of business on 26 January 2017 (being the latest practicable date prior to the date of this Announcement), neither Tesco, nor any of the Tesco Directors or any member of the Tesco Group, nor, so far as the Tesco Directors are aware, any person acting in concert with Tesco for the purposes of the Merger had any interest in, right to subscribe for, or had borrowed or lent any Booker Shares or securities convertible or exchangeable into Booker Shares, nor did any such person have any short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to take delivery, or any dealing arrangement of the kind referred to in Note 11 of the definition of acting in concert in the Code, in relation to Booker Shares or in relation to any securities convertible or exchangeable into Booker Shares.

In the interests of secrecy prior to this Announcement, Tesco has not made any enquiries in respect of the matters referred to in this paragraph of certain parties who may be deemed by the Panel to be acting in concert with Tesco for the purposes of the

Scheme. Enquiries of such parties will be made as soon as practicable following the date of this Announcement and any disclosure in respect of such parties will be disclosed as soon as possible via a Regulatory Information Service.

## **20. Overseas Shareholders**

The availability of the Merger and the distribution of this Announcement to Booker Shareholders who are not resident in the United Kingdom or the United States may be affected by the laws of the relevant jurisdiction. Such persons should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction. Booker Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

This Announcement does not constitute an offer for sale for any securities or an offer or an invitation to purchase any securities. Booker Shareholders are advised to read carefully the Scheme Document and related Forms of Proxy once these have been despatched, as well as the Prospectus once it has been made available.

## **21. Documents published on a website**

Copies of the following documents will, by no later than 12 noon (London time) on 30 January 2017, be published on Booker's website at [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre) and Tesco's website at [www.tescopl.com](http://www.tescopl.com) until the end of the Merger:

- this Announcement;
- the irrevocable undertakings listed in Appendix 4;
- the Confidentiality Agreement referred to in paragraph 15;
- the Confidentiality and Joint Defense Agreement referred to in paragraph 15;
- the Clean Team Confidentiality Agreement referred to in paragraph 15;
- the Additional Confidentiality Agreements referred to in paragraph 15;
- the Lock-up Agreement referred to in paragraph 15;
- the Service Agreement Amendment Deed referred to in paragraph 15; and
- the Co-operation Agreement referred to in paragraph 15.

## **22. General**

The Merger is subject to the satisfaction or waiver of the CMA Pre-Condition set out in Appendix 1 to this Announcement and the Conditions set out in Appendix 2 to this Announcement. The Merger is also subject to the further terms set out in Appendix 2 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document when issued.

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,

for the entire issued and to be issued share capital of Booker not already held by Tesco as an alternative to the Scheme. In such an event, the Offer will be implemented on the same terms (subject to appropriate amendments), so far as applicable, as those which would apply to the Scheme.

If the Merger is effected by way of a Takeover Offer and such Offer becomes or is declared unconditional in all respects and sufficient acceptances are received, Tesco intends to: (i) make a request to the UK Listing Authority to cancel the listing of the Booker Shares from the Official List; (ii) make a request to the London Stock Exchange to cancel trading in Booker Shares on Main Market; and (iii) exercise its rights to apply the provisions of Chapter 3 of Part 28 of the Act to acquire compulsorily the remaining Booker Shares in respect of which the Offer has not been accepted.

The New Tesco Shares to be issued pursuant to the Merger have not been, and will not be, listed on any stock exchange other than London Stock Exchange and have not been, and will not be, registered under the US Securities Act or under any laws of any state, district or other jurisdiction, of the United States, nor have clearances been, nor will they be, obtained from the securities commission or similar authority of any province or territory of Canada and no prospectus has been, or will be, filed, or registration made, under any securities law of any province or territory of Canada, nor has a prospectus in relation to the New Tesco Shares been, nor will one be, lodged with, or registered by, the Australian Securities and Investments Commission, nor have any steps been taken, nor will any steps be taken, to enable the New Tesco Shares to be offered in compliance with applicable securities laws of Japan and no regulatory clearances in respect of the New Tesco Shares have been, or will be, applied for in any other jurisdiction. Accordingly, unless an exemption under relevant securities laws is available, the New Tesco Shares are not being, and may not be, offered, sold, resold, delivered or distributed, directly or indirectly, in, into or from the United States or any other Restricted Jurisdiction or to, or for the account or benefit of, any US Person or resident of any other Restricted Jurisdiction. The Merger does not constitute an offer of New Tesco Shares in the United States. Neither the SEC nor any US state securities commission has approved or disapproved of the New Tesco Shares, or determined if this Announcement is accurate or complete. Any representation to the contrary is a criminal offence.

Greenhill, Barclays, Citi and J.P. Morgan Cazenove have each given and not withdrawn their consent to the publication of this Announcement with the inclusion herein of the references to their names in the form and context in which they appear.

Greenhill is acting as lead financial adviser to Tesco, Barclays is acting as financial adviser, sponsor and corporate broker to Tesco and Citi is acting as financial adviser and corporate broker to Tesco. Deloitte is acting as reporting accountants for Tesco. Freshfields Bruckhaus Deringer LLP is acting as legal adviser to Tesco.

J.P. Morgan Cazenove is acting as is financial adviser and corporate broker to Booker. Clifford Chance LLP is acting as legal adviser to Booker.

The sources of certain financial information and bases of calculation contained in this Announcement are set out in Appendix 3 to this Announcement. Certain terms used in this Announcement are defined in Appendix 8 to this Announcement.

## **Enquiries**

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## **Further information**

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

*Scheme or other response in relation to the Merger should be made only on the basis of the information contained in the Scheme Document.*

*Tesco will prepare the Circular to be distributed to Tesco Shareholders and will also publish the Prospectus containing information on the New Tesco Shares and the Combined Group. Tesco urges Booker Shareholders to read the Scheme Document and the Prospectus carefully when they become available because they will contain important information in relation to the Merger, the New Tesco Shares and the Combined Group. Tesco urges Tesco Shareholders to read the Prospectus and the Circular carefully when they become available. Any vote in respect of resolutions to be proposed at the Booker Meetings or the Tesco General Meeting to approve the Merger, the Scheme or related matters, should be made only on the basis of the information contained in the Scheme Document, the Prospectus and, in the case of Tesco Shareholders, the Circular.*

*This Announcement does not constitute a prospectus or prospectus equivalent document.*

*Please be aware that addresses, electronic addresses and certain other 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 required under Section 4 of Appendix 4 of the Code to comply with Rule 2.11(c).*

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

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

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

*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 Announcement.*

### ***Overseas jurisdictions***

*The release, publication or distribution of this Announcement in or into jurisdictions other than the UK may be restricted by law and therefore any persons who are subject to the law of any jurisdiction other than the UK should inform themselves about, and observe, any*

*applicable legal or regulatory requirements. In particular the ability of persons who are not resident in the United Kingdom, to vote their Booker Shares with respect to the Scheme at the Scheme Court Meeting, or to appoint another person as proxy to vote at the Scheme Court Meeting on their behalf, may be affected by the laws of the relevant jurisdictions in which they are located. Any failure to comply with the applicable restrictions 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 restrictions by any person. This Announcement has been prepared for the purpose of complying with English law and the Code and the information disclosed may not be the same as that which would have been disclosed if this Announcement had been prepared in accordance with the laws of jurisdictions outside of England and Wales. Unless otherwise determined by Tesco or required by the Code, and permitted by applicable law and regulation, the Merger will not be made available directly or indirectly, in, into or from a Restricted 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 a Restricted Jurisdiction or any other jurisdiction if to do so would constitute a violation of the laws of that jurisdiction*

*Copies of this Announcement and any formal documentation relating to the Merger will not be and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction or any jurisdiction where to do so would violate the laws of that jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction. Doing so may render invalid any related purported vote in respect of the Merger. If the Merger is implemented by way of Offer (unless otherwise permitted by applicable law or regulation), the Takeover Offer may not be made, directly or indirectly, in or into or by use of the mails or any other means or instrumentality (including, without limitation, facsimile, email or other electronic transmission, telex or telephone) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities or from within any Restricted Jurisdiction.*

*The availability of New Tesco Shares under the Merger to Booker Shareholders who are not resident in the United Kingdom or the ability of those persons to hold such shares may be affected by the laws or regulatory requirements of the relevant jurisdictions in which they are resident. Persons who are not resident in the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements.*

*Further details in relation to Overseas Shareholders will be contained in the Scheme Document.*

#### ***Additional information for US investors***

*The Merger is being made to acquire the securities of an English company by means of a scheme of arrangement provided for under English law. A transaction effected by means of a scheme of arrangement is not subject to the tender offer rules under the US Exchange Act and is exempt from the registration requirements under the US Securities Act. Accordingly, the Scheme will be subject to disclosure requirements and practices applicable in the UK to schemes of arrangement, which are different from the disclosure and other requirements of the US tender offer and securities laws. The financial information included in this Announcement and the Scheme documentation has been or will have been prepared in*

*accordance with International Financial Reporting Standards and thus may not be comparable to financial information of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the US.*

*The receipt of consideration pursuant to the Merger by a US holder for the transfer of its Booker Scheme Shares pursuant to the Scheme may be a taxable transaction for United States federal income tax purposes and under applicable United States state and local, as well as foreign and other, tax laws. Each Booker Shareholder is urged to consult his independent professional adviser immediately regarding the tax consequences of the Merger applicable to him.*

*It may be difficult for US holders of shares to enforce their rights and any claims they may have arising under US federal securities laws in connection with the Merger, since Tesco and Booker are each organised under the laws of a country other than the US, some or all of their officers and directors may be residents of countries other than the US and most of the assets of Tesco and Booker are located outside of the US. US holders may not be able to sue a non-US company or its officers or directors in a non-US court for violations of US securities laws. Further, it may be difficult to compel a non-US company and its affiliates to subject themselves to a US court's jurisdiction or judgement.*

*The Merger is intended to be carried out under a scheme of arrangement provided for under English company law (which requires the approval of the Booker Scheme Shareholders). If so, it is expected that any Tesco Shares to be issued pursuant to the Scheme to Booker Shareholders would be issued in reliance upon the exemption from the registration requirements of the US Securities Act, provided by Section 3(a)(10) thereof.*

*Securities issued pursuant to the Scheme will not be registered under any US state securities laws and may only be issued to persons resident in a state pursuant to an exemption from the registration requirements of the securities laws of such state.*

*For the purpose of qualifying for the exemption provided by Section 3(a)(10) of the US Securities Act, Booker will advise the Court that its sanctioning of the Scheme will be relied on by Tesco as an approval of the Scheme following a hearing on its fairness to Booker Shareholders, at which Court hearing all Booker Shareholders are entitled to attend in person or through counsel to support or oppose the sanctioning of the Scheme and with respect to which notification has been given to all such holders.*

*The Merger may in the circumstances provided for in this Announcement, instead be carried out by way of a Takeover Offer under English law. If Tesco exercises its right to implement the Merger by way of a Takeover Offer, such Offer will be made in compliance with applicable US tender offer and securities laws and regulations, including the exemptions therefrom.*

*In accordance with normal UK practice and pursuant to Rule 14e-5(b) of the US Exchange Act, Tesco or its nominees, or its brokers (acting as agents), may from time to time make certain purchases of, or arrangements to purchase, Booker Shares outside of the US, other than pursuant to the Merger, until the date on which the Merger and/or Scheme becomes effective, lapses or is otherwise withdrawn. These purchases may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Any information about such purchases will be disclosed as required in the UK, will be reported to a*

*Regulatory Information Service and will be available on the London Stock Exchange website at [www.londonstockexchange.com](http://www.londonstockexchange.com).*

*Investors are urged to read any documents related to the Merger filed, furnished or to be filed or furnished with the SEC because they will contain important information regarding the Merger and any related offer of securities. Such documents will be available free of charge at the SEC's web site at [www.sec.gov](http://www.sec.gov), Tesco's website at [www.tescopl.com](http://www.tescopl.com) and Booker's website at [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre).*

### ***Forward-looking statements***

*This Announcement (including information incorporated by reference into this Announcement), oral statements made regarding the Merger, and other information published by Tesco and Booker contain statements which are, or may be deemed to be, "forward-looking statements" with respect to the financial condition, results of operations and businesses of Booker and Tesco and the Booker Group and the Tesco Group, and certain plans and objectives of Booker and Tesco with respect to the Combined Group. All statements other than statements of historical fact are forward-looking statements. Forward-looking statements are prospective in nature and are not based on historical facts, but rather on current expectations and projections of the management of Tesco and Booker about future events, and are therefore subject to risks and uncertainties which could cause actual results to differ materially from the future results expressed or implied by the forward-looking statements. The forward-looking statements contained in this Announcement include statements relating to the expected effects of the Merger on Tesco and Booker, the expected timing and scope of the Merger and other statements other than historical facts. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as "plans", "expects", "does not expect", "is expected", "is subject to", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", "does not anticipate", "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Although Tesco and Booker believe that the expectations reflected in such forward-looking statements are reasonable, Tesco and Booker can give no assurance that such expectations will prove to be correct. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. These factors include the satisfaction of the CMA Pre-Condition and the Conditions, as well as additional factors, such as: risks relating to the Tesco Group's credit rating; local and global political and economic conditions including Brexit; the Tesco Group's and the Booker Group's economic model and liquidity risks; financial services risk; the risks associated with each of Tesco's and Booker's brand, reputation and trust; environmental risks; safety, technology, data security and data privacy risks; changes in consumer habits and preferences; legal or regulatory developments and changes; the outcome of any litigation; the impact of any acquisitions or similar transactions; competition and market risks; competitive product and pricing pressures; business continuity and crisis management; pensions risks; joint venture governance and partnerships; and failure to report accurate financial information in compliance with accounting standards and applicable legislation. Other unknown or unpredictable factors could cause actual results to differ materially from those in the forward-looking statements. Such forward-looking statements should therefore be construed in the light of such factors. Neither Tesco nor Booker, nor any of their respective*

*associates or directors, officers or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Announcement will actually occur. You are cautioned not to place undue reliance on these forward-looking statements. Each forward looking statement speaks only as of the date of this Announcement. None of Booker, the Booker Group, Tesco or the Tesco Group undertakes any obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.*

### **Rounding**

*Certain figures included in this Announcement 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 arithmetic aggregation of the figures that precede them.*

### **Tesco Quantified Financial Benefits Statement**

*The statements in the Tesco Quantified Financial Benefits Statement relate to future actions and circumstances which by their nature, involve risks, uncertainties and contingencies. The synergies and cost savings 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. No statement in the Tesco Quantified Financial Benefits Statement, or this Announcement generally, should be construed as a profit forecast (other than the Tesco Outlook Statement) or interpreted to mean that the Combined Group's earnings in the first full year following the Effective Date, or in any subsequent period, would necessarily match or be greater than or be less than those of Tesco and/or Booker for the relevant preceding financial period or any other period. For the purposes of Rule 28 of the Code, the Tesco Quantified Financial Benefits Statement is the responsibility of Tesco and the Tesco Directors.*

### **Tesco Outlook Statement**

*The Tesco Outlook Statement is a profit forecast for the purposes of Rule 28 of the Code. The Tesco Outlook Statement is repeated in Appendix 6, together with the reports from Deloitte, Tesco's reporting accountants and Greenhill, Tesco's lead financial adviser, as required under Rule 28.1(b) of the Code. For the purposes of Rule 28 of the Code, the Tesco Outlook Statement is the responsibility of Tesco and the Tesco Directors.*

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

### **Rule 2.9 information**

*In accordance with Rule 2.9 of the Code, Tesco confirms that, as at close of business on 26 January 2017, being the last Business Day before the date of this Announcement, it has 8,174,829,405 ordinary shares of 5 pence each in issue and admitted to trading on the London Stock Exchange. Tesco currently holds no ordinary shares in treasury. Tesco's International Securities Identification Number ("ISIN") is GB0008847096. Tesco has an ADR programme. Each ADR represents three ordinary shares of 5 pence each. The ADRs have the trading symbol TSCDY and ISIN US8815753020.*

*In accordance with Rule 2.9 of the Code, Booker confirms that, as at close of business on 26 January 2017, being the last Business Day before the date of this Announcement, it has 1,780,895,173 ordinary shares of 1 penny each in issue and admitted to trading on the London Stock Exchange. Booker currently holds no ordinary shares in treasury. The ISIN for the Booker Shares is GB00B01TND91.*

### ***Disclosure requirements of the Code***

*Under Rule 8.3(a) of the Code, any person who is interested in 1 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 pm (London time) on the 10th Business Day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th Business Day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.*

*Under Rule 8.3(b) of the Code, any person who is, or becomes, interested in 1 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).*

*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](http://www.thetakeoverpanel.org.uk), including details of the number of relevant securities in issue, when the offer period commenced and when any offeror was first identified. 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.*

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

*A copy of this Announcement and the documents required to be published by Rule 26 of the Code will be made available, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Tesco's website at [www.tescopl.com](http://www.tescopl.com) and Booker's website at [www.bookergroup.com/investor-centre](http://www.bookergroup.com/investor-centre) by no later than 12 noon (London time) on the Business Day following this Announcement. For the avoidance of doubt, the contents of those websites are not incorporated into and do not form part of this Announcement.*

*Tesco Shareholders may request a hard copy of this Announcement by: (i) contacting Equiniti during business hours on +44 371 384 2977 if calling from the UK, or +44 121 415 7053 if calling from outside the UK (lines are open from 8.30am to 5.30pm (UK time), Monday to Friday (excluding public holidays in England and Wales)); or (ii) by submitting a request in writing to Equiniti at Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA. Calls to 03 numbers cost no more than a national rate call to a 01 or 02 number. If you have received this Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. Tesco Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Merger should be in hard copy form.*

*Booker Shareholders may request a hard copy of this Announcement by contacting Computershare during business hours on +44 370 889 3230 or by submitting a request in writing to Computershare at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE. If you have received this Announcement in electronic form, copies of this Announcement and any document or information incorporated by reference into this document will not be provided unless such a request is made. Booker Shareholders may also request that all future documents, announcements and information to be sent to them in relation to the Merger should be in hard copy form.*

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

## **Appendix 1**

### **CMA Pre-Condition**

The posting of the Scheme Document or making of the Offer will take place following the satisfaction or waiver of the CMA Pre-Condition below. Tesco shall be entitled to waive the following CMA Pre-Condition in whole or in part:

#### **CMA Pre-Condition**

The CMA deciding, 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.

## **Appendix 2**

### **Conditions and Certain 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 Code, on or before the Longstop Date.

#### **Scheme approval**

2. The Scheme will be conditional upon:
  - (a) (i) approval of the Scheme at the Scheme 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 Scheme Court Meeting being held on or before the 22nd day after the expected date of the Scheme Court Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Tesco and Booker may agree);
  - (b) (i) 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 the 22nd day after the expected date of the Booker General Meeting to be set out in the Scheme Document in due course (or such later date (if any) as Tesco and Booker may agree); and
  - (c) (i) the sanction of the Scheme by the Court without modification or with modification on terms acceptable to Tesco and Booker, and the delivery of an office copy of the Scheme Court Order to the Registrar of Companies; and (ii) the Scheme Court Sanction Hearing being held on or before the 22nd day after the expected date of the Scheme Court Sanction Hearing to be set out in the Scheme Document in due course (or such later date (if any) as Tesco and Booker may agree).

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. All Tesco Resolutions being duly passed at the Tesco General Meeting.

#### **Listing of New Tesco Shares**

4. (i) The FCA 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”)) 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.

### **Competition and Markets Authority clearance**

5. To the extent that the CMA Pre-Condition set out in Appendix 1 is waived, the CMA deciding, 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.

### **General Third Party clearances**

6. Other than in respect of Conditions 4 and 5, 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.
7. Other than in respect of Conditions 4 and 5, 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 Act 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 co-ordinate 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.
8. 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.**

9. 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 or 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 9 in any case to an extent which is or would be material in the context of the Wider Booker Group taken as a whole.

10. 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 Schemes;

- (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 2017 B Share Redemption) 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 2017 B Share Redemption 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) the contributions payable to any such scheme(s) or to the benefits which accrue or to the pensions which are payable thereunder; or
    - (C) the basis on which qualification for, or accrual or entitlement to such benefits or pensions are calculated or determined; or
    - (D) 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 10.

### **No adverse change, litigation or regulatory enquiry**

11. 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; and
  - (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 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 this 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**

12. 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 their 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 this 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**

13. 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 CMA Pre-Condition and Conditions**

The Scheme will not become effective unless the CMA Pre-Condition and 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 Longstop Date.

Subject to the requirements of the Panel, Tesco reserves the right in its sole discretion to waive, in whole or in part, the CMA Pre-Condition in Appendix 1 or 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 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 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 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 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 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 CMA Pre-Condition and the Conditions contained in paragraphs 2 to 5 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 Code.

If the Panel requires Tesco to make an offer or offers for any Booker Shares under the provisions of Rule 9 of the 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 this Announcement or subsequently attaching or accruing to them, save for any Permitted Booker Dividends set out in Appendix 7 to this Announcement.

If, on or after the date of this Announcement, 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 or the 2017 B Share Redemption, Tesco reserves the right (without prejudice to any right of Tesco to invoke Condition 10(c) in Part A of this Appendix 2 to this Announcement), to reduce the value implied under the terms of the Merger for the Booker Shares by an amount up to the amount of such dividend and/or distribution and/or return of capital, in which case any reference in this Announcement or in the Scheme 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 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 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 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.

The Merger is subject to, *inter alia*, the satisfaction or waiver of the CMA Pre-Condition set out in Appendix 1 to this Announcement and the Conditions set out in Appendix 2 to this Announcement. The Merger is also subject to the further terms which are set out in this Appendix 2 to this Announcement and to the full terms and conditions which will be set out in the Scheme Document and such further terms as may be required to comply with the Listing Rules and the provisions of the 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 will be contained in the Scheme Document.

This Announcement and any rights or liabilities arising hereunder, the Merger, the Scheme, and any proxies 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 Code, the Panel, the London Stock Exchange and the FCA.

### **Appendix 3**

#### **Sources of Information and Bases of Calculation**

- (a) 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.
- (b) The aggregate value of the cash component of the Consideration of approximately £760 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 (f) below).
- (c) The aggregate value of the share component of the Consideration of approximately £2.9 billion is calculated by multiplying the number of Tesco Shares to be issued under the terms of the Merger (as referred to in (g)(ii) below) by the price per Tesco Share of 189.0 pence (being the Closing Price on 26 January 2017, the last Business Day prior to the date of this Announcement).
- (d) The value attributed to the entire existing issued share capital of Booker under the terms of the Merger of approximately £3.7 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 (b) and (c) above respectively).
- (e) The percentage of the share capital of the Combined Group that will be owned by Booker Shareholders of 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 (g)(ii) below by the issued share capital of the Combined Group (as set out in paragraph (g) below) and multiplying the resulting sum by 100 to produce a percentage.
- (f) Booker's issued ordinary share capital refers to the 1,780,895,173 Booker Shares in issue as at 5.00 p.m. on 26 January 2017.
- (g) The share capital of the Combined Group (being 9,708,180,149 Tesco Shares) has been calculated as the sum of:
  - (i) a total number of 8,174,829,405 Tesco Shares in issue (as at the close of business on 26 January 2017, the last Business Day prior to the date of this Announcement); and
  - (ii) 1,533,350,744 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 (f) above).

On the date of this Announcement Tesco holds no ordinary shares in treasury.

- (h) Unless otherwise stated, all prices quoted for Tesco Shares and Booker Shares have been derived from the Daily Official List and represent closing middle market prices on the relevant date.
- (i) The premium calculations to the price per Booker Share have been calculated by reference to:

- (i) the Closing Price of a Tesco Share of 189.0 pence and of a Booker Share of 183.1 pence, as of 26 January 2017 (being the last Business Day prior to the date of this Announcement);
  - (ii) the volume weighted average price of a Tesco Share of 197.8 pence and of a Booker Share of 185.2 pence, since 12 January 2017; or
  - (iii) the three month volume weighted average price of 176.8 pence per Booker Share and 205.7 pence per Tesco Share, in each case since 26 October 2016.
- (j) The volume weighted average prices of a Tesco Share and of a Booker Share are derived from data provided by Bloomberg and refer to trading on the London Stock Exchange only.
- (k) Unless otherwise stated:
- (i) historic financial information relating to Tesco has been extracted or derived (without material adjustment) from the audited financial statements of Tesco contained in Tesco's 2016 Annual Report and Financial Statements; and
  - (ii) historic financial information relating to Booker has been extracted or derived (without material adjustment) from the audited financial statements of Booker contained in Booker's 2016 Annual Report and Accounts.
- (l) The synergy numbers are unaudited and are based on analysis by Tesco's management and on Tesco's internal records. Further information underlying the Tesco Quantified Financial Benefits Statement contained in this Announcement is provided in Appendix 5.
- (m) The Tesco Group operating profit number referred to in the Tesco Outlook Statement is based on analysis by Tesco's management and on Tesco's internal records. Further information underlying the Tesco Outlook Statement contained in this Announcement is provided in Appendix 6.
- (n) The timing expectations set out in this Announcement assume that the Merger would be completed in late 2017/ early 2018.
- (o) For the purposes of the financial comparisons contained in this Announcement, no account has been taken of any liability to taxation or the treatment of fractions under the Merger.
- (p) Earnings per share figures are stated exclusive of exceptional and extraordinary items where these have been disclosed.
- (q) Certain figures included in this Announcement have been subject to rounding adjustments.

## Appendix 4 Details of 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 Scheme Court Meeting and the resolutions 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 <sup>1</sup>	108,241,986	6.0780
Jonathan Prentis <sup>2</sup>	10,413,807	0.5848
Guy Farrant <sup>3</sup>	1,500,000	0.0842
Andrew Cripps	200,000	0.0112
Karen Jones	100,000	0.0056
Stewart Gilliland	50,000	0.0028
Gary Hughes	40,000	0.0022
Helena Andreas	10,000	0.0006
<b>TOTAL</b>	<b>120,555,793</b>	<b>6.7694</b>

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

- Tesco announces that it does not intend to make or proceed with the Merger and no new, revised or replacement Scheme or Offer is announced in accordance with Rule 2.7 of the Code at the same time;
- the Scheme or Offer lapses or is withdrawn and no new, revised or replacement Scheme or Offer has been announced, in accordance with Rule 2.7 of the Code, in its place or is announced, in accordance with Rule 2.7 of the Code, at the same time;
- the Circular and (if different) the document 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 Resolutions (the “Tesco Board Recommendation”), or Tesco makes an announcement prior to the publication of such

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<sup>1</sup> 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.

<sup>2</sup> Jonathan Prentis may dispose of any additional Booker Shares he acquires upon the exercise of his share options (including vested but unexercised share options).

<sup>3</sup> Guy Farrant may dispose of any additional Booker Shares he acquires upon the exercise of his share options (including vested but unexercised share options).

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 Circular or (if different) the document convening the Tesco General Meeting;

- the Tesco Board withdraws, adversely modifies or adversely qualifies the Tesco Board Recommendation or fails to publicly reaffirm or re-issue such unanimous and unqualified recommendation before the earlier of (A) 5.30 p.m. on the fifth Business Day following Booker's reasonable request to do so, or (B) the time of the start of the Booker General Meeting (it being understood that the issue of any holding statement(s) issued to the Tesco Shareholders following a change of circumstances (so long as any such holding statement contains an express statement that such recommendation is not withdrawn or adversely modified and does not contain a statement that the Tesco Directors intend to withdraw or adversely modify such recommendation) shall not constitute a withdrawal or adverse modification of such recommendation for purposes of this paragraph); or
- the Scheme or Offer has not become effective by the Longstop Date.

## **B. Irrevocable undertakings from Tesco Directors**

### **1. 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:

<b>Name</b>	<b>Number of Tesco Shares</b>	<b>Percentage of issued ordinary share capital of Tesco (%)</b>
Dave Lewis	99,950	0.0012
Alan Stewart	50,000	0.0006
John Allan	221,020	0.0027
Mark Armour	25,000	0.0003
Mikael Olsson	5,000	0.0001
<b>TOTAL</b>	<b>400,970</b>	<b>0.0049</b>

### **2. 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).

<b>Name</b>	<b>Number of ADRs</b>	<b>Number of Tesco Shares</b>	<b>Percentage of issued ordinary share capital of Tesco (%)</b>
Deanna Oppenheimer	34,500	103,500	0.0013
Byron Grote	57,900	173,700	0.0021
<b>TOTAL</b>	<b>92,400</b>	<b>277,200</b>	<b>0.0034</b>

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

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

## Appendix 5 Tesco Quantified Financial Benefits Statement

### A. Tesco Quantified Financial Benefits Statement

Paragraph 4 of this Announcement (Financial benefits and effects of the Merger) contains statements of estimated cost savings and synergies arising from the Merger (together, the “Tesco Quantified Financial Benefits Statement”).

A copy of the Tesco Quantified Financial Benefits Statement is set out below.

*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 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 Code at this stage.*

*The Tesco Board is able to anticipate 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 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 fleet and expanding click and collect services. Tesco also anticipates savings in relation to final mile delivery to customers.*

- *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.*

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 Officer of Booker, as well as the Tesco executive leadership team.

- (e) 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.
- (f) The cost and revenue bases used as the basis for the quantified exercise are those contained in Tesco's 2016 Annual Report and Financial Statements and Booker's 2016 Annual Report and Accounts, supported where relevant by Tesco's and Booker's forecast current year cost bases.
- (g) The cost synergies are within the influence of Tesco's management, albeit the procurement synergies are dependent upon negotiations with suppliers. Delivery of the revenue synergies is more complex and to some extent outside the full control of Tesco's management.
- (h) The merger is subject to CMA approval. It is not possible to predict with certainty the outcome of the CMA approval process and therefore any potential impact has not been quantified.

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.

## **Reports**

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

## **Notes**

- (a) The statements of estimated synergies 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.
- (b) 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.
- (c) 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.
- (d) In arriving at the estimate of synergies set out in this Announcement, the Synergy Team has assumed that:

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

## **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

27 January 2017

Dear Sirs

### **OFFER FOR BOOKER GROUP PLC (“BOOKER”) BY TESCO PLC (“TESCO”)**

We report on the statement made by the directors of Tesco (the “Directors”) of synergy benefits set out in Appendix 5, Part A of the Rule 2.7 Announcement dated 27 January 2017 (the “Announcement”) issued by Tesco (“the Quantified Financial Benefits Statement” or “the Statement”). The Statement has been made in the context of the disclosures within Part A of Appendix 5 setting out, inter alia, the basis of the Directors’ belief (identifying the principal assumptions and sources of information) supporting the Statement and their analysis, explanation and quantification of the constituent elements.

#### **Responsibilities**

It is the responsibility of the Directors to prepare the Statement in accordance with Rule 28 of the City Code on Takeovers and Mergers (the “Code”).

It is our responsibility to form our opinion, as required by Rule 28.1(a) of the Code, as to whether the Statement has been properly compiled on the basis stated 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 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 Code, consenting to its inclusion in the Announcement.

#### **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 considering whether the Statement has been accurately computed based upon the disclosed bases of belief (including the principal assumptions). Whilst the bases of belief (and the principal assumptions) upon which the Statement is based are solely the responsibility of the Directors, we considered whether anything came to our attention to indicate that any of the bases of belief (or principal assumptions) adopted by the Directors

which, in our opinion, are necessary for a proper understanding of the Statement have not been disclosed or if any basis of belief (or principal assumption) made by the Directors appears to us to be unrealistic. Our work did not involve any independent examination of any of the financial or other information underlying the Statement.

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 Quantified Financial Benefits Statement has been properly compiled on the basis stated.

Since the Statement (and the principal assumptions on which it is based) relates to the future, the actual synergy benefits achieved are likely to be different from those anticipated in the Statement and the differences may be material. Accordingly, we can express no opinion as to the achievability of the synergy benefits identified by the Directors in the Statement.

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, based on the foregoing, the Quantified Financial Benefits Statement has been properly compiled on the basis stated.

Yours faithfully

Deloitte LLP  
Chartered Accountants

*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 member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

### **C. Report from Greenhill**

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

27 January 2017

#### **Merger of Tesco PLC ( “Tesco”) and Booker Group plc ( “Booker”)**

We refer to the Tesco Quantified Financial Benefits Statement (the “Statement”) set out in Part A of Appendix 5 of the rule 2.7 announcement dated 27 January 2017 (the “Announcement”) for which the Board of Directors of Tesco (the “Tesco Directors”) are solely responsible under Rule 28.3 of the UK City Code on Takeovers and Mergers (the “Code”).

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

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

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

We have also reviewed the work carried out by Deloitte LLP and have discussed with them the opinion set out in Part B of Appendix 5 of the Announcement addressed to yourselves and ourselves.

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 or 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 you as the Tesco Directors are solely responsible, has been prepared with due care and consideration.

Yours faithfully,

Greenhill & Co. International LLP

## **Appendix 6**

### **Tesco Outlook Statement**

#### **A. Tesco Outlook Statement**

On 12 January 2017, Tesco released its Q3 and Christmas trading announcement. Included in this announcement was the following statement, which Tesco has elected to repeat in this Announcement and which for the purposes of Rule 28 of the Code constitutes a profit forecast for the financial year ending 25 February 2017:

*“We are well-placed against the medium-term aspirations we outlined in October 2016 and we are on track to deliver at least £1.2 bn Group operating profit before exceptional items for the full year.”*

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

#### **Reconfirmation and basis of preparation**

The Tesco Directors hereby confirm that the Tesco Outlook Statement remains valid and has been properly compiled on the basis stated below and that the basis of accounting used is consistent with Tesco’s accounting policies, which are in accordance with IFRS and are those that Tesco will apply in preparing its financial statements for the financial year to 25 February 2017.

In confirming the Outlook Statement, 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 FY2017 which is material in the context of the Tesco Outlook Statement;
- no change in legislation or regulation impacting on the Group’s operations or its accounting policies and standards to which it is subject which is material in the context of the Tesco Outlook Statement;
- no change in inflation, interest or tax rates in Tesco’s principal markets compared with Tesco’s budgeted estimates which is material in the context of the Tesco Outlook Statement;
- 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 Outlook Statement;
- no change in the exchange rates compared with Tesco’s budgeted estimates which is material in the context of the Tesco Outlook Statement;
- 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 Outlook Statement.

#### *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 25 February 2017;
- 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 Outlook Statement; and
- no change in Tesco's strategy.

## **Reports**

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

## **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

27 January 2017

Dear Sirs

### **OFFER FOR BOOKER GROUP PLC (“BOOKER”) BY TESCO PLC (“TESCO”)**

We report on the profit forecast comprising a forecast of group operating profit before exceptional items of Tesco plc (the “Company”) and its subsidiaries (together the “Group”) for the 12 months ending 25 February 2017 (the “Profit Forecast”). The Profit Forecast, and the material assumptions upon which it is based are set out in Part A of Appendix 6 to the Rule 2.7 Announcement dated 27 January 2017 (the “Announcement”).

#### **Responsibilities**

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

It is our responsibility to form an opinion as required by Rule 28.1(a) of the Code as to whether the Profit Forecast has been properly compiled on the basis stated 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 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 Code, consenting to its inclusion in the Announcement.

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

The Profit Forecast has been prepared on the basis stated in Part A of Appendix 6 to the Announcement and is based on the unaudited interim financial results for the six months ended 27 August 2016, the unaudited management accounts for the four months ended 31 December 2016 and a forecast for the two months to 25 February 2017. The Profit Forecast is required to be presented on a basis consistent with the accounting policies of the Group.

#### **Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included evaluating the basis on which the historical financial information included in the Profit Forecast has been prepared

and considering whether the Profit Forecast has been accurately computed based upon the disclosed assumptions and the accounting policies of the Group.

Whilst the assumptions upon which the 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 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 Profit Forecast has been properly compiled on the basis stated.

Since the 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 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 Profit Forecast has been properly compiled on the basis stated and the basis of accounting used is consistent with the accounting policies of the Group.

Yours faithfully

Deloitte LLP

Chartered Accountants

*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 member firm of Deloitte Touche Tohmatsu Limited (“DTTL”), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## **C. Report from Greenhill**

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

27 January 2017

### **Merger of Tesco PLC and Booker Group plc**

We report on the Tesco Outlook Statement (the “Statement”) made by Tesco PLC (“Tesco”) and set out in Appendix 6 of the Rule 2.7 announcement dated 27 January 2017 (the “Announcement”) for which the Board of Directors of Tesco (the “Tesco Directors”) are solely responsible under Rule 28.3 of the City Code on Takeovers and Mergers (the “Code”).

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

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

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

We have also reviewed the work carried out by Deloitte LLP and have discussed with them the opinion set out in Appendix 6 of the Announcement.

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

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

Yours faithfully,

Greenhill & Co. International LLP

## **Appendix 7**

### **Booker Dividends**

Under the terms of the Merger, Tesco and Booker have agreed that Booker Shareholders on the relevant record date will be entitled to receive, subject to Booker having sufficient distributable reserves at the relevant time, the following dividends (each a “Permitted Booker Dividend”, and together, the “Permitted Booker Dividends”):

- subject to approval by the Booker Shareholders, a final dividend in respect of the 52 weeks ending 24 March 2017 of up to 65 per cent. of Booker’s profits after tax, calculated and determined in accordance with and consistent with Booker’s past practice (“Earnings”) for that 52 week period less the aggregate amount of the interim dividend of 0.63 pence per Booker Share already paid by Booker on 25 November 2016 (the “2016/17 Final Dividend”). If the Effective Date is expected to occur prior to Booker’s annual general meeting for the 52 weeks ending 24 March 2017, the 2016/17 Final Dividend may be approved by the Booker Board, and paid, as an interim dividend. The record date for the 2016/17 Final Dividend shall be in June 2017, or if the Effective Date is expected to fall on or prior to such date, the record date will be brought forward to a time and date which falls prior to the Scheme Record Time;
- a further special dividend in respect of the 52 weeks ending 24 March 2017 of up to 100 per cent. of Booker’s Earnings for that 52 week period less the aggregate amount of the interim dividend of 0.63 pence per Booker Share already paid by Booker on 25 November 2016 and the 2016/17 Final Dividend (the “2016/17 Special Dividend”). The record date for the 2016/17 Special Dividend shall be in June 2017, or if the Effective Date is expected to fall on or prior to such date, the record date will be brought forward to a time and date which falls prior to the Scheme Record Time;
- if the Effective Date is after the record date for the 2017/18 Interim Dividend (as defined below) (but not otherwise), an interim dividend of up to 0.69 pence per Booker Share in respect of the 24 weeks ending 8 September 2017 (the “2017/18 Interim Dividend”). If the 2017/18 Interim Dividend is announced or declared, the record date for it shall be in October 2017;
- 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. The Closing Dividend shall be announced on the Posting Date and set out in the Scheme Document, with the record date and time falling prior to the Scheme Record Time and the payment date within 14 days of the Effective Date. Unless otherwise agreed between Tesco and Booker and announced on the Posting Date and set out in the Scheme Document, the Closing Dividend shall be an aggregate amount that is calculated by deducting the aggregate Accrued Tesco Dividend from the aggregate Accrued Booker Dividend (provided that the Closing Dividend shall not be a negative number), where:

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

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

where:

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

- if the Effective Date is on or 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, the aggregate 2018/19 Interim Dividend;
- the Accrued Tesco Dividend is equal to the aggregate amount of unpaid ordinary dividends that Booker Shareholders are expected to become entitled to receive as holders of New Tesco Shares after the Effective Date in relation to the same period as for the Accrued Booker Dividend, calculated as:

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

where:

- D equals the sum of the aggregate amounts of the last interim dividend and the last final (or second interim) dividend of Tesco (other than any dividend in respect of any financial period ending on or prior to 25 February 2017) that have been announced or declared, and for which the record date has or will have occurred on or prior to the Effective Date, provided that if the Effective Date is:
  - prior to the record date for an interim dividend by Tesco in respect of the financial year ending 24 February 2018 (the “Tesco 2017 FY”) (the “Tesco 2017/18 Interim Dividend”), such amount will be equal to zero (in which case the Accrued Tesco Dividend will also be zero);
  - on or after the record date for the Tesco 2017/18 Interim Dividend but 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”), such amount will be equal to the aggregate amount of the Tesco 2017/18 Interim Dividend multiplied by 3;
- E equals:
  - if the Effective Date is prior to the record date for the Tesco 2017/18 Final Dividend, one;
  - if the Effective Date is on or after the record date for the Tesco 2017/18 Final Dividend, 1.5;
- F equals:
  - if the Effective Date is prior to the record date for the Tesco 2017/18 Final Dividend, the sum of the number of days from

(and including) 26 February 2017 to (and excluding) the Effective Date divided by 365;

- if the Effective Date is on or after the record date for the Tesco 2017/18 Final Dividend, the number of days from (and including) 25 February 2018 to (and excluding) the Effective Date divided by 365;
- G equals:
  - if the Effective Date is prior to the record date for the Tesco 2017/18 Interim Dividend, zero;
  - 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, the aggregate Tesco 2018/19 Interim Dividend;
- H equals the number of New Tesco Shares to be issued under the Merger divided by the number of Tesco Shares in issue immediately prior to the Scheme becoming effective.

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

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

If, on or after the date of this Announcement, 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 or the 2017 B Share Redemption, Tesco reserves the right (without prejudice to any right of Tesco to invoke Condition 10(c) in Part A of Appendix 2 to this Announcement), to reduce the value implied under the terms of the Merger for the Booker Shares by an amount up to the amount of such dividend and/or distribution and/or return of capital, in which case any reference in this Announcement or in the Scheme 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 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 the Financial Services and Markets Act 2000 if you are resident in the UK or, if not, from another appropriately authorised independent financial adviser.*

## **Appendix 8**

### **Definitions**

The following definitions apply throughout this Announcement unless the context requires otherwise.

“2016/17 Final Dividend”	has the meaning set out in Appendix 7;
“2016/17 Special Dividend”	has the meaning set out in Appendix 7;
“2017/18 Interim Dividend”	has the meaning set out in Appendix 7;
“2017/18 Final Dividend”	has the meaning set out in Appendix 7;
“2017 B Share Redemption”	has the meaning set out in paragraph 2 of this Announcement;
“2018/19 Interim Dividend”	has the meaning set out in Appendix 7;
“£”, “Sterling”, “pence” or “p”	the lawful currency of the UK;
“Act”	the Companies Act 2006, as amended from time to time;
“Accrued Booker Dividend”	has the meaning set out in Appendix 7;
“Accrued Tesco Dividend”	has the meaning set out in Appendix 7;
“Additional Confidentiality Agreements”	has the meaning set out in paragraph 15;
“Admission”	admission of the New Tesco Shares to the Official List with a premium listing and to trading on the Main Market;
“ADR”	American Depositary Receipt;
“Announcement”	this announcement;
“Authorisation”	has the meaning set out at the end of Part A in Appendix 2;
“B Share Scheme Circular”	the B share scheme circular published by Booker on 2 June 2016;
“B Shares”	the unlisted redeemable shares of 3.2 pence each in the capital of Booker;
“Barclays”	Barclays Bank Plc, acting through its investment bank;
“Booker”	Booker Group plc, incorporated in England and Wales with registered number 05145685;
“Booker’s 2016 Annual Report and Accounts”	the annual report and audited financial statements of Booker for the year ended 25 March 2016;

“Booker Board”	the board of directors of Booker as at the date of this Announcement 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 Appendix 4;
“Booker Directors”	the directors of Booker as at the date of this Announcement or, where the context so requires, the directors of Booker from time to time;
“Booker General Meeting”	the general meeting of Booker to be convened in connection with the Scheme and the Merger, notice of which will be set out in the Scheme Document, including any adjournment thereof;
“Booker Group”	Booker, its subsidiaries and its subsidiary undertakings from time to time;
“Booker Meetings”	the Scheme Court Meeting and the Booker General Meeting;
“Booker Scheme Shareholders”	holders of Booker Scheme Shares;
“Booker Scheme Shares”	Booker Shares: <ul style="list-style-type: none"> <li>(a) in issue as at the date of the Scheme Document;</li> <li>(b) (if any) issued after the date of the Scheme Document and prior to the Scheme Voting Record Time; and</li> <li>(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,</li> </ul> but in each case other than the Excluded Shares;
“Booker Shareholders”	the registered holders of Booker Shares from time to time;
“Booker Share Schemes”	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;
“Circular”	the circular to be sent by Tesco to Tesco Shareholders summarising the background to and reasons for the Merger which will include a notice convening the Tesco General Meeting;
“Citi”	Citigroup Global Markets Limited;
“Clean Team Confidentiality Agreement”	the clean team confidentiality agreement between Tesco and Booker dated 12 December 2016;
“Closing Price”	the closing middle market quotations of a share derived from the Daily Official List;
“Closing Dividend”	has the meaning set out in Appendix 7;
“CMA Pre-Condition”	the pre-condition to the Merger as set out in Appendix 1 to this Announcement;
“Code”	the UK City Code on Takeovers and Mergers as issued from time to time by or on behalf of the Panel;
“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;
“Conditions”	the conditions to the implementation of the Merger (including the Scheme) as set out in Part A of Appendix 2 to this Announcement and to be set out in the Scheme Document;
“Confidentiality Agreement”	the confidentiality agreement between Tesco and Booker dated 20 June 2016;
“Confidentiality and Joint Defense	the confidentiality and joint defense agreement between Tesco and Booker dated

Agreement”	28 June 2016;
“Consideration”	the basic consideration payable to Booker Shareholders in connection with the Merger comprising a share component of 0.861 New Tesco Shares per Booker Share and a cash component of 42.6 pence per Booker Share, subject to final allocations under the Mix and Match Facility;
“Co-operation Agreement”	the co-operation agreement between Tesco and Booker dated 27 January 2017;
“Court”	the High Court of Justice of England and Wales;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in such Regulations) in accordance with which securities may be held and transferred in uncertificated form;
“Daily Official List”	the daily official list of the London Stock Exchange;
“Dealing Disclosure”	an announcement pursuant to Rule 8 of the 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 this 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 this Announcement by or on behalf of Booker to Tesco (or its respective officers, advisers, employees or agents in their capacity as such);
“Earnings”	has the meaning set out in Appendix 7
“Effective Date”	the date upon which either:

	the Scheme becomes effective in accordance with its terms; or
	if Tesco elects to implement the Merger by way of an Offer, the date on which the Offer becomes or is declared unconditional in all respects;
“Excluded Shares”	any Booker Shares beneficially owned by Tesco or any other member of the Tesco Group;
“Forms of Proxy”	the form of proxy in connection with each of the Scheme Court Meeting and the Booker General Meeting, which shall accompany the Scheme Document;
“FCA”	the Financial Conduct Authority;
“Greenhill”	Greenhill & Co. International LLP;
“Information”	has the meaning set out in paragraph 15;
“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 pursuant to Part 6 of the Financial Services and Markets Act 2000, referred to in section 73A(2) of the same, and contained in the FCA’s publication of the same name;
“Lock-up Agreement”	the lock-up agreement between Charles Wilson, Chief Executive of Booker, and Tesco, entered into on 27 January 2017;
“London Stock Exchange”	London Stock Exchange plc;
“Longstop 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 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 Offer;
“Mix and Match Facility”	the mix and match facility under which Booker Shareholders may, subject to off-setting elections made by other Booker Shareholders, elect to vary the proportion of New Tesco Shares and cash received under the terms of the Merger;
“New Tesco Shares”	the Tesco Shares which, subject to a valid election to that effect by a Booker Shareholder, are to be issued pursuant to the Merger;
“Offer”	if (subject to the consent of the Panel) Tesco elects to effect the Merger by way of a Takeover Offer, the offer to be made by or on behalf of Tesco to acquire the issued and to be issued share capital of Booker on the terms and subject to the conditions to be set out in the related offer document;
“Official List”	the official list of the London Stock Exchange;
“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;
“Overseas Shareholders”	Booker Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom or the United States;
“Panel”	the UK Panel on Takeovers and Mergers;
“Permitted Booker Dividend” or “Permitted Booker Dividends”	has the meaning set out in Appendix 7;
“Posting Date”	the date upon which the Scheme Document is sent to Booker Shareholders;
“Prospectus”	the prospectus to be published by Tesco at or around the same time as the Scheme Document in respect of the New Tesco Shares to be issued to Booker Shareholders in connection with the Merger and for the purpose of Admission;
“PRA”	the Prudential Regulation Authority;

“Registrar of Companies”	the Registrar of Companies in England and Wales;
“Regulatory Conditions”	the Conditions set out in paragraphs 6 to 9 (inclusive) of Part A of Appendix 2 to this Announcement (so far as, in the case of the Conditions set out in paragraphs 7, 8 and 9 of Part A of Appendix 2 to this Announcement, the relevant Third Party under those Conditions is a Relevant Authority, as defined in the Co-operation Agreement);
“Regulatory Information Service”	any information service authorised from time to time by the FCA for the purpose of disseminating regulatory announcements;
“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;
“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;
“Scheme”	the scheme of arrangement proposed to be made under Part 26 of the Act between Booker and the Booker Scheme Shareholders, with or subject to any modification, addition or condition approved or imposed by the Court and agreed to by Booker and Tesco;
“Scheme Court Meeting”	the meeting or meetings of the Booker Scheme Shareholders or any class or classes thereof (and any adjournment(s) thereof) to be convened pursuant to section 896 of the Act for the purpose of considering, and, if thought fit, approving the Scheme, and any adjournment, postponement or reconvention thereof;
“Scheme Court Order”	the order of the Court sanctioning the Scheme under Part 26 of the Act;
“Scheme Court Sanction Hearing”	means the hearing of the Court (and any adjournment thereof) to sanction the Scheme pursuant to section 899 of the Act, at which the Scheme Court Order is expected to be granted;

“Scheme Document”	the document to be sent to (among others) Booker Shareholders containing and setting out, among other things, the full terms and conditions of the Scheme and containing the notices convening the Scheme Court Meeting and Booker General Meeting;
“Scheme Record Time”	the time and date specified in the Scheme Document, expected to be 6.00 p.m. on the Business Day immediately prior to the Effective Date;
“Scheme Voting Record Time”	the time and date specified in the Scheme Document by reference to which entitlement to vote on the Scheme will be determined;
“Service Agreement Amendment Deed”	the service agreement amendment deed between Charles Wilson, Tesco and Booker dated 27 January 2017;
“SEC”	the US Securities and Exchange Commission;
“Special Resolution”	the special resolution to be proposed by Booker at the Booker General Meeting in connection with, among other things, the approval of the Scheme and such other matters as may be necessary to implement the Scheme and the delisting of the Booker Shares;
“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 5;
“Takeover Offer”	a takeover offer as defined in Part 28 of the Act;
“Tesco”	Tesco PLC, incorporated in England and Wales with registered number 00445790;
“Tesco’s 2016 Annual Report and Financial Statements”	the annual report and audited financial statements of Tesco for the year ended 27 February 2016;
“Tesco 2017 FY”	has the meaning set out in Appendix 7;
“Tesco 2017/18 Interim Dividend”	has the meaning set out in Appendix 7;
“Tesco 2017/18 Final Dividend”	has the meaning set out in Appendix 7;
“Tesco 2018/19 Interim Dividend”	has the meaning set out in Appendix 7;

“Tesco Board”	the board of directors of Tesco as at the date of this Announcement or, where the context so requires, the board of directors of Booker from time to time;
“Tesco Board Recommendation”	has the meaning set out in Appendix 4;
“Tesco Directors”	the directors of Tesco as at the date of this Announcement or, where the context so requires, the directors of Tesco from time to time;
“Tesco General Meeting”	the general meeting of Tesco to be convened in connection with the Merger, notice of which will be sent to Tesco Shareholders, including any adjournment thereof;
“Tesco Group”	Tesco, its subsidiaries and its subsidiary undertakings from time to time;
“Tesco Outlook Statement”	the statement in italics as set out in Appendix 6;
“Tesco Quantified Financial Benefits Statement”	the statement described as such and set out in Appendix 5;
“Tesco Resolutions”	such shareholder resolutions of Tesco as are required to approve, implement and effect the Merger, including, if required, a resolution or resolutions to authorise the creation and allotment of New Tesco Shares pursuant to the Merger;
“Tesco Shareholders”	the registered holders of Tesco Shares from time to time;
“Tesco Shares”	Tesco ordinary shares of five pence each;
“Third Party”	has the meaning set out at the end of Part A in Appendix 2;
“UK”	the United Kingdom of Great Britain and Northern Ireland;
“US”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia;
“UK Listing Authority”	the FCA acting in its capacity as the competent authority for listing under the Financial Services and Markets Act 2000;
“US Exchange Act”	the United States Securities Exchange Act of 1934, as amended, and the rules and

	regulations promulgated thereunder;
“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;
“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).

For the purposes of this Announcement, “subsidiary”, “subsidiary undertaking”, “undertaking” and “associated undertaking” have the meanings given by the Act.

References to an enactment include references to that enactment as amended, replaced, consolidated or re-enacted by or under any other enactment before or after the date of this Announcement. All references to time in this Announcement are to London time unless otherwise stated.