

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt about the contents of this document or the action you should take, you are recommended to seek your own financial advice as soon as possible from your stockbroker, bank, solicitor, accountant or other appropriate independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (*FSMA*), if you are in the United Kingdom, or from another appropriately authorised independent professional adviser if you are taking advice in a territory outside the United Kingdom.

If you sell or have sold or otherwise transferred all your Tesco Shares, please send this document together with the accompanying documents at once to the purchaser or transferee, or to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into any jurisdiction in which such act would constitute a violation of the relevant laws in such jurisdiction. If you sell or have sold or otherwise transferred only part of your holding of Tesco Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and, therefore, 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. This document has been prepared for the purposes of complying with English law and the Listing Rules and the information disclosed may not be the same as that which would have been disclosed if this document had been prepared in accordance with the laws and regulations of any jurisdiction outside of England.



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

**Proposed Disposal of the Asia Business
and
Notice of General Meeting**

The whole document should be read. Your attention, in particular, is drawn to the risk factors set out in Part II (*Risk Factors*) of this document and the letter from the Chairman of Tesco that is set out in Part I (*Letter from the Chairman of Tesco*) of this document and which contains a recommendation from the Directors that you vote in favour of the Resolution to be proposed at the General Meeting.

Notice of a General Meeting of Tesco to be held at 184 Shepherd's Bush Road, Brook Green, Hammersmith, London, W6 7NL at 3.00pm on 14 May 2020 is set out in Part IX (*Notice of General Meeting*) of this document.

The actions to be taken in respect of the General Meeting are set out in Section 11 of Part I (*Letter from the Chairman of Tesco*) of this document. Shareholders will find enclosed with this document a Proxy Form for use in connection with the General Meeting. On the date of this document, given prevailing Government guidance in relation to COVID-19, avoiding unnecessary travel and stopping all gatherings of more than two people in public, it is proposed that the General Meeting be convened with the minimum quorum of Shareholders present (which will be facilitated by Tesco) in order to conduct the business of the General Meeting. The well-being of Shareholders is vitally important to Tesco and as we expect Shareholders will not be able to

attend the General Meeting due to the latest Government guidance, Shareholders are asked to adhere to the current instructions to stay at home and to instead vote by proxy on the resolution set out in the Notice of General Meeting as early as possible. In the interests of safety, Shareholders will not be admitted to the General Meeting.

We will continue to closely monitor the rapidly developing impact of COVID-19, including the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at www.tescopl.com/GM2020 and/or via RNS.

Please complete and sign the Proxy Form (or appoint a proxy electronically, as referred to below) in accordance with the instructions printed on the Proxy Form and return the Proxy Form to Tesco's Registrars, Equiniti Limited, as soon as possible and, in any event to arrive no later than 3.00pm on 12 May 2020, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day).

If you hold Tesco Shares in CREST, you may appoint a proxy by having an appropriate CREST message transmitted. Proxies sent electronically must be sent as soon as possible and, in any event, so as to be received by not later than 3.00pm on 12 May 2020 or, in the case of an adjournment, not later than 48 hours (excluding any part of a day that is not a working day) before the time fixed for the holding of the adjourned meeting.

If you have any questions about this document, the General Meeting or on the completion and return of the Proxy Form, please call the Equiniti shareholder helpline between 9.00am and 5.00pm (UK time) Monday to Friday (except UK public holidays) on 0371 384 2977 (calls to this number are charged at national rates, calls from a mobile device may incur network extras) or on +44 121 415 7053 from outside the UK. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal.

Barclays Bank PLC, acting through its Investment Bank (**Barclays**), which is authorised by the Prudential Regulation Authority and regulated in the United Kingdom by the Financial Conduct Authority and the Prudential Regulation Authority, is acting exclusively for Tesco and for no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Tesco for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

Goldman Sachs, which is authorised and regulated in the UK by the FCA, is acting exclusively as joint financial adviser to Tesco and no one else in connection with the Disposal and will not be responsible to anyone other than Tesco for providing the protections afforded to clients of Goldman Sachs nor for providing advice in relation to the Disposal or any other matters referred to in this document. In addition, Goldman Sachs may provide risk management products to Tesco in connection with the Disposal for which it could earn a profit (and such profit(s) may potentially be significantly in excess of the fees earned by Goldman Sachs for its services acting as joint financial adviser to Tesco).

Greenhill & Co. International LLP (**Greenhill**), which is authorised and regulated in the UK by the Financial Conduct Authority, is acting exclusively as joint financial adviser to Tesco and no one else in connection with the matters described in this document and is not, and will not be, responsible to anyone other than Tesco for providing the protections afforded to its clients nor for providing advice in connection with the matters set out in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed upon Barclays, Goldman Sachs and Greenhill by FSMA or the regulatory regime established thereunder, Barclays, Goldman Sachs and Greenhill and any of their affiliates do not accept any

responsibility whatsoever or make any representation or warranty, express or implied, concerning the contents of this document, including its accuracy, completeness or verification, or concerning any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the Disposal, and nothing in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or future. Barclays, Goldman Sachs and Greenhill and their affiliates each accordingly disclaims to the fullest extent permitted by law, all and any responsibility and liability whether arising in tort, contract or otherwise (save as referred to herein) which it might otherwise have in respect of this document, the Disposal or any such statement.

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information. Without prejudice to the documents incorporated by reference into this document, the contents of the website of Tesco and any website directly or indirectly linked to that website do not form part of this document and should not be relied upon.

Capitalised terms have the meanings ascribed to them in Part VIII (*Definitions*) of this document.

AVAILABILITY OF HARD COPIES

If you have received this document in electronic form or have been notified that this document is available to view on the Tesco website (www.tescopl.com/GM2020), you may request a hard copy of this document and/or any information incorporated by reference into this document by calling the Equiniti shareholder helpline between 9.00am and 5.00pm (UK time) Monday to Friday (except UK public holidays) on 0371 384 2977 (calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras) or on +44 121 415 7053 from outside the UK. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal. You may also request that all future documents, announcements and information to be sent to you in relation to the Disposal should be in hard copy form. Copies of this document and any document or information incorporated by reference into this document will not be provided unless such a request is made and you are urged to consider the impact on the environment before making such request.

INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This document contains statements which are, or may be deemed to be, “forward-looking statements” which are prospective in nature. All statements other than statements of historical fact are forward-looking statements. They are based on current expectations and projections 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. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “plans”, “expects”, “is expected”, “is subject to”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes”, “targets”, “aims”, “projects” or words or terms of similar substance or the negative thereof, are forward-looking statements, as well as 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. Such statements are qualified in their entirety by the inherent risks and uncertainties surrounding future expectations or events that are beyond Tesco’s control.

Forward-looking statements include statements the intentions, beliefs or current expectations of Tesco concerning, without limitation: (a) future capital expenditures, expenses, revenues, earnings, economic performance, indebtedness, financial condition, dividend policy, losses and

future prospects, (b) business and management strategies and the expansion and growth of Tesco's operations, and (c) the effects of global economic conditions on Tesco's business.

Such forward-looking statements involve known and unknown risks and uncertainties that could significantly affect expected results and are based on certain key assumptions. Many factors may cause actual results, performance or achievements of Tesco to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Important factors that could cause actual results, performance or achievements of Tesco to differ materially from the expectations of Tesco include, among other things, general business and economic conditions globally, industry trends, competition, changes in government and other regulation and policy, including in relation to the environment, health and safety and taxation, labour relations and work stoppages, interest rates and currency fluctuations, changes in its business strategy, political and economic uncertainty, including as a result of global pandemics and other factors discussed in Part II (*Risk Factors*) of this document. Such forward-looking statements should therefore be construed in light of such factors.

Neither Tesco nor any of its 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 document will actually occur. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as at the date hereof.

Other than in accordance with its legal or regulatory obligations (including under the Listing Rules, Market Abuse Regulation and the Disclosure Guidance and Transparency Rules), Tesco is not under any obligation and Tesco expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

The above explanatory wording regarding forward-looking statements does not in any way seek to qualify the working capital statement that can be found at Section 12 of Part VI (*Additional Information*) of this document.

NO PROFIT FORECAST

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

NO OFFER OR SOLICITATION

This document is not a prospectus and it does not constitute or form part of any offer or invitation to purchase, acquire, subscribe for, sell, dispose of or issue, or any solicitation of any offer to sell, dispose of, purchase, acquire or subscribe for, any security.

FINANCIAL INFORMATION

References to "£", "GBP", "pounds", "pounds sterling", "p" and "pence" are to the lawful currency of the United Kingdom. References to "THB" or "Thai Baht" are to the lawful currency from time to time of Thailand. References to "MYR" or "Malaysian Ringgit" are to the lawful currency from time to time of Malaysia.

References to "m" are to "million".

References to "p.a." are to "per annum".

Percentages in tables may have been rounded and accordingly may not add up to 100 per cent. or to the precise sum of the totals expressed in such tables. Certain financial data has been

rounded, and, as a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data.

Historic exchange rates have been used to convert THB and MYR to £ where relevant. In respect of each of the three financial years ended February 2018, February 2019 and February 2020, the exchange rates are:

FY	Period	Date	Thailand		Malaysia	
			Balance Sheet	P&L	Balance Sheet	P&L
17/18	12	February 2018	43.93	43.73	5.477	5.526
18/19	12	February 2019	40.89	42.63	5.322	5.357
19/20	12	February 2020	40.42	39.57	5.405	5.299

Terms of the Disposal presented in GBP use a rate of USD1.29:£1.00 based on the average daily closing rate from Monday 2 to Friday 6 March 2020 (being the week prior to the announcement of the Disposal).

NON-IFRS MEASURES

The Tesco Group uses a range of measures to monitor the financial performance of the Tesco Group, including in this document. These measures include both statutory measures in accordance with IFRS and alternative performance measures (**APMs**) which are consistent with the way that business performance is measured internally. The Tesco Group uses APMs because it believes they provide both management and investors with useful additional information on the underlying trends, performance and position of the Tesco Group. This assessment covers the nature of the item, cause of occurrence and the scale of impact of that item on reported performance. APMs of profitability represent the equivalent IFRS measures adjusted for specific items that the Tesco Group considers relevant for comparison of the financial performance of the Tesco Group's businesses either from one period to another or with other similar businesses. APMs are not defined by IFRS and therefore may not be directly comparable with similarly titled measures reported by other companies. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, IFRS measures.

TESCO SHAREHOLDER HELPLINE:

0371 384 2977

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

+44 121 415 7053 (FROM OUTSIDE THE UK)

**LINES ARE OPEN 9.00 AM TO 5.00 PM (UK TIME), MONDAY TO FRIDAY
(EXCEPT UK PUBLIC HOLIDAYS)**

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

This document is dated 22 April 2020.

CONTENTS

EXPECTED TIMETABLE OF PRINCIPAL EVENTS	8
DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS	9
PART I LETTER FROM THE CHAIRMAN OF TESCO	10
1. Introduction	10
2. Background to and reasons for the Disposal	11
3. Information on the Asia Business	12
4. Summary of terms of the Disposal	13
5. Use of proceeds and financial effects of the Disposal	14
6. Summary of information on the Retained Group and future strategy	15
7. Current trading, trends and future prospects	16
8. Information on CP Group	21
9. Risk Factors	21
10. General Meeting	21
11. Action to be Taken	21
12. Further Information	22
13. Financial Advice	22
14. Recommendation to Shareholders	22
PART II RISK FACTORS	23
1. Risks related to the Disposal	23
2. Risks related to the Disposal not completing	25
3. Risks related to the Retained Group	26
PART III FINANCIAL INFORMATION ON THE ASIA BUSINESS	29
1. Basis of preparation	29
2. Combined income statements (on an IFRS basis) of the Asia Business for the three years ended 29 February 2020	29
3. Combined net asset statement (on an IFRS basis) of the Asia Business as at 29 February 2020	31
PART IV UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF THE RETAINED GROUP..	32
1. Unaudited Pro Forma Statement of Net Assets of the Retained Group	32
2. Accountants' Report on the Unaudited Pro Forma Statement of Net Assets of the Retained Group	35
PART V SUMMARY OF THE PRINCIPAL TERMS AND CONDITIONS OF THE DISPOSAL	37
1. The Sale Agreement	37
2. Transitional Services Agreement	39
3. Transitional Brand Licence Agreements	40

PART VI	ADDITIONAL INFORMATION	42
	1. Responsibility.....	42
	2. Tesco Information	42
	3. Directors	42
	4. Details of key individuals for Tesco Thailand and Tesco Malaysia	43
	5. Directors' Interests in the Company	43
	6. Directors' Service Agreements and Arrangements	45
	7. Significant Shareholders.....	47
	8. Material Contracts	47
	9. Litigation	49
	10. Related Party Transactions	50
	11. No Significant Change	50
	12. Working Capital	50
	13. Consents	50
	14. Information Incorporated by Reference	51
	15. Documents Available for Inspection	51
PART VII	CHECKLIST OF INFORMATION INCORPORATED BY REFERENCE	52
PART VIII	DEFINITIONS	54
PART IX	NOTICE OF GENERAL MEETING	59

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Announcement of confirmation of the Disposal	9 March 2020
Publication and posting of this document, the Notice of General Meeting and the relevant Proxy Form to Shareholders	22 April 2020
Latest time and date for receipt of Proxy Forms for the General Meeting	3.00pm on 12 May 2020
Latest time and date for receipt of CREST Proxy Instructions for the General Meeting	3.00pm on 12 May 2020
Record time and date for entitlement to vote at the General Meeting	6.30pm on 12 May 2020
General Meeting to approve the Disposal	3.00pm on 14 May 2020
Expected date of Completion subject to the conditions being satisfied (or waived, if applicable)	Second half of calendar year 2020
Publication and posting of the circular to approve special dividend and share consolidation, the related notice of general meeting and the relevant Proxy Form to Shareholders*	As soon as possible after Completion
General meeting to approve special dividend and share consolidation*	As soon as possible after Completion
Long Stop Date**	9 March 2021

Notes:

All time references in this document are to UK time.

These dates are provided by way of indicative guidance and are subject to change. If any of the above times and/or dates change, Tesco will give adequate notice by issuing an announcement through an RIS.

* The expected date of publication and posting of the circular to approve the special dividend and share consolidation and related documentation, and the date of the general meeting to approve the special dividend and share consolidation will depend, among other things, on the date of Completion.

** The parties may extend this date by agreement.

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	John Allan Dave Lewis Alan Stewart Deanna Oppenheimer Mark Armour Melissa Bethell Stewart Gilliland Steve Golsby Byron Grote Mikael Olsson Simon Patterson Alison Platt Lindsey Pownall	<i>(Non-executive Chairman)</i> <i>(Group Chief Executive)</i> <i>(Chief Financial Officer)</i> <i>(Senior Independent Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i> <i>(Independent Non-executive Director)</i>
Company Secretary	Robert Welch	
Registered Office	Tesco House Shire Park Kestrel Way Welwyn Garden City AL7 1GA	
Sponsor and Joint Financial Adviser	Barclays Bank PLC, acting through its Investment Bank 1 Churchill Place London E14 5HP	
Joint Financial Advisers	Goldman Sachs International Plumtree Court 25 Shoe Lane London EC4A 4AU Greenhill & Co. International LLP Lansdowne House 57 Berkeley Square London W1J 6ER	
Legal Advisers	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS	
Reporting Accountants and Auditors	Deloitte LLP 1 New Street Square London EC4A 3HQ	
Registrars	Equiniti Limited Aspect House Spencer Road, Lancing West Sussex BN99 6DA	

Part I

Letter from the Chairman of Tesco



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

Directors:

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

Registered Office:

Tesco House
Shire Park
Kestrel Way
Welwyn Garden City
AL7 1GA

22 April 2020

Dear Shareholder,

Proposed Disposal of Tesco Thailand and Tesco Malaysia

and

Notice of General Meeting

1. Introduction

On 9 March 2020, Tesco announced that it had entered into a conditional agreement with a combination of group entities, namely C.P. Retail Development Company Limited (the **Purchaser**), Charoen Pokphand Holding Co., Ltd, CP All Public Limited Company and C.P. Merchandising Co., Ltd (together, the **Purchaser Guarantors**) with respect to the sale of Tesco's businesses in Thailand and Malaysia (the **Disposal**), which is comprised of Tesco's entire shareholding in Tesco Stores (Thailand) Limited (**Tesco Thailand**), Tesco Stores (Malaysia) Sdn Bhd (**Tesco Malaysia**) and any respective subsidiaries (together, the **Asia Business**).

The Disposal realises material value for Shareholders and allows the Tesco Group to further de-risk the business by reducing indebtedness through a significant pension contribution of £2.5 billion. The Disposal will simplify the Tesco Group, enabling a stronger focus on its retail businesses in the UK and Ireland and in Central Europe.

The consideration payable to Tesco pursuant to the Disposal represents an enterprise value of \$10.6 billion (equivalent to £8.2 billion) on a cash and debt free basis, representing an EV/EBITDA multiple of 11.3x based on the 2020 Financial Year on a post-IFRS 16 basis (or 12.5x based on the 2019 Financial Year on a post-IFRS 16 basis and in each case on a currency adjusted basis).

Under the terms of the Disposal, net cash proceeds are expected to be \$10.3 billion (equivalent to £8.0 billion) before tax and other transaction costs (the **Net Cash Proceeds**).

Following completion of the Disposal, the Board intends to return c.£5.0 billion to Shareholders by way of special dividend. The Board has also undertaken to make a significant pension contribution of £2.5 billion that is expected to eliminate the current funding deficit and significantly reduce the prospect of having to make further pension deficit contributions in the future, with the remainder of the Net Cash Proceeds being retained to strengthen the balance sheet and for general corporate purposes.

The principal terms of the Sale Agreement are described in more detail in Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document.

The Disposal constitutes a Class 1 transaction for Tesco under the Listing Rules and completion of the Disposal is therefore conditional on, *inter alia*, the approval of Shareholders at a general meeting. Accordingly, a general meeting at which Shareholders will be asked to approve the Disposal is being convened at 184 Shepherds Bush Road, Brook Green, Hammersmith, London, W6 7NL, at 3.00pm on 14 May 2020. The Disposal is also subject to certain other conditions which are further summarised in Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document.

It is expected that shortly after Completion, a separate general meeting will be convened to seek Shareholder approval for the return of proceeds and associated share consolidation. A separate circular will be sent to Shareholders containing further details on these.

The purpose of this document is to provide you with information on the Disposal, to explain the background to and reasons for the Disposal and why the Board believes the Disposal to be in the best interests of Shareholders taken as a whole, and to recommend that you vote in favour of the Resolution to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolution at the General Meeting in respect of their own Tesco Shares to which they are beneficially entitled (representing approximately 0.01 per cent. of the total issued share capital of Tesco as at 17 April 2020 (being the last practicable date prior to publication of this document)).

2. Background to and reasons for the Disposal

Over the last five years Tesco's performance has significantly improved, in particular within the UK, its largest and most important market, but also across the wider Tesco Group. In October 2019, Tesco announced that it had met or exceeded the targets it had set against each of its six key strategic drivers and that all elements of its turnaround plan had been executed successfully.

Our balance sheet is now stronger, with total indebtedness as at 29 February 2020 reduced by £6.8 billion since the financial year end 2014/15. This was driven by strong business performance, the release of £2.0 billion of value from our property portfolio, and selective asset disposals, including of our Korean business in 2015. In addition, we completed the merger with Booker, combining the largest wholesale food business in the UK with the largest food retailer and unlocking significant shareholder value in the process. Our improved business performance, combined with the reduction in indebtedness, means that Tesco now has an investment grade rating from its three covering rating agencies.

With a renewed focus on customers, colleagues and suppliers, the business is ideally positioned to deliver a strong performance for all of our stakeholders.

Throughout the Tesco Group's transformation, the Board and management team have been focused on ensuring our strategy and our portfolio management approach deliver attractive returns for Shareholders. In 2017/18, on the back of stronger operational and financial performance, we reintroduced the ordinary dividend and subsequently it was increased by

92 per cent. in the 2019 Financial Year. In the 2020 Financial Year we reached our target pay-out of 50 per cent. of earnings, with a further increase of 59 per cent. in the dividend.

It is from this strengthened position that the Board decided to respond to the expressions of interest it received for the Asia Business. Tesco's Asian operations have been an important part of the Tesco Group for many years and constitute an exceptionally high-quality business, with market leading positions in two key markets of Thailand and Malaysia. Given the high value that could be received for the Asia Business, the Board concluded that it would be in Shareholders' best interests to conduct a strategic review to determine the best option for continued value creation. The conclusion of this strategic review led the Board subsequently to launch a competitive process to evaluate potential value creation through a disposal.

The Tesco Group received multiple offers for the Asia Business and the Board unanimously concluded that the offer by the Purchaser to acquire the business for an enterprise value of £8.2 billion on a cash and debt free basis should be recommended to Shareholders. The Board believes the Disposal will realise a significantly higher value than could be generated from Tesco's continued ownership and investment. It will enable the Tesco Group to return significant proceeds to Shareholders, with c.£5.0 billion expected to be returned via a special dividend, and to further de-risk the business by reducing indebtedness through a significant pension contribution of £2.5 billion.

3. Information on the Asia Business

Information on Tesco Thailand

Tesco began operating in Thailand in 1998 through Ek-Chai, which operates under the name "Tesco Lotus", a network of stores comprising various formats across Tesco Thailand as well as an online shopping platform and third-party applications such as Lazada and Happy Fresh.

Tesco Lotus is a leading grocery retailer in the Thai market and one of the most recognised retail brands in Thailand. It generated approximately £4.4 billion in revenue (excl. VAT, incl. fuel) in the 2020 Financial Year, operates a network of 1,988¹ stores across Thailand and conducts approximately 12.4 million transactions each week. As part of its offer to customers and to support the core grocery business, in many large freehold and leasehold stores Tesco Thailand has developed an attractive and profitable mall business, which in its own right is one of the largest such operators in the market.

Ek-Chai, a subsidiary of Tesco Stores (Thailand) Limited, supplies its stores from six distribution centres and two hubs across Thailand. The stores and distribution centres are located on and within land and buildings owned or leased by Ek-Chai. Ek-Chai also leases space in its major shopping malls to tenants.

Information on Tesco Malaysia

Tesco began operating in Malaysia under the name Tesco Malaysia in 2002, as part of a joint venture with Sime Darby Berhad. Tesco Malaysia is a leading grocery retailer in the Malaysian market and one of the most recognised retail brands in Malaysia. It generated approximately £0.9 billion in revenue (excl. VAT, incl. fuel) in the 2020 Financial Year and operates a network of 75² stores across Malaysia. Tesco Malaysia supplies its stores from two distribution centres in Malaysia, with its stores and distribution centres located on and within land and buildings either owned, leased or tenanted by Tesco Malaysia.

As in Thailand, Tesco Malaysia operates a highly successful mall business alongside its retail stores from its freehold and leasehold estate.

1 As at 29 February 2020.

2 As at 29 February 2020.

Trading results for the Asia Business

A summary of the trading results of the Asia Business for the 2018, 2019 and 2020 Financial Years extracted without material adjustments from the consolidation schedules and supporting accounting records that underlie the Tesco Group's audited consolidated financial statements for the 2018, 2019 and 2020 Financial Years is set out below.

The Asia Business has not in the past formed a legal group and has not prepared separate consolidated financial statements. The financial information shown for the 2018 Financial Year and 2019 Financial Year has been prepared by applying the IFRS accounting principles adopted in the Tesco Group's consolidated financial statements for the 2019 Financial Year. The financial information for 2020 Financial Year (and the post IFRS 16 results for the 2019 Financial Year) have been prepared applying the IFRS accounting principles adopted in the Tesco Group's consolidated financial statements for the 2020 Financial Year.

	2018 Financial Year (Pre-adoption of IFRS 16) ¹ £ million	2019 Financial Year (Pre-adoption of IFRS 16) ¹ £ million	2019 Financial Year (Post- adoption of IFRS 16) ¹ £ million	2020 Financial Year (Post- adoption of IFRS 16) ¹ £ million
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue.....	4,947	4,873	4,873	5,218
Operating profit	293	232	265	432
Profit before tax.....	289	235	236	405
EDITDA			640	753
Currency adjustment ²			16	(28)
Currency adjusted EBITDA			656	725

Notes:

- (1) IFRS 16 'Leases' is effective for the 2020 Financial Year. The standard was adopted retrospectively, with comparatives restated from a transition date of the start of the 2019 Financial Year. Cost of sales reduce and finance costs increase as straight line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. The results for the 2018 Financial Year have been presented prior to adoption of IFRS 16. The results for the 2019 Financial Year have been presented both prior to adoption of IFRS 16 and after adoption of IFRS 16. The results for the 2020 Financial Year have been presented after adoption of IFRS 16.
- (2) The currency adjustment translates the results of the Asia Business from the average exchange rates used for financial reporting purposes in each financial year to the exchange rate implicit in the transaction valuation as at the date of the announcement of the Disposal.
- (3) The income statement presented above includes £12 million of management charges within operating profit (primarily IT licence fees and related services) from the Tesco Group for the 2020 Financial Year (2019 Financial Year both pre and post IFRS 16: £13 million, 2018 Financial Year: £14 million).
- (4) The income statement presented above includes £16 million of net finance costs from the Tesco Group for the 2020 Financial Year (2019 Financial Year both pre and post IFRS 16: £18 million, 2018 Financial Year: £21 million).

4. Summary of terms of the Disposal

The consideration payable to Tesco pursuant to the Disposal represents an enterprise value of \$10.6 billion (equivalent to £8.2 billion) on a cash and debt free basis, representing an EV/EBITDA multiple of 11.3x based on the 2020 Financial Year on a post-IFRS 16 basis (or 12.5x based on the 2019 Financial Year on a post-IFRS 16 basis and in each case on a currency adjusted basis). The Disposal values Tesco Thailand at an enterprise value of \$9.9 billion, with net cash included in the equity value of \$0.4 billion. The Disposal values Tesco Malaysia at an enterprise value of \$0.7 billion, with net debt included in the equity value of \$0.6 billion.

Under the terms of the Disposal, Net Cash Proceeds are expected to be \$10.3 billion (equivalent to £8.0 billion) before tax and other transaction costs. Tax and other transaction costs are expected to be in the region of £0.1 billion.

The Disposal is a Class 1 transaction for Tesco under the Listing Rules and is therefore conditional upon the approval of our Shareholders. It is also conditional upon obtaining customary regulatory approvals in Thailand and Malaysia, including the approval of the Trade Competition Commission of Thailand (the **TCC**), which is expected to be received during Q3 2020. Each of the Purchaser and the Purchaser Guarantors are obliged to take any and all steps necessary to obtain these regulatory approvals in Thailand and Malaysia as soon as reasonably practicable (and in any event prior to the Longstop Date), including committing to and effecting any remedies necessary to obtain such approvals.

Further details of the Disposal are set out in Part V (*Summary of the Principal Terms and Conditions of the Disposal*).

5. Use of proceeds and financial effects of the Disposal

Use of proceeds

Following Completion, the Board intends to return c.£5.0 billion to Shareholders by way of special dividend. The Board has also undertaken to make a significant contribution of £2.5 billion to the Tesco Group's main UK defined benefit pension scheme, the Tesco PLC Pension Scheme (the **Scheme**) and, to further increase security in the Scheme, will provide security over properties as an additional contingent asset with a value of £0.2 billion, which the trustee could later call upon in certain circumstances. This pension contribution will enable further de-risking of the Scheme. Based on the current technical provisions deficit in the Scheme, and taking into account the £0.3 billion annual contribution to be paid in FY2020/2021, the £2.5 billion pension contribution is expected to eliminate the current funding deficit. This will significantly reduce the prospect of having to make further deficit contributions in the future, and release c.£260 million of annual free cash flow. The IAS19 deficit is also expected to be significantly reduced. Agreement has been reached with the Trustee of the Scheme in respect of the contribution to be paid to the Scheme, and clearance received from the Pensions Regulator in connection with the Disposal and the expected return of proceeds. The agreement with the Trustee also covers the key principles of the triennial scheme valuation, which will be calculated as at 31 December 2019. The balance of the Net Cash Proceeds, expected to be c.£0.5 billion, will be retained to strengthen the balance sheet and used for general corporate purposes.

Return of proceeds to Shareholders

It is currently expected that the return of proceeds to Shareholders of c.£5.0 billion will be implemented by way of special dividend. In order to maintain the comparability of the Tesco Group's share price and per-share metrics before and after the return of proceeds, the Company also intends to undertake a share consolidation in conjunction with the return of proceeds. It is expected that full details of the return of proceeds and share consolidation will be made available to Shareholders shortly after Completion, at which time a separate general meeting will be convened to seek Shareholder approval for the return of proceeds and associated share consolidation.

Financial effects of the Disposal on the Retained Group

In the 2020 Financial Year, the Asia Business contributed EBITDA of £753 million and operating profit of £432 million to Tesco.

Following Completion, the Retained Group will no longer receive the contribution that the Asia Business currently makes to the consolidated trading profit of the Tesco Group. As at 29 February 2020, the Asia Business had gross assets of £4.0 billion and net assets of £2.3 billion.

Following the Disposal, Tesco will continue to be a highly cash generative business with a robust and prudently managed balance sheet, including as a result of the pension contribution referred to above significantly reducing the prospect of having to make further Scheme contributions and releasing c.£260 million of annual free cash flow. Going forward, reflecting the Retained Group's more focused operations, the Board is targeting leverage of around 2.5x total indebtedness/EBITDA, the lower end of the current target range. The Board and executive management team will continue to focus on delivering excellent customer satisfaction, cash profitability, free cash flow and earnings growth. The Retained Group will also have a clear capital allocation policy centred around investing in the business to maintain the Retained Group's market leading position and delivering sustainable returns to Shareholders.

As the business is expected to continue to be highly cash generative following the Disposal, it is envisaged that the ordinary dividend will be supplemented in due course with additional returns to Shareholders, likely to be in the form of share buybacks. The pro forma impact of the Disposal on the net assets of the Tesco Group as at 29 February 2020, which has been prepared for illustrative purposes only, is set out in Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document.

6. Summary of information on the Retained Group and future strategy

Following Completion, Tesco will be a significantly more focused business with the leading market position in the UK and Ireland, with 3,777³ stores from convenience formats through to larger stores, as well as our wholesale business, Booker.

In addition, the Retained Group has an established presence in four Central European countries, with 867⁴ stores comprising hypermarkets and convenience formats in the Czech Republic, Slovakia, Hungary and Poland. The Retained Group also operates Tesco Bank, which provides a simple and convenient retail bank to 5.5 million customers.

The Board is encouraged by the growth and value creation opportunities it sees across the Retained Group. At our Capital Markets Day on 18 June 2019, the executive team outlined many of the untapped value opportunities ranging from greater innovation in product offering and how we serve our customers, further cost reduction opportunities, greater focus on customer loyalty (e.g. our new Clubcard Plus initiative) and further integration and growth from Booker.

In the UK and Ireland, we have rebuilt the competitiveness of our offer and this is where we see the greatest opportunity looking forward. We have a strong market position as the leading food retailer with c.23.8 per cent. market share in Great Britain, 3,777⁵ stores in the UK and ROI and 99.8 per cent. online coverage in the UK. We have a strong, trusted brand with an NPS score up 3 points over the last year. We are fully price competitive, with Exclusively at Tesco competing directly with discount retailers and the recently announced Aldi price match initiative. We were recognised for quality as winner of 'Britain's Favourite Supermarket' for the fifth consecutive year and with Tesco Finest producing offerings capable of competing directly with premium brands. We also have one of the largest loyalty programmes in UK retail with a 19 million+ customer base of Clubcard and Clubcard Plus members.

We are driving innovation across our product offering in the fastest growing market segments, with a leading UK market position in "free from" and vegan ranges in addition to leading

3 As at 29 February 2020.

4 As at 29 February 2020.

5 As at 29 February 2020.

positions in healthy offerings, which we believe offers customers healthier products, for example through sugar and salt reduction.

We have the opportunity to further expand our strong online presence, leveraging our position as the largest UK online grocer by opening 25 urban fulfilment centres over the next three years and doubling our online capacity. We have, and are collaborating in the development of, leading technology, with Trigo frictionless shopping technology and the 'Scan, Pay, Go' app. Through "Simplify to serve" we continue our journey to focus on improving customer service and lowering operating costs, with simplified Tesco Group structures, long term partnerships with suppliers and with procurement efficiencies generated through our Carrefour buying alliance.

We also see significant growth opportunities in convenience, catering, delivery and services which we access through our Booker business, which has recently acquired Best Food Logistics and which is making progress towards meeting its £2.5 billion incremental revenue ambition as previously announced. The Retained Group will also continue to utilise its strong supplier relationships to improve the quality, choice and range for all of Booker's customers, deploying relevant skills and platforms across the combined business.

As such, we are in a strong position to generate sustainable competitive growth in the UK and Ireland, and with it, strong cash generation.

Our Central European business operates in Poland, Czech Republic, Hungary and Slovakia and provides the Retained Group with geographic diversification. We continue with the ongoing transformation of this division, so as to ensure our business is re-positioned to drive sustainable long-term growth in the region.

In summary, our strategy will seek to create value for Shareholders through maintaining and strengthening the competitiveness of our offer for customers across all our markets. This will allow us to continue to leverage our unique market position to generate an attractive and sustainable level of free cash flow. We will utilise this cash according to the capital allocation priorities we set out below, and which are consistent with the capital allocation framework under which we have operated in recent years:

1. Disciplined reinvestment in our business with ongoing capex guidance of £0.9-1.2 billion p.a.
2. Target leverage of c.2.5x, with a strong investment grade credit rating
3. Dividends at a target 50 per cent. pay-out ratio
4. Selective and opportunistic investment in inorganic growth opportunities that may arise
5. Return surplus cash to Shareholders, expected to be via share buybacks

The Board expects the execution of this strategy to result in improved customer satisfaction, enhanced earnings and increased returns for Shareholders.

7. Current trading, trends and future prospects

On 8 April 2020, Tesco published its results for the 2020 Financial Year. The Chief Executive commented as follows:

"Over the last five years we have focused on serving customers better, re-engaging our colleagues, completely resetting our relationships with our suppliers and as a result we have been able to add value for our shareholders.

These endeavours put us in a strong operational and financial position to deal with the challenges of COVID-19.

I would like to thank Tesco colleagues for their contribution to this turnaround journey and for their unbelievable commitment as we face into the COVID-19 crisis. Their contribution continues to be immense.”

The results announcement included the following summaries of significant trends in the financial performance of the Tesco Group for this period:

Group sales declined by (0.7)% at actual exchange rates, including a 0.3% foreign exchange translation benefit due to the depreciation of Sterling. In the UK and the Republic of Ireland (ROI) total sales increased by 0.1% at actual exchange rates, against a backdrop of subdued market growth.

In the UK, we continued our Centenary celebrations offering significant savings to customers through our ‘100 Years of Great Value’ events and introduced exclusive Clubcard Prices for our 19 million Clubcard holders. We have further strengthened our value proposition with the launch of our ‘Aldi Price Match campaign’ in March 2020, price matching to Aldi on hundreds of Tesco and branded products.

The customer reaction to the launch of Clubcard Plus in November has been encouraging. For a £7.99 monthly subscription, customers can benefit from 10% off 2 big shops in-store as well as savings on popular Tesco brands and double data on Tesco Mobile. Subscribers can also apply for a Clubcard Plus credit card from Tesco Bank with no foreign exchange fees abroad⁶.

Our fresh food volumes outperformed the market by 0.5%⁷ supported by strong performance in our ‘food to go’ offer. We continue to improve our overall product mix, making our general merchandise offer more relevant by focusing on categories that are complementary to our food offer such as Home and Cook. In the coming year we are planning to rebalance space further, in particular by augmenting our F&F clothing offer in a number of our large stores.

Our online grocery customer service ratings all improved year-on-year. Following a strong sales performance in the first half, a slower rate of growth in the second half of the year reflected our decision to maintain a sustainable approach to incentivising new customers in a highly competitive environment. We are taking steps to increase our online capacity to align to the long-term growth in customer demand in this channel, with our first Urban Fulfilment Centre planned in our West Bromwich Extra store. This year we will also increase the number of vans and trial unmanned Click & Collect sites to further support order growth.

In November we announced we will become the first UK retailer to remove plastic-wrapped tinned multipacks from all stores and replace them with plastic-free multibuys, eliminating 67 million pieces of plastic. This forms part of our commitment to remove one billion pieces of plastic from our own brand products by the end of 2020.

Booker sales grew (on a comparable days basis) by 3.8% excluding tobacco (2.9% including tobacco) despite a challenging market in both wholesale and retail, with small business confidence remaining low. The continued focus on customer service was recognised in November when Booker was named ‘Best National Wholesaler’ for overall customer satisfaction⁸. The acquisition of Best Food Logistics in early March 2020 will provide more customers with the benefits of the sourcing capabilities of the wider Tesco business.

In ROI sales grew by 0.8% at constant exchange rates, and we saw particularly strong sales growth in core fresh food, including bakery and produce, as customers responded well to the continued investment in our ‘You won’t pay more’ value campaign.

6 Subject to status.

7 Data is for the 52-weeks ending 22 February 2020 and is sourced from IRI Retail Advantage™, global insight providers to the retail industry. Aldi and Lidl do not submit data to IRI and are therefore excluded from their market definition.

8 HIM annual Wholesale Tracking programme.

In Central Europe we have undertaken a significant transformation, fundamentally changing our approach in Poland and re-sizing, simplifying and improving the relevance of our businesses in the Czech Republic, Hungary and Slovakia. Sales fell by (10.1)% at constant exchange rates, reflecting disruption from the actions we have taken including the rationalisation of our general merchandise offer, making our customer offer more relevant and compelling. Across the region we right-sized 545 hypermarkets, closed 28 stores and, in Poland, completed the transition to a two-format model (compact hypermarkets and supermarkets). We also invested to improve the shopping trip for customers, focusing on availability which improved by 1% and our key 'Star lines' products which saw like-for-like growth of 20%.

In Asia sales grew by 6.7% at actual rates and by 0.1% at constant rates. In Thailand, our new Express proposition roll out and large store re-invention programme are both progressing well and as part of our innovation in store formats we now have two of our 'ultra convenient' E-Pop stores in the Bangkok region. We have simplified our fresh food offer, with more competitive prices and our 'Food Love Stories' campaign has further improved customer quality perceptions. The simplification of our general merchandise ranges impacted our headline sales by c.(1)% in the year. In Malaysia, we increased our market share, opening two new small stores following favourable legislation changes, with plans for a further four openings in 2020/21. Across the region we are building trust with customers through our focus on reducing food waste and plastic usage.

Group statutory revenue of £64.8 billion grew by 1.3% year-on-year and includes fuel sales of £7.4 billion.

Other than as set out in Section 11 of Part VI (*Additional Information*) below, there has been no significant change to the financial performance of the Tesco Group since this statement was made. A further update on the current trading and prospects of the Tesco Group will be provided when the trading update for the quarter ended 30 May 2020 is published on 26 June 2020.

COVID-19

In respect of the impact of COVID-19, Tesco made the following statements (which have been extracted without material adjustment) in its results announcement:

Our priority in dealing with the exceptional challenges posed by COVID-19 is to ensure the safety of our customers and colleagues, support our suppliers and maintain the availability of food. In every region we are working closely with the government and public health authorities to ensure we are supporting wherever we can and following all the relevant guidelines.

The specific challenges across the Group are three-fold, and most keenly felt in the UK. First, the significant change in buying behaviour of our customers. Second, the impact of the virus on our colleagues and thirdly, helping the more vulnerable in society, as defined by the UK Government.

In the first few weeks of the crisis, significant panic buying (c.30% uplift in the UK) cleared the supply chain of certain items. This has now stabilised across the Group and more normal sales volumes are being experienced. The size and nature of our workforce means we have experienced a significant absence of colleagues. Full colleague sickness support is in place and in the last two weeks alone, we recruited more than 45,000 colleagues in the UK.

Whilst we have already stepped up our capacity on Grocery Home Shopping by more than 20%, and will continue to increase this, there is simply not enough capacity to supply the whole market. Between 85% and 90% of all food bought will require a visit to a store and here significant changes to the store environment have been implemented to maximise safety for colleagues and customers. We will continue to try and prioritise home delivery for the most vulnerable in society as defined by the UK Government.

Dave Lewis, Chief Executive:

“COVID-19 has shown how critical the food supply chain is to the UK and I’m very proud of the way Tesco, as indeed the whole UK food industry, has stepped forward.

In this time of crisis we have focused on four things; food for all, safety for everyone, supporting our colleagues and supporting our communities.

Initial panic buying has subsided and service levels are returning to normal. There are significant extra costs in feeding the nation at the moment but these are partially offset by the UK Business rates relief.

Tesco is a business that rises to a challenge and this will be no different. I would like to thank colleagues for their unbelievable commitment and customers for their help and understanding. Together, we can do this.”

Our response to date:

Food for all

- *introduced a restriction of three items per customer on every product line; now removed on majority of products as stock levels stabilise*
- *introduced special hours in stores for NHS workers, and more vulnerable and elderly customers*
- *expanded Grocery Home Shopping capacity by +20% in the last two weeks, adding 145,000 slots*
- *working with Government to prioritise delivery slots for vulnerable people without a support network*
- *temporarily closed all cafes, phone shops, meat, fish, deli counters and salad bars*
- *asked our office colleagues to volunteer for shifts in stores where they can*
- *working closely with supplier partners to simplify our range to get more of the most popular products on shelves*
- *focusing on simple pricing for single products, removing many multi-buy promotions*

Safety for everyone

- *introduced social distancing measures in stores; filmed a new advertisement with colleagues summarising them*
- *created one-way aisles and ‘one-in, one-out’ system to help limit flow*
- *using directional floor markings to help everyone keep a safe distance*
- *installing protective screens at the front and back of our checkouts*
- *enhanced cleaning routines and new cleaning stations in stores*
- *inviting customers that can, to pay at the checkout by card*

Supporting our colleagues

- *colleagues ill with COVID-19 or in isolation receiving full pay from their first day of absence*
- *fully paid absence for 12 weeks for colleagues who are over 70, vulnerable or pregnant*

- *paying a 10% bonus on the hourly rate for hours worked to colleagues across stores, distribution centres and customer engagement centres*
- *range of policies to support parents during school closures, including new school closure leave policy*
- *more than 45,000 new colleagues have joined Tesco since 20 March, including pickers and drivers*
- *colleague discount increased to 15% from 6 April to 7 May*

Supporting our communities

- *we will continue our ongoing donations of £3m of food every month through our Community Food Connection scheme and distribution centres*
- *a further £15m of food to be donated to FareShare and the Trussell Trust over the next 12 weeks and a further £1m donation between the two organisations*
- *focusing £2m funding from Bags of Help community donation scheme to charities helping the most vulnerable*
- *building on our partnership with the British Red Cross, donating £2m to help with extra costs in supporting people in need*
- *over £1m of funding in stores so they can support causes in their local neighbourhood*
- *donating food for 1m free meal parcels for front-line NHS workers, supporting 'SaluteTheNHS.org' initiative*
- *constructing our first dedicated NHS Nightingale Hospital pop-up store, at the NEC in Birmingham.*

Looking ahead:

COVID-19 is having a material impact on the operations of our business and we are incurring significant additional costs, particularly in payroll as we recruit additional colleagues to meet demand and cover the work of those colleagues who are absent and being paid.

Whilst the full financial impact of the crisis for 2020/21 is impossible to predict with a high degree of certainty, we have considered a range of scenarios to understand potential outcomes on our business and plan appropriately.

Dependent on the scenario, the estimated impact on our UK retail cost lines is between c.£(650)m and c.£(925)m including significant cost increases in payroll, distribution and store expenses. At this stage it would not be prudent to provide financial guidance for 2020/21, however if customer behaviour were to return to normal by August it is likely that the additional cost headwinds incurred in our retail operations would be largely offset by the benefits of food volume increases, twelve months' business rates relief in the UK and prudent operations management.

Tesco Bank, which operates as a stand-alone regulated entity, is expected to be impacted by a reduction in income from all its activities, including credit cards, loans and travel money. This expected decrease in income, in addition to provisions for potential bad debts, is likely to result in a loss for the Bank in the year ending February 2021. Notwithstanding this, the Bank's capital ratios (Tier 1 ratio: 20.6% and Total ratio: 23.1% as at 29 February 2020) and liquidity are expected to remain strong.

Up to date information on our response to COVID-19 can be found on our website at www.tescopl.com/covid-19.

8. Information on CP Group

The CP Group comprises various public and private entities including Charoen Pokphand Foods Public Company Limited, and CP All Public Company Limited.

Charoen Pokphand Group Co. Ltd

Charoen Pokphand Group Co., Ltd. serves as a parent company of the CP Group. The CP Group operates across many industries ranging from industrial to service sectors, which are categorised into 8 business lines covering 13 business groups. Currently, the CP Group has investments in 21 countries and economies.

CPF

Charoen Pokphand Foods Public Company Limited (**CPF**) operates integrated agro-industrial and food business including livestock and aquaculture such as swine, broiler, layer, duck, shrimp and fish across 17 countries with its vision to become the Kitchen of the World (a scheme to, amongst others, accelerate Thailand's plan to become a major world food exporter).

CPALL

CP All Public Company Limited (**CPALL**) is the sole operator of 7-Eleven convenience stores in Thailand. In 2013, CPALL acquired Siam Makro Public Company Limited, which operates membership based Cash and Carry trade centres.

9. Risk Factors

For a discussion of the risks and uncertainties associated with the Disposal and the Retained Group which you should take into account when considering whether to vote in favour of the Resolution, please refer to Part II (*Risk Factors*) of this document.

10. General Meeting

A general meeting is being convened at 184 Shepherds Bush Road, Brook Green, Hammersmith, London, W6 7NL at 3.00pm on 14 May 2020 for the purpose of seeking Shareholder approval for the Resolution.

The Resolution will be proposed as an ordinary resolution requiring a majority of votes in favour for the Resolution to be carried. It proposes that the Disposal be approved and that the Directors be authorised to implement the Disposal. The Disposal will not become effective unless the Resolution is passed.

11. Action to be Taken

Your support is important to us. Please vote on the Resolution. Given prevailing Government guidance in relation to COVID-19, avoiding unnecessary travel and stopping all gatherings of more than two people in public, it is proposed that the General Meeting be convened with the minimum quorum of Shareholders present (which will be facilitated by Tesco) in order to conduct the business of the meeting. The well-being of our Shareholders is vitally important to us and as we expect shareholders will not be able to attend the General Meeting due to the latest Government guidance, we ask Shareholders to adhere to the current instructions to stay at home and instead to vote by proxy on the resolution set out in the Notice of General Meeting as early as possible. In the interests of safety, Shareholders will not be admitted to the General Meeting.

We will continue to closely monitor the rapidly developing impact of COVID-19, including the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the

General Meeting, further information will be made available on our website at www.tescoplc.com/GM2020 and/or via RNS.

I would urge you, regardless of the number of shares you own, to complete, sign and return your Proxy Form (enclosed with this document) to Equiniti Limited as soon as possible, but in any event so as to be received no later than 3.00pm on 12 May 2020, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day).

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

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

12. Further Information

The expected timetable of principal events for the Disposal is set out on page 8 of this document. Further information regarding the terms of the Disposal is set out in Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document. **Shareholders are advised to read the whole of this document and not merely rely on the summarised information set out in this letter.**

13. Financial Advice

The Board has received financial advice from Barclays, Goldman Sachs and Greenhill (as joint financial advisers) in relation to the Disposal. Barclays is also acting as Sponsor and Corporate Broker in relation to the Disposal. In providing their financial advice to the Board, Barclays, Goldman Sachs and Greenhill have taken into account the Board's commercial assessment of the Disposal.

14. Recommendation to Shareholders

The Board considers the Disposal to be in the best interests of Shareholders taken as a whole. Accordingly, the Board unanimously recommends that you vote in favour of the Resolution to be proposed at the General Meeting.

The Directors intend to vote in favour of the Resolution at the General Meeting in respect of their own Tesco Shares to which they are beneficially entitled (representing approximately 0.01 per cent. of the total issued share capital of Tesco as at 17 April 2020 (being the last practicable date prior to publication of this document)).

Yours faithfully



for and on behalf of Tesco

John Allan
Chairman

Part II

Risk Factors

Prior to making any decision to vote in favour of the Resolution at the General Meeting, Shareholders should consider the factors and risks associated with the Disposal, together with all other information contained in this document including, in particular, the risk factors described below. The market price of Tesco Shares may decline due to any of these risks or other factors and Shareholders may lose all or part of their investment.

This Part II (*Risk Factors*) addresses the risks known to Tesco and the Directors as at the date of this document which: (i) are material risk factors to the Disposal; (ii) will be material risk factors to the Tesco Group as a result of the Disposal; and (iii) would be material risks to the Tesco Group if the Disposal were not to proceed.

The risk factors included in this document are risks which could materially and adversely affect the business, results of operations, cash flow, financial condition, revenue, profits, assets, liquidity and/or capital resources of the Tesco Group, as appropriate. However, the risks described below are not the only ones which the Tesco Group face and should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that do not currently exist or that are currently unknown to Tesco and the Directors, or which Tesco and the Directors currently deem immaterial, or which Tesco and the Directors consider to be material but which are not related to or will not be impacted by the Disposal, may also have an adverse effect on the Tesco Group's operating results, financial condition and prospects if they materialise.

The order in which the following risk factors are presented does not necessarily reflect the likelihood of their occurrence or the relative magnitude of their potential material adverse effect. The information given is at the date of this document and, except as requested by the FCA or required by the Listing Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under "Forward-looking statements" at the beginning of this document.

1. Risks related to the Disposal

The following risks and uncertainties relate to the Disposal:

There are a number of warranties, indemnities and undertakings in the Sale Agreement pursuant to which Tesco is exposed to some liability risk

The Sale Agreement contains customary warranties and indemnities (including in relation to tax) given by the Sellers (being wholly-owned subsidiaries of Tesco) in favour of the Purchaser, details of which are set out in Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document. Tesco has undertaken due diligence to minimise the risk of liability under these provisions. However, any liability to make a payment arising from a successful claim by the Purchaser under the warranties or the indemnities could have a material adverse effect on Tesco's financial condition.

The Sale Agreement also contains warranties and undertakings given by the Purchaser in favour of the Sellers, as further described in Part V (*Summary of the Principal Terms and Conditions of the Disposal*). The extent to which the Purchaser may be required in the future to make payments in respect of a breach of any of these warranties and undertakings is unpredictable. If, however, the Purchaser suffers financial distress, any payment due to the Sellers in respect of a breach of such warranties and undertakings may be put at risk.

Completion of the Disposal is subject to the satisfaction of a number of conditions

Completion of the Sale Agreement is subject to, among other things, the approval of the Shareholders and the obtaining of the necessary regulatory consents for each of Thailand and Malaysia. In particular:

- *The Thai Regulatory Condition:* The Disposal will be subject to the approval of the TCC. The process to obtain this approval will be led by CP Group as the proposed purchaser of the Asia Business. The outcome of such approval process is not certain, however each of the Purchaser and the Purchaser Guarantors are obliged to take any and all steps necessary to obtain this regulatory approval as soon as reasonably practicable (and in any event prior to the Longstop Date), including committing to and effecting any remedies necessary to obtain such approvals. Notwithstanding the foregoing, the TCC might block the Disposal outright. As with any administrative decision, appeals can be made to the Administrative Court in Thailand as a result of which the matter could be sent back to the TCC for reconsideration or the court could replace the TCC's decision with its own; and
- *The MDTCA Condition:* The Disposal will be subject to the approval of the Ministry of Domestic Trade and Consumer Affairs in Malaysia (the **MDTCA**). Under the MDTCA's Guidelines on Foreign Participation in the Distributive Trade Services, all businesses engaged in distributive trade services in Malaysia (including the hypermarket and superstore businesses that Tesco Malaysia carries out in Malaysia) with foreign participation are required to have at least 30 per cent. Bumiputera equity ownership. "Bumiputera" is defined to mean Malay or native from Sabah and/or Sarawak or local companies where a majority of their capital is owned by, and the management and employees are made up of, Malays or Bumiputera. In practice, the MDTCA has in the past granted purchasers a grace period of three years (which have been assessed on a case by case basis), with subsequent extension(s) upon application, to find a Bumiputera partner. It is therefore expected that the Purchaser will request such a grace period to find a Bumiputera partner to hold at least 30 per cent. of the equity ownership in Tesco Malaysia (and there is recent precedent of similar requests having been granted). However, even if the disposal of Tesco Malaysia cannot complete as a result of this condition remaining unsatisfied, the sale of Tesco Thailand would still be expected to complete provided that the conditions to completion of that disposal are satisfied or waived, as appropriate.

There can be no guarantee that all conditions to the Disposal will be satisfied in a timely way, or at all and, accordingly, that Completion will take place. The conditions are set out in further detail in Section 1.2 of Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document. If the Disposal does not complete, any of the risks and uncertainties set out in Section 2 of this Part II (*Risk Factors*) may adversely affect Tesco's business and results.

The Disposal may have a disruptive effect on the Asia Business

The Sale Agreement requires Tesco to continue running the Asia Business in the ordinary course until Completion. However, the announcement of the Disposal may create uncertainty for certain employees of the Asia Business in respect of their continued employment in the business following Completion and, as a result, key persons in management and/or the operating functions may choose to leave the Asia Business prior to Completion. To maintain the performance of the business between signing and Completion, Tesco has put in place appropriate incentive arrangements with certain employees to remain employed in the business. Customer sentiment and spending behaviour may also be negatively impacted by announcement of the Disposal. These may have a negative effect on the performance of the Asia Business under the continued ownership of Tesco if Completion does not occur.

Separating the Asia Business from the Tesco Group could cause disruption to the business of the Retained Group, including security breaches relating to the provision of IT services

Completion of the Disposal will involve the separation of the operations of the Asia Business from the Retained Group (the **Separation**). As part of the Separation, the Asia Business will continue to use the IT systems of the Retained Group for up to 24 months following Completion, pursuant to the Transitional Services Agreement. The Transitional Services Agreement contains IT risk control commitments including an obligation on the Asia Business to comply with the Retained Group's IT security policies when using the Retained Group's IT systems, and a right for the Retained Group to suspend access to its IT systems where their security or integrity is threatened. Nevertheless, there is no guarantee that the Asia Business's use of, or actions that they take impacting, the Retained Group's IT systems, will not cause any disruption to the Retained Group. More generally, the successful completion of the Separation depends on, among other things, the parties complying with their obligations under the Transitional Services Agreement, including their migration planning obligations, and the successful implementation of those plans. This risk factor does not relate to the business of Tesco Bank.

The consideration for the Disposal is exposed to foreign currency fluctuations

The consideration for the Disposal is denominated in US Dollars. As a result, if the British pound strengthens relative to the US Dollar prior to Completion, then there will be some risk associated with the value of the Disposal. This exposure is being monitored and managed through hedging arrangements by Tesco Group management, to minimise any adverse impact of moving exchange rates.

Other risks of the Disposal

Other risks that may arise out of the Disposal include commercial and other risks associated with meeting undertakings to the Purchaser during the period up to Completion, disruption caused to the Retained Group as a direct or indirect result of the Disposal and other transaction costs and use of management time, which could all adversely affect the Retained Group's financial condition and operating results.

2. Risks related to the Disposal not completing

If the Disposal does not complete, the following risks and uncertainties may affect Tesco's business and results:

If the Disposal does not complete, the value of the Asia Business may be materially lower than the value expected to be realised by the Disposal

The Board believes that the Disposal is in the best interest of Shareholders taken as a whole and that the Disposal currently provides the best opportunity to realise an attractive and certain value for the Asia Business. If the Disposal does not complete, the realisable value of the Asia Business may be lower than can be realised by way of the Disposal, including as a result of the impact on the Asia Business of the COVID-19 pandemic (see *The Tesco Group's operations are exposed to COVID-19 risks* below and Section 7 of Part I (*Letter from the Chairman*) above). This could result in the value of the Asia Business being materially different to the position it would be in if the Disposal completes. There is also no assurance that the Tesco Group would be able to dispose of the Asia Business at a later date at the same or at an improved valuation, or at all.

If the Disposal fails to complete, this may have a disruptive effect on the Asia Business, management, customers and/or suppliers

If the Disposal does not complete, any loss of key persons in management and/or operating functions in the Asia Business as a result of the announcement of the Disposal and any uncertainty created by the announcement of the Disposal may lead to management and

employee distraction and concern, within the Asia Business and/or at the Tesco Group level. This may make it difficult to maintain key existing relationships with customers and suppliers within Thailand and/or Malaysia due to the perceived uncertainty with respect to the future ownership of the Asia Business, which may have an adverse effect on the performance of the Asia Business and therefore its value to the Tesco Group. To maintain Shareholder value, Tesco's management may be required to allocate additional time and expense to the ongoing supervision and development of the Asia Business. If the Disposal does not proceed, customer sentiment and spending behaviour may also be negatively impacted.

There may be an adverse impact on the Tesco Group's reputation and/or share price if the Disposal does not complete

If the Disposal does not complete, there may be an adverse impact on the reputation of the Tesco Group and/or share price due to amplified media scrutiny in connection with the attempted Disposal. Any such share price and/or reputational risk could adversely affect the Tesco Group's business, financial condition and operating results.

3. Risks related to the Retained Group

If the Disposal completes, the following risks and uncertainties may be impacted or result as a consequence:

The Retained Group's operations will be more dependent on its UK business and more exposed to UK business risks

Following the Disposal, the operations of the Retained Group will be smaller and, without the benefit of the revenues or profits of the Asia Business, its overall financial performance will depend more on the performance of each of its continuing operations. In particular, with the sales of the UK business set to constitute a significant majority of those of the Retained Group following the Disposal, any underperformance by the UK business may have a larger relative impact on the Retained Group than would have been the case prior to the Disposal. Furthermore, the Retained Group will be more susceptible to weakening economic conditions in the UK and to other adverse changes in the UK grocery market.

Closely connected to this is the impact of the United Kingdom's withdrawal from the European Union. Uncertainty remains as to the extent of any barrier-free trade access between the United Kingdom and other member states of the European Union (including the ROI) following the United Kingdom's withdrawal. From the end of the transition period (on 31 December 2020), the United Kingdom will no longer be covered automatically by trade agreements entered into by the European Union which apply to member states. The extent to which such agreements will continue to apply to the United Kingdom after this date will depend on the outcome of ongoing negotiations and could result in the transfer of goods between the European Union and the United Kingdom, or between certain non-EU countries and the United Kingdom, becoming subject to import/export duties and/or non-tariff trade barriers (including health and safety, product labelling and other standards, many of which are currently standardised across the EU). Such duties or trade barriers (including duties or trade barriers impacting primary producers and other suppliers in the ROI that jointly supply businesses of the Tesco Group) could lead to delays to the Tesco Group's logistics distribution operations and result in the cost of doing business being materially affected if not passed on, in whole or in part, to consumers, caterers and retailers in the form of price increases (which may influence customer spending decisions and priorities and adversely impact their relative competitive position). In addition, it is possible that the economic uncertainty that results from the United Kingdom's withdrawal may depress consumer confidence which may lead to a reduction in customer spending.

Another potential outcome of the United Kingdom's withdrawal from the European Union is that limitations may be placed on the principle of free movement of people, which currently permits

EU nationals to work in the United Kingdom. Primary producers and suppliers to the Tesco Group currently employ a significant number of EU nationals and if the United Kingdom's withdrawal from the European Union leads to restrictions being placed on European Union nationals working in the United Kingdom, the number of people employed by primary producers and suppliers to the Retained Group may decline which could have a material and adverse effect on its business, results of operations, financial condition and prospects.

The United Kingdom's withdrawal from the European Union with no trade deal or a trade deal which imposes barriers on trade access between the United Kingdom and other member states of the European Union could also lead to increased costs, potential staff shortages, adverse currency impacts and increased regulatory burden and could adversely affect the Tesco Group's business, results of operations, financial condition and prospects, particularly in the United Kingdom.

Transitional use of Tesco brands by the Asia Business could adversely affect the Tesco brands

The Tesco Group's brands are a key asset to its business and maintaining their reputation is critical to the Tesco Group's success. The Asia Business uses certain brands that are exclusive to the Asia Business, and certain Retained Group brands. The Retained Group will permit the Asia Business to use certain Retained Group brands, or elements of those brands, including Tesco, Tesco Clubcard and Tesco Express, for a period of up to 24 months following each of the Thailand Completion and the Malaysia Completion pursuant to the terms of the applicable Transitional Brand Licence Agreements (with shorter periods applicable to certain types of use, e.g. on goods and packaging, and online). The Transitional Brand Licence Agreements will generally permit use of the licensed brands in the same manner and form, and to the same extent, that they were used in Thailand and Malaysia in the 12 months prior to Thailand Completion and Malaysia Completion, as applicable. This will include use as store names, on retail products and online, among other uses. Although the Retained Group will have the benefit of the contractual protections contained within the Transitional Brand Licence Agreements, if the Asia Business' use of any of the Retained Group brands adversely affects the reputation of those brands, such as through a major product recall, the Retained Group's operations and its profitability could be materially and adversely affected.

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

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

The Tesco Group's operations are exposed to COVID-19 risks

The recent outbreak and global spread of the coronavirus pandemic may have a significant and prolonged impact on global economic conditions, disrupt the Tesco Group's supply chain (including its supplier base specifically regarding business closures and consolidation, labour shortages, raw material supply issues and potential cost inflation), increase employee

absenteeism due to illness and self-isolation and adversely impact the Tesco Group's operations. Governments and public bodies in affected countries have been introducing temporary emergency public measures such as travel bans, quarantines, and public lockdowns (also impacting the Tesco Group's mall operations). A prolonged outbreak may result in these measures being increased in severity, resulting in further uncertainty and increased pressure on the Tesco Group's supply chain, operations (including Tesco Bank due to any economic downturn), colleagues and the Tesco Group's 'go to market' propositions. The safety and well-being of Tesco colleagues and customers has been the Tesco Group's overriding priority and the Tesco Group's teams are working tirelessly to implement specific actions to minimise disruption faced by its customers in these challenging times. Business continuity and crisis management plans have been mobilised across the Tesco Group and additional measures have been implemented including increasing retail store colleague headcount (with re-deployment of staff where possible), securing additional supply chain capacity to meet changes in demand (including measures to prevent customer stockpiling), implementing changes to stores (including hours, additional security, hygiene and social distancing measures) and extending support to colleagues and customers at increased risk. Whilst the precise impact of the ongoing COVID-19 crisis is impossible to predict with a high degree of certainty, the executive committee is monitoring events closely with regular Board oversight, to evaluate the impact on the Tesco Group (including financial viability and long-term going concern) and overseeing design of appropriate response strategies aimed to address evolving situations.

Ability to continue to pay dividends

The ability of Tesco to pay dividends depends on its profitability, cash-flow and the extent to which, as a matter of law, it has sufficient distributable reserves out of which any proposed dividend may be paid. Following the Disposal, Tesco is expected to continue to be a highly cash generative business with a robust and prudently managed balance sheet, and neither the Disposal nor the anticipated special dividend to be paid out of the proceeds of the Disposal is anticipated to impact the Company's payment of ordinary dividends in accordance with its target pay-out ratio of 50 per cent. of earnings. The Board is intending to declare a final dividend for the 2020 Financial Year of 6.50 pence per share, which is an increase on last year's final dividend of 4.10 pence per share.

The future strategy of the Retained Group may not be implemented successfully

The future success of the Retained Group will depend on the successful implementation of its business strategy. The implementation of the business strategy will be subject to certain risks and factors outside of the Board's control, including changes in the markets in which the Retained Group currently operates. Furthermore, the level of investment required to implement the Retained Group's future strategy may be greater than currently expected and/or the Retained Group may in the longer term require additional financing in order to implement such strategy. In such circumstances, the Board may decide to re-evaluate and amend certain aspects of its business strategy.

Part III

Financial Information on the Asia Business

1. Basis of preparation

The unaudited financial information contained in Sections 2 and 3 of this Part III (*Financial Information on the Asia Business*) represents financial information relating to the Asia Business. It has been extracted without material adjustment from the consolidation schedules and supporting accounting records that underlie the Tesco Group's audited consolidated financial statements for the 2018, 2019 and 2020 Financial Years. The Asia Business has not in the past formed a legal group and has not prepared separate consolidated financial statements.

The financial information in this Part III (*Financial Information on the Asia Business*) for the 2018 Financial Year and 2019 Financial Year (pre-adoption of IFRS 16) has been prepared applying the IFRS accounting principles adopted in the Tesco Group's consolidated financial statements for the 2019 Financial Year. The financial information for the 2020 Financial Year (and the post IFRS 16 results for the 2019 Financial Year) have been prepared applying the IFRS accounting principles adopted in the Tesco Group's consolidated financial statements for the 2020 Financial Year.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part III (*Financial Information on the Asia Business*).

Financial Information

2. Combined income statements (on an IFRS basis) of the Asia Business for the three years ended 29 February 2020

	2018 Financial Year (Pre- adoption of IFRS 16) ¹ £ million	2019 Financial Year (Pre- adoption of IFRS 16) ¹ £ million	2019 Financial Year (Post- adoption of IFRS 16) ¹ £ million	2020 Financial Year (Post- adoption of IFRS 16) ¹ £ million
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
Revenue	4,947	4,873	4,873	5,218
Cost of sales.....	(4,520)	(4,502)	(4,469)	(4,656)
Gross profit	427	371	404	562
Administrative expenses	(134)	(139)	(139)	(130)
Operating profit	293	232	265	432
Share of post-tax profits/(losses) of joint ventures and associates	20	25	25	26
Net finance income/(costs)	(24)	(22)	(54)	(53)
Profit before tax	289	235	236	405
Taxation.....	(61)	(51)	(51)	(79)
Profit for the year	228	184	185	326
Attributable to:				
Owners of the parent.....	226	186	187	324
Non-controlling interests	2	(2)	(2)	2
	228	184	185	326

	2018 Financial Year (Pre- adoption of IFRS 16) ¹ £ million	2019 Financial Year (Pre- adoption of IFRS 16) ¹ £ million	2019 Financial Year (Post- adoption of IFRS 16) ¹ £ million	2020 Financial Year (Post- adoption of IFRS 16) ¹ £ million
	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>	<i>unaudited</i>
EBITDA:				
Operating profit (as above)			265	432
Share of post-tax profits of joint ventures and associates			25	26
Add back: depreciation and amortisation			283	294
Add back: exceptional items within operating profit ...			67	1
EBITDA			640	753

Notes:

- (1) IFRS 16 'Leases' is effective for the 2020 Financial Year. The standard was adopted retrospectively, with comparatives restated from a transition date of the start of the 2019 Financial Year. Cost of sales reduce and finance costs increase as straight line operating lease rental expense is replaced by depreciation of the right of use asset and interest on the lease liability. The results for the 2018 Financial Year have been presented prior to adoption of IFRS 16. The results for the 2019 Financial Year have been presented both prior to adoption of IFRS 16 and after adoption of IFRS 16. The results for the 2020 Financial Year have been presented after adoption of IFRS 16.
- (2) The income statement presented above includes £12 million of management charges within operating profit (primarily IT licence fees and related services) from the Tesco Group for the 2020 Financial Year (2019 Financial Year both pre and post IFRS 16: £13 million, 2018 Financial Year: £14 million).
- (3) The income statement presented above includes £16 million of net finance costs from the Tesco Group for the 2020 Financial Year (2019 Financial Year both pre and post IFRS 16: £18 million, 2018 Financial Year: £21 million).

3. Combined net asset statement (on an IFRS basis) of the Asia Business as at 29 February 2020

	As at 29 February 2020 £ million
Non-current assets	
Goodwill and other intangible assets.....	16
Property, plant and equipment	2,365
Right of use assets.....	650
Investment in joint ventures and associates	149
Trade and other receivables.....	13
Deferred tax assets.....	61
	3,254
Current assets	
Inventories	306
Trade and other receivables.....	83
Cash and cash equivalents.....	392
	781
Current liabilities	
Trade and other payables.....	(924)
Lease liabilities	(40)
Current tax liabilities	(38)
	(1,002)
Net current liabilities	(221)
Non-current liabilities	
Trade and other payables.....	(71)
Lease liabilities	(627)
Post-employment benefit obligations.....	(29)
Provisions.....	(49)
	(776)
Net assets	2,257

Notes:

- (1) Trade and other receivables of the Asia Business includes £5 million of intercompany receivables. Trade and other payables of the Asia Business includes £6 million of intercompany payables.
- (2) The net assets above excludes £662 million of intercompany loan receivables due to the Asia Business from the Tesco Group, and excludes £418 million of intercompany loan payables due from the Asia Business to the Tesco Group.
- (3) The net assets of £2,257 million does not include goodwill held at the Tesco Group level relating to the acquisition of the Asia Business of £269 million.

Part IV

Unaudited Pro Forma Statement of Net Assets of the Retained Group

1. Unaudited Pro Forma Statement of Net Assets of the Retained Group

The following unaudited pro forma statement of net assets of the Retained Group (the **Pro Forma Financial Information**) has been prepared to illustrate the effect on the net assets of the Tesco Group as if the Disposal had occurred on 29 February 2020.

The unaudited Pro Forma Financial Information is for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore may differ from the Retained Group's actual financial position or results.

The unaudited Pro Forma Financial Information is based on the audited consolidated financial statements of the Tesco Group as at 29 February 2020 and the unaudited historical financial information of the Asia Business as at 29 February 2020 contained in Part III (*Financial Information on the Asia Business*) of this document.

The unaudited Pro Forma Financial Information has been prepared on the basis set out in the notes below and in accordance with Annex 20 of the PR Regulation, as applied by Listing Rule 13.3.3R and has been prepared in a manner consistent with the accounting policies of the Tesco Group for the 2020 Financial Year. The unaudited Pro Forma Financial Information does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

All pro forma financial adjustments are directly attributable to the Disposal. No pro forma adjustments have been made to reflect any matters not directly attributable to the Disposal.

Shareholders should read the whole of this document and not rely solely on the summarised financial information in this Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*).

Deloitte's report on the unaudited Pro Forma Financial Information is set out in Section 2 of this Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document.

	As at 29 February 2020 £ million	Net assets of businesses being disposed of as at 29 February 2020 £ million	Centrally held consolidation adjustment as at 29 February 2020 £ million	Net proceeds disposal adjustment £ million	Pension contribution disposal adjustment £ million	Retained Group pro forma as at 29 February 2020 £ million
	Note 1	Note 2	Note 3	Note 4	Note 5	
Non-current assets						
Goodwill and other intangible assets.....	6,119	(16)	(269)	-	-	5,834
Property, plant and equipment	19,234	(2,365)	-	-	-	16,869
Right of use assets.....	6,874	(650)	-	-	-	6,224
Investment property.....	26	-	-	-	-	26
Investments in joint ventures and associates	307	(149)	-	-	-	158
Financial assets at fair value through other comprehensive income.....	866	-	-	-	-	866
Trade and other receivables..	166	(13)	-	-	-	153

	As at 29 February 2020 £ million	Net assets of businesses being disposed of as at 29 February 2020 £ million	Centrally held consolidation adjustment as at 29 February 2020 £ million	Net proceeds disposal adjustment £ million	Pension contribution disposal adjustment £ million	Retained Group pro forma as at 29 February 2020 £ million
	Note 1	Note 2	Note 3	Note 4	Note 5	
Loans and advances to customers and banks.....	4,171	-	-	-	-	4,171
Post-employment benefit surplus	-	-	-	-	252	252
Derivative financial instruments.....	1,083	-	-	-	-	1,083
Deferred tax asset	292	(61)	-	-	(80)	151
Total non-current assets.....	39,138	(3,254)	(269)	-	172	35,787
Current assets						
Financial assets at fair value through other						
comprehensive income	202	-	-	-	-	202
Inventories	2,433	(306)	-	-	-	2,127
Trade and other receivables..	1,396	(83)	-	-	-	1,313
Loans and advances to customers and banks.....	4,280	-	-	-	-	4,280
Derivative financial instruments	63	-	-	-	-	63
Current tax assets	21	-	-	-	-	21
Short-term investments	1,076	-	-	-	-	1,076
Cash and cash equivalents....	3,408	(392)	-	7,732	(2,800)	7,948
	12,879	(781)	-	7,732	(2,800)	17,030
Assets classified as held for sale.....	285	-	-	-	-	285
	13,164	(781)	-	7,732	(2,800)	17,315
Current liabilities						
Trade and other payables.....	(8,922)	924	-	10	-	(7,988)
Borrowings	(1,490)	-	-	-	-	(1,490)
Lease liabilities	(598)	40	-	-	-	(558)
Derivative financial instruments.....	(61)	-	-	-	-	(61)
Customer deposits and deposits from banks	(6,377)	-	-	-	-	(6,377)
Current tax liabilities.....	(324)	38	-	-	137	(149)
Provisions	(155)	-	-	-	-	(155)
	(17,927)	1,002	-	10	137	(16,778)
Net current (liabilities)/assets	(4,763)	221	-	7,742	(2,663)	537
Non-current liabilities						
Trade and other payables.....	(170)	71	-	-	-	(99)
Borrowings	(6,005)	-	-	-	-	(6,005)
Lease liabilities	(8,968)	627	-	-	-	(8,341)
Derivative financial instruments.....	(887)	-	-	-	-	(887)
Customer deposits and deposits from banks	(1,830)	-	-	-	-	(1,830)
Post-employment benefit obligations.....	(3,085)	29	-	-	2,548	(508)
Deferred tax liabilities	(40)	-	-	-	(88)	(128)
Provisions	(137)	49	-	-	-	(88)
	(21,122)	776	-	-	2,460	(17,886)
Net assets	13,253	(2,257)	(269)	7,742	(31)	18,438

Notes:

- (1) The net assets relating to the Tesco Group have been extracted without material adjustment from the audited consolidated financial statements of the Tesco Group as at 29 February 2020, which were prepared under IFRS.
- (2) These adjustments remove the assets and liabilities of the Asia Business, and were sourced without material adjustment from the historical financial information of the Asia Business as at 29 February 2020 contained in Part III (*Financial information on the Asia Business*).
- (3) This adjustment writes off goodwill of £269 million held on consolidation at the Tesco Group level relating to the Asia Business. This goodwill arose on the acquisition of the Asia Business by the Tesco Group, and therefore is not directly held by, or to be sold with, the Asia Business. This adjustment was extracted without material adjustment from the accounting records of the Tesco Group as at 29 February 2020.
- (4) The net proceeds disposal adjustment reflects the receipt of cash proceeds of USD 10,085 million, equivalent to £7,867 million at the 29 February 2020 exchange rate of US\$1.282 to £1, which includes the repayment by the Tesco Group of net intercompany debt due to the Asia Business which was £244 million as at 29 February 2020. The cash proceeds have been adjusted for estimated transaction related tax of £8 million and other transaction costs of £127 million (less £10 million of transaction costs already incurred, and accrued, by the Tesco Group as at 29 February 2020). Costs include MYR 300 million equivalent to £56 million at the 29 February 2020 exchange rate of MYR 5.405 to the £1, payable by the Tesco Group to the minority shareholder of Tesco Malaysia, with such minority shareholding transferring directly to the Purchaser on Completion. The Tesco Group is entitled to additional consideration to compensate the Group for the period between 29 February 2020 and completion, with such additional consideration not included within the net proceeds of £7,867 million. The inclusion of this additional consideration is expected to result in net proceeds, before tax and other transaction costs, of c.£8.0 billion.
- (5) The pension contribution disposal adjustment is with respect to the agreement that has been reached with the Trustees of the Scheme in respect of the £2,500 million contribution to be paid to the Scheme. If completion had taken place on 29 February 2020, an additional £300 million contribution would be payable to the Scheme, with such additional contribution being reduced by any contributions actually paid to the Scheme between 1 April 2020 and the date that the balance of the £300 million payment is made. On payment of the £2,500 million and £300 million contributions, the Tesco Group will be entitled to current tax relief spread over a four year period, commencing in the financial year when the contributions are made. For IAS 19 purposes the contributions would bring the Scheme in to an accounting surplus of £252 million, which has been classified to non-current assets.
- (6) No account has been taken of the expected return of proceeds to Shareholders of c.£5.0 billion by way of special dividend, which is subject to separate Shareholder approval after completion of the Disposal.
- (7) No account has been taken of any trading or results of the Tesco Group or the Asia Business since 29 February 2020.
- (8) This unaudited pro forma statement of consolidated net assets does not constitute financial statements within the meaning of section 434 of the Companies Act 2006.

2. Accountants' Report on the Unaudited Pro Forma Statement of Net Assets of the Retained Group



Deloitte LLP
1 New Street Square
London
EC4A 3HQ

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

Barclays Bank PLC
1 Churchill Place
London
E14 5HP

22 April 2020

Dear Sirs/Mesdames

Tesco PLC (the Company)

We report on the pro forma financial information (the **Pro Forma Financial Information**) set out in Part IV of the Class 1 circular dated 22 April 2020 (the **Investment Circular**), which has been prepared on the basis described in the notes, for illustrative purposes only, to provide information about how the disposal of the Asia Business might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the financial statements for the 2020 Financial Year. This report is required by the Commission delegated regulation (EU) 2019/980 (the **Prospectus Delegated Regulation**) as applied by Listing Rule 13.3.3R and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the **Directors**) to prepare the Pro Forma Financial Information in accordance with Annex 20 sections 1 and 2 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

It is our responsibility to form an opinion, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you in accordance with Annex 20 section 3 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3R.

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

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

Basis of Opinion

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

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

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

Opinion

In our opinion:

- (a) the Pro Forma Financial Information has been properly compiled on the basis stated; and
- (b) such basis is consistent with the accounting policies of the Company.

Yours faithfully

Deloitte LLP

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NSE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee (“DTTL”). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NSE LLP do not provide services to clients.

Part V

Summary of the Principal Terms and Conditions of the Disposal

1. The Sale Agreement

1.1 *Disposal*

The Sale Agreement was entered into on 9 March 2020 between Tesco Holdings Limited (**THL**), Tesco Holdings BV (**THBV**) and, together with THL, the **Sellers**, the Purchaser and the Purchaser Guarantors.

Pursuant to the Sale Agreement, THL shall sell its entire holding in the share capital of Tesco Thailand (the **Thailand Sale**) and THBV shall sell its entire holding in the share capital of Tesco Malaysia (the **Malaysia Sale**). Together the Thailand Sale and the Malaysia Sale are the sale of the Sellers' entire holding in the share capital of the entities comprising the Asia Business, subject to the conditions described in Section 1.2 of this Part V (*Summary of the Principal Terms and Conditions of the Disposal*).

1.2 *Conditions precedent*

Each of the Thailand Sale and the Malaysia Sale are separate sales under the terms of the Sale Agreement.

Completion of the Thailand Sale (the **Thailand Completion**) is conditional upon:

- (a) the approval (by ordinary resolution) of the Disposal by the Shareholders (the **Tesco Condition**); and
- (b) the approval of the TCC of the proposed acquisition of the shares in Tesco Thailand by the Purchaser,

together the **Thailand Conditions**.

Completion of the Malaysia Sale (the **Malaysia Completion**) is conditional upon:

- (a) the Tesco Condition; and
- (b) the approval of the Ministry of Domestic Trade and Consumers Affairs of Tesco Malaysia (the **MDTCA**) of the proposed acquisition of the shares in Tesco Malaysia by the Purchaser (the **MDTCA Condition**),

together the **Malaysia Conditions** (together with the Thailand Conditions, being the **Conditions**).

The Agreement further provides that: (i) the Malaysia Sale will only complete once the Thailand Conditions have also been satisfied; and (ii) the Thailand Sale will only complete once the Malaysia Conditions have been satisfied, unless this requirement is waived by THL. It is, therefore, expected that both the Thailand Sale and the Malaysia Sale will complete at the same time.

Each of the Purchaser and the Purchaser Guarantors is obliged to take any and all steps necessary to obtain the regulatory approvals in Thailand and Malaysia referred to above as soon as reasonably practicable (and in any event prior to the Longstop Date), including committing to and effecting any remedies necessary to obtain such approvals.

1.3 **Consideration**

The consideration payable by the Purchaser to Tesco pursuant to the Disposal represents an enterprise value of \$10.6 billion (equivalent to £8.2 billion) on a cash and debt free basis, representing an EV/EBITDA multiple of 11.3x based on the 2020 Financial Year on a post-IFRS 16 basis (or 12.5x based on the 2019 Financial Year on a post-IFRS 16 basis and in each case on a currency adjusted basis).

The Disposal values Tesco Thailand at an enterprise value of \$9.9 billion, with net cash included in the equity value of \$0.4 billion. The Disposal values Tesco Malaysia at an enterprise value of \$0.7 billion, with net debt included in the equity value of \$0.6 billion.

These amounts are subject to any agreed adjustments to reflect the actual cash, debt, inter-company loan and working capital position of the Asia Business as at 29 February 2020. Each Seller has agreed to compensate the Purchaser for any value leakage from the Asia Business to the Tesco Group from 1 March 2020 until the relevant Completion, subject to ordinary and usual permitted leakage items.

Under the agreement pursuant to which Tesco and Sime Darby Berhad entered into a joint venture relationship in relation to Tesco's 70 per cent./ Sime Darby Berhad's 30 per cent. ordinary shareholding in Tesco Malaysia, Sime Darby Berhad has certain rights in relation to the transfer of shares in Tesco Malaysia. In connection with the Disposal Tesco and Sime Darby Berhad have agreed that at Completion, Sime Darby Berhad will also transfer its ordinary shareholding in Tesco Malaysia to the Purchaser on substantially the same terms as those on which Tesco will transfer its shares of the same class in Tesco Malaysia. In addition, Sime Darby Berhad will receive a payment of MYR 300 million (c. £56 million) from Tesco as consideration for its consent in relation to the transfer of the ordinary and preference shares in Tesco Malaysia.

1.4 **Pre-Completion covenants**

The Sellers have given certain customary covenants in relation to the period between signing of the Sale Agreement and the relevant Completion, including to ensure that the businesses of Tesco Thailand and Tesco Malaysia are carried on in the ordinary course of business and in all material respects in compliance with applicable laws and regulations.

1.5 **Non-compete covenant**

The Sellers have agreed not to compete with the principal businesses of Tesco Thailand or Tesco Malaysia in Thailand or Malaysia, as appropriate, for a period of five years after the relevant Completion (otherwise than in relation to any permitted business (which includes any international sourcing activities and passive online sales of goods through a multi-channel website)).

1.6 **Warranties**

The Sellers have given warranties that are customary for a transaction of this nature, including business warranties. Certain fundamental warranties relating to, amongst other things, title, capacity, authority and solvency matters, will be repeated by the Sellers at the relevant Completion. The Purchaser has also given customary warranties in favour of the Sellers.

The warranties given by the Sellers are subject to customary financial and other limitations, as described in Section 1.7 of this Part V (*Summary of the Principal Terms and Conditions of the Disposal*).

1.7 **Limitations of liabilities**

The Sale Agreement includes customary financial thresholds, time limitations and other limitations and exclusions in relation to certain claims made under the Sale Agreement by the Purchaser.

No claims may be brought by the Purchaser under the non-tax warranties (other than fundamental warranties) after the date that is 18 months after Thailand Completion or Malaysia Completion, as appropriate, and under the fundamental warranties, tax warranties, the tax covenant or non-compete covenant after the date that is five years after Thailand Completion or Malaysia Completion, as appropriate.

The financial liability of the Sellers under the Sale Agreement is limited as follows:

- (a) in respect of any warranty claims (other than fundamental warranty claims) and claims under the tax covenant, 30 per cent. of the purchase price paid to each of THL and THBV, respectively; and
- (b) in respect of all other claims under the Sale Agreement (including fundamental warranty claims), 100 per cent. of the purchase price paid to each of THL and THBV, respectively.

1.8 **Termination**

Neither the Sellers nor the Purchaser shall be entitled to terminate the Sale Agreement in respect of either the Thailand Sale or the Malaysia Sale, save where one party fails to comply with any of its material obligations under Schedule 3 (*Closing Arrangements*) of the Sale Agreement for that sale.

The Sale Agreement shall terminate in respect of the Thailand Sale if the Thailand Conditions and/or in respect of the Malaysia Sale if the Malaysia Conditions have not been fulfilled or (where capable of waiver) waived, in each case, on or before the Longstop Date.

1.9 **Tax covenant**

The Sellers have given a covenant to pay the Purchaser in respect of (broadly) any tax liabilities arising in Tesco Thailand or Tesco Malaysia that are attributable to the period up to and including Completion, subject to exclusions customary for a transaction of this nature (including an exclusion for ordinary course tax in the period between 1 March 2020 and Completion). The tax schedule also includes other customary provisions relating to, amongst other things, notification of claims and conduct of disputes, management of tax affairs and withholdings, gross up and VAT.

1.10 **Governing law and jurisdiction**

The Sale Agreement is governed by English law. Any disputes arising under the Sale Agreement are to be settled in accordance with the rules of arbitration of the London Court of International Arbitration.

2. **Transitional Services Agreement (TSA)**

2.1 **Scope of TSA**

The TSA will be entered into on the closing date of the sale of Tesco Thailand, between TSL, Ek-Chai, Tesco Malaysia and the Purchaser, to govern the separation and transition of the Asia Business from the Tesco Group.

Pursuant to the TSA, TSL will provide certain IT services to Ek-Chai and Tesco Malaysia on the terms of the agreement, and the parties will cooperate to achieve migration of the services to the facilities of Ek-Chai, Tesco Malaysia or third parties.

If the Thailand Completion occurs before the Malaysia Completion, Ek-Chai will provide limited reverse services to Tesco Malaysia until the Malaysia Completion (or until the date falling 18 months after Thailand Completion, if earlier).

2.2 ***Charges for the services***

The transitional services will be charged for based on intra-group recharges for FY 2019/20. Ek-Chai and/or Tesco Malaysia will also be responsible for the costs of obtaining any third-party consents required in order to provide the services.

2.3 ***Limitation of liability***

TSL's aggregate liability in respect of all claims under the TSA will be restricted to the aggregate charges paid and payable for the services provided by TSL to Ek-Chai and Tesco Malaysia.

2.4 ***Term and termination***

Provision of the transitional services will commence from the closing date of the sale of Tesco Thailand and/or Tesco Malaysia, as appropriate. Each service will be provided for an initial term of 18 months (or in the case of the reverse services referred to above, until Malaysia Completion), which may be extended for up to six months. The TSA will expire automatically without notice on the day on which the last of the service terms expires.

TSL may terminate a service immediately on written notice in certain circumstances where Ek-Chai or Tesco Malaysia has caused TSL to be in breach of a third party contract and TSL loses a third party contract relating to that service as a result, and for Ek-Chai or Tesco Malaysia's material breach relating to that service (and Ek-Chai has corresponding termination rights in respect of the reverse services). Each of TSL and Ek-Chai and/or Tesco Malaysia may terminate the TSA immediately on written notice for material breach, insolvency and cessation of business of the other.

2.5 ***Governing law and jurisdiction***

The TSA will be governed by English law. Any disputes arising under the TSA are to be settled in accordance with the rules of arbitration of the London Court of International Arbitration.

3. **Transitional Brand Licence Agreements**

3.1 ***Licence to use certain of the Sellers' brands***

Each of the Transitional Brand Licence Agreements will be entered into on the closing date of the sale of Tesco Thailand or Tesco Malaysia, between TSL and Ek-Chai or TSL and Tesco Malaysia, as applicable.

The Sale Agreement and the Transitional Brand Licence Agreements require the Asia Business to re-brand away from brands which are not exclusive to the Asia Business. Under the Transitional Brand Licence Agreements, TSL will grant each of Ek-Chai and Tesco Malaysia a non-exclusive run-off licence to continue using proprietary brand IP used by the Asia Business in the relevant country during a lookback period of 12 months prior to the relevant closing date (the ***Lookback Period***), in the manner and form and to the extent used during the Lookback Period (the ***Licensed Brands***), for up to 24 months

(with shorter periods applicable to certain types of use, e.g. on goods and packaging, and online).

3.2 ***Conditions of, and restrictions on, use***

The Transitional Brand Licence Agreements will contain customary restrictions on use of the Licensed Brands, including in connection with applicable law and Tesco brand guidelines. They will also contain restrictions on ordering non-perishable products featuring the Licensed Brands (other than F&F-branded products) following the date falling 14 days after the relevant closing date.

The Transitional Brand Licence Agreements will permit Ek-Chai and Tesco Malaysia to grant sub-licences of the Licensed Brands to third parties (including joint ventures) to the extent that they have in the Lookback Period.

3.3 ***Limitation on liability and indemnity***

The Transitional Brand Licence Agreements will exclude TSL's liability for any loss or damage arising from Ek-Chai or Tesco Malaysia's use of the Licensed Brands, and Ek-Chai and Tesco Malaysia will indemnify TSL for any losses incurred as a result of third party claims against TSL in connection with Ek-Chai or Tesco Malaysia's exercise of their rights under the Transitional Brand Licence Agreements or in connection with any breach of those agreements by Tesco Thailand or Tesco Malaysia, as applicable (except in limited circumstances where they have followed TSL's express instructions).

3.4 ***Termination***

The Transitional Brand Licence Agreements will each expire automatically after 24 months. TSL may terminate each agreement with immediate effect for non-payment, breach of the conditions of use of the Licensed Brands or breach of confidentiality by Ek-Chai or Tesco Malaysia. Either party may terminate each agreement immediately on written notice for material breach, insolvency or cessation of business of the other party.

3.5 ***Governing law and jurisdiction***

The Transitional Brand Licence Agreements will be governed by English law. Any disputes arising under the Transitional Brand Licence Agreements are to be settled in accordance with the rules of arbitration of the London Court of International Arbitration.

Part VI

Additional Information

1. Responsibility

Tesco and the Directors, whose names are set out in Section 3 of this Part VI (*Additional Information*) accept responsibility for the information contained in this document. To the best of the knowledge and belief of each of Tesco and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Tesco Information

Tesco was incorporated on 27 November 1947 under the Companies Act 1929 as a private limited company with the name of Tesco Stores (Holdings) Limited. Tesco subsequently re-registered as a public limited company under the Companies Acts 1948 to 1980 and changed its name on 14 December 1981 to Tesco Stores (Holdings) public limited company. On 25 August 1983 Tesco changed its name to Tesco PLC. It was incorporated with limited liability in England and Wales and operates as a public limited company under the Companies Act 2006, with registered number 00445790.

Tesco's principal and registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA and the telephone number of its registered office is +44(0) 1992 632222.

The principal laws and legislation under which Tesco operates are the Companies Act 2006 and the regulations made thereunder.

3. Directors

The Directors of Tesco and their respective functions are as follows:

John Allan	<i>(Non-executive Chairman)</i>
Dave Lewis	<i>(Group Chief Executive)</i>
Alan Stewart	<i>(Chief Financial Officer)</i>
Deanna Oppenheimer	<i>(Senior Independent Director)</i>
Mark Armour	<i>(Independent Non-executive Director)</i>
Melissa Bethell	<i>(Independent Non-executive Director)</i>
Stewart Gilliland	<i>(Independent Non-executive Director)</i>
Steve Golsby	<i>(Independent Non-executive Director)</i>
Byron Grote	<i>(Independent Non-executive Director)</i>
Mikael Olsson	<i>(Independent Non-executive Director)</i>
Simon Patterson	<i>(Independent Non-executive Director)</i>
Alison Platt	<i>(Independent Non-executive Director)</i>
Lindsey Pownall	<i>(Independent Non-executive Director)</i>

4. Details of key individuals for Tesco Thailand and Tesco Malaysia

The key individuals of Tesco Thailand and Tesco Malaysia and their respective functions are as follows:

Tesco Stores (Thailand) Limited

Name	Position
Sompong Rungnirattisai	<i>(Chief Executive Officer)</i>
Gareth Sharpe	<i>(Chief Financial Officer)</i>
Ann Bell	<i>(Chief Operating Officer)</i>

Tesco Stores (Malaysia) Sdn Bhd

Name	Position
Paul Fraser Daley Ritchie	<i>(Chief Executive Officer)</i>
Yvonne Yong	<i>(Chief Financial Officer)</i>
Sushmita Jeni Paul	<i>(Chief Operating Officer)</i>

5. Directors' Interests in the Company

As at the close of business on 17 April 2020 (being the latest practicable date prior to the publication of this document), the interests of the Directors and any of their connected persons (within the meaning of sections 252 to 255 of the Companies Act 2006) in Tesco Shares were as follows:

<u>Director</u>	<u>Number of Tesco PLC Shares</u>	<u>Percentage of existing share capital*</u>
John Allan.....	306,082	0.00313
Dave Lewis.....	168,619	0.00172
Alan Stewart.....	116,127	0.00119
Deanna Oppenheimer^.....	114,048	0.00116
Mark Armour.....	50,000	0.00051
Melissa Bethell.....	47,443	0.00048
Stewart Gilliland.....	44,630	0.00046
Steve Golsby.....	42,296	0.00043
Byron Grote^.....	280,500	0.00286
Mikael Olsson.....	46,278	0.00047
Simon Patterson.....	100,000	0.00102
Alison Platt.....	35,246	0.00036
Lindsey Pownall.....	70,000	0.00071

* share capital as at 17/04/2020 - 9,793,496,561 shares

^ shares held in ADRs. 1 ADR = 3 ordinary shares

In addition to their interests as detailed above, certain of the Directors have further interests as a result of awards and grants made pursuant to the Performance Share Plan 2011 (the **PSP**), the Executive Incentive Plan 2014, and under awards and grants made pursuant to Listing Rule 9.4.2 (the **Buy-Out Awards**). Details of the awards and grants (as at the last practicable date prior to the publication of this document) are set out below:

PSP 2011

<u>Director</u>	<u>Award type</u>	<u>Performance period</u>	<u>Normal vesting date</u>	<u>Holding Period</u>	<u>Expiry Date</u>	<u>As at 17 April 2020</u>
Dave Lewis	Nil-cost option	01/03/15-24/02/18	24/07/18	-	24/07/25	493,887
	Nil-cost option	28/02/16-23/02/19	12/05/19	-	12/05/26	653,990
	Nil-cost option	26/02/17-29/02/20	11/05/20	-	11/05/27	2,006,381
	Award	25/02/18-27/02/21	16/07/21	2 years	-	1,389,186
	Award	24/02/19-26/02/22	20/06/22	2 years	-	1,509,281
Alan Stewart	Nil-cost option	01/03/15-24/02/18	24/07/18	-	24/07/25	269,393
	Nil-cost option	28/02/16-23/02/19	12/05/19	-	12/05/26	356,722
	Nil-cost option	26/02/17-29/02/20	11/05/20	-	11/05/27	1,094,389
	Award	25/02/18-27/02/21	16/07/21	2 years	-	757,737
	Award	24/02/19-26/02/22	20/06/22	2 years	-	905,568

Executive Incentive Plan 2014

<u>Director</u>	<u>Award type</u>	<u>Normal vesting date</u>	<u>Expiry Date</u>	<u>As at 17 April 2020</u>
Dave Lewis	Nil-cost option	12/05/19	12/05/26	987,283
	Nil-cost option	24/11/17	12/05/26	493,639
	Nil-cost option	11/05/20	11/05/27	689,007
	Award	09/05/21	-	498,972
	Award	13/05/22	-	345,634
Alan Stewart	Nil-cost option	12/05/19	12/05/26	533,131
	Nil-cost option	24/11/17	12/05/26	266,564
	Nil-cost option	11/05/20	11/05/27	365,514
	Award	09/05/21	-	273,589
	Award	13/05/22	-	175,620

Buy-Out Awards

<u>Director</u>	<u>Award type</u>	<u>Normal vesting date</u>	<u>Expiry Date</u>	<u>As at 17 April 2020</u>
Dave Lewis	Nil-cost option	17/02/15	24/10/24	475,154
	Nil-cost option	18/02/16	24/10/24	638,709
	Nil-cost option	14/02/17	24/10/24	640,967
Alan Stewart	Nil-cost option	18/06/15	24/10/24	265,670
	Nil-cost option	24/06/16	24/10/24	343,638
	Nil-cost option	06/07/18	06/07/25	59,829

In addition to the interests as detailed above, certain of the Directors have further interests as a result of purchases made pursuant to the partnership shares and dividend shares elements of the UK all-employee Share Incentive Plan (the **SIP**), as well as pursuant to the Savings-Related Share Option Scheme (**SAYE**). Details (as at the latest practicable date prior to the publication of this document) are set out below:

SIP

<u>Director</u>	<u>Award type</u>	<u>Normal vesting date</u>	<u>Expiry Date</u>	<u>As at 17 April 2020</u>
Dave Lewis	Partnership shares	-	-	4,484
	Dividend shares			177
Alan Stewart	Partnership shares	-	-	4,377
	Dividend shares			171

SAYE

<u>Director</u>	<u>Award type</u>	<u>Normal vesting date</u>	<u>Expiry Price</u>	<u>Expiry Date</u>	<u>As at 17 April 2020</u>
Dave Lewis	SAYE option	01/03/22	£1.88	01/09/22	9,574
Alan Stewart	SAYE option	01/03/22	£1.88	01/09/22	9,574

6. Directors' Service Agreements and Arrangements

Save as set out in this Section 6, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Tesco Group.

Executive Directors: Service Contracts

Dave Lewis receives a base salary of £1.25 million as Group Chief Executive. Alan Stewart receives a base salary of £750,000 as Chief Financial Officer. Their salaries are normally reviewed annually, with changes being effective from 1 July. The Remuneration Committee considered the Group Chief Executive's and Chief Financial Officer's base salaries during 2018/19 taking into account pay review budgets across the Tesco Group. As a result, the Remuneration Committee determined that the base salaries for Dave Lewis and Alan Stewart would remain unchanged for FY 2019/20. The base salaries of the Group Chief Executive and Chief Financial Officer have remained unchanged since their dates of appointment in 2014.

The Tesco Executive Directors receive a cash allowance in lieu of pension of 25 per cent. of base salary. They also receive car benefits, staff discount, healthcare benefits, security benefit, life assurance and relocation fees. As part of the Remuneration Committee's 2018 review of the remuneration policy the level of contribution to pension or cash in lieu of pension for new Executive Directors and new Executive Committee members was reduced to 15 per cent. of base salary.

Each Tesco Executive Director is entitled to 30 working days' paid holiday per annum in addition to bank and public holidays.

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

The Tesco Executive Directors also participate in a performance share plan (the **Performance Share Plan**), which has a three-year performance period and two-year post-vest holding period. The Performance Share Plan was introduced to align Tesco Executive Directors' interests with those of Shareholders. Performance measures for the Performance Share Plan are selected to ensure that they incentivise the Tesco Executive Directors to deliver long-term sustainable returns for Shareholders.

The Tesco Remuneration Committee has the discretion to scale back deferred share awards and performance shares awards prior to the satisfaction of such awards in certain circumstances. The Tesco Remuneration Committee also has discretion to claw back awards which have been settled under the Performance Share Plan up to the fifth anniversary of the date of grant of awards and cash bonus payments up to the third anniversary of payment, in certain circumstances. Each of the Tesco Executive Directors' service agreement is terminable on not less than 12 months' notice by the employer or not less than six months' notice by the relevant Tesco Executive Director. Tesco is entitled to terminate the relevant Tesco Executive Director's employment by making a payment in lieu of notice, equal to: (i) the basic salary that would have been payable; and (ii) the value of the contractual benefits (comprising car-related benefits, healthcare benefits, health insurance and colleague discount but excluding payments in respect of pension, bonus and share plan awards), for any unexpired portion of the notice period. The payment in lieu will be paid in 13 equal instalments if the relevant Tesco Executive Director has eight years or less of continuous employment. If the relevant Tesco Executive Director has more than eight years of employment but less than 15 at the date of termination, he will be paid a percentage of the payment in lieu on termination and the remainder in instalments. If the relevant Tesco Executive Director has at least 15 years of service at the date of termination he is entitled to all of the payment in lieu on termination. In the event that the relevant Tesco Executive Director secures alternative employment, Tesco's obligation to pay any unpaid amount of the payment in lieu will cease. If a Tesco Executive Director's employment is terminated or Tesco gives notice to terminate a Tesco Executive Director's employment within 12 months of a change of control, the relevant Tesco Executive Director is entitled to the payment in lieu of notice in full on termination.

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

Each of the Tesco Executive Directors is subject to a confidentiality undertaking without limitation in time and to non-competition, non-solicitation and non-dealing restrictive covenants for a period of six months after the termination of their respective employment arrangements.

Each Tesco Executive Director has the benefit of a qualifying third-party indemnity from Tesco (the terms of which are in accordance with the Companies Act 2006) and appropriate directors' and officers' liability insurance.

Tesco Non-executive Directors

The appointment of each of the Tesco Non-executive Directors is for an initial period of three years after which they are reviewed. In line with the Governance Code, all Directors submit themselves for re-election by Shareholders every year at Tesco's annual general meeting.

The Tesco Non-executive Directors do not have service contracts, but each has a letter of appointment with Tesco. The letters of appointment are available for Shareholders to view at Tesco's registered office.

John Allan, who was appointed Non-executive Chairman of Tesco with effect from 1 March 2015, receives a fee of £687,000 per annum inclusive of all Tesco Board fees. He is eligible to receive the benefit of home security, staff discount and healthcare for himself and his partner. The Tesco Remuneration Committee may introduce additional benefits for the Non-executive Chairman of Tesco if it is considered appropriate to do so.

From 1 September 2019, each Tesco Non-executive Director other than the Tesco Chairman was entitled to receive an annual fee of £77,000. In addition to this, the Senior Independent Director was entitled to an annual fee of £27,000, each of the Chairpersons of the Audit, Corporate Responsibility and Remuneration Committees was entitled to an annual fee of £31,000 and the

members of the Audit, Corporate Responsibility, Nominations and Remuneration Committees were entitled to an annual fee of £14,000 for their membership on each Committee.

Fees are reviewed each year to coincide with salary reviews for colleagues.

Tesco reimburses the Tesco Non-executive Directors for reasonable expenses incurred in performing their duties and may settle any tax incurred in relation to these. The Company will pay reasonable legal fees for advice in relation to terms of engagement. For Tesco Non-executive Directors based overseas, Tesco will meet travel and accommodation expenditure as required to fulfil their duties and may settle any tax incurred in relation to these.

Tesco Non-executive Directors are not paid a pension and do not participate in any of the Tesco's variable incentive schemes. Tesco Non-executive Directors' appointments can be terminated by either party without notice and they have no entitlement to compensation on termination (except that they shall be entitled to accrued fees or expenses up to the date of termination).

The Tesco Non-executive Directors are subject to confidentiality undertakings without limitation in time. They are also subject to non-compete restrictive covenants for the duration of their appointments and for six months after the termination of their appointments.

Each Tesco Non-executive Director has the benefit of a qualifying third-party indemnity from Tesco (the terms of which are in accordance with the Companies Act 2006) and appropriate directors' and officers' liability insurance.

7. Significant Shareholders

As at the close of business on 17 April 2020 (being the latest practicable date prior to the publication of this document), so far as it is known to the Company by virtue of the notifications made to it pursuant to Chapter 5 of the Disclosure, Guidance and Transparency Rules, no person other than those listed below was interested, directly or indirectly, in voting rights representing three per cent. or more of the total voting rights in respect of the issued share capital of Tesco:

Name	Notified number of voting rights	Notified percentage of voting rights ⁽¹⁾
BlackRock, Inc.	648,407,964	6.64
Schroders plc	406,295,163	4.991
Norges Bank.....	391,691,032	3.9995

(1) Percentages are shown as a percentage of Tesco's total voting rights as at the date Tesco was notified of the change in holding.

8. Material Contracts

8.1 The Retained Group

Sale of stake in Gain Land joint venture

On 25 February 2020, Cheshunt Holdings Guernsey Limited (**Cheshunt Holdings**), a wholly-owned subsidiary of Tesco, entered into a sale and purchase agreement with Ondereel Ltd. (**Ondereel**), a wholly-owned subsidiary of China Resources Holdings (Company) Limited (**CRH**), to sell Cheshunt Holdings' 20 per cent. stake in Gain Land Limited (**Gain Land**) to Ondereel. The Gain Land joint venture operates a retail business in China and was established in May 2014 between Ondereel (which owned the remaining 80 per cent.) and Cheshunt Holdings.

The transfer of Cheshunt Holdings' stake in Gain Land to Ondereel was completed on 28 February 2020. In connection with the sale, CRH placed RMB 212.8 million of the sale

consideration (being less than 1% of the total consideration) into escrow for the purpose described below. After deducting the amount paid into escrow, the sale resulted in net cash proceeds to Tesco of c.£275 million at completion, which are to be used for general corporate purposes.

Under the terms of the sale and purchase agreement, Cheshunt Holdings agreed to indemnify Ondereel for 20 per cent. of certain land-related penalties that may be incurred by Gain Land and its subsidiaries. Cheshunt Holdings' liability under this indemnity is capped at the amount that is standing to the credit of the escrow account from time to time. The escrow terminates on 31 December 2023 and any remaining escrow balance at that time will be released to Cheshunt Holdings.

Arrangements with the Pensions Regulator/ Trustee

On 7 March 2020, Tesco received clearance from the Pensions Regulator in connection with the Disposal and the expected return of proceeds in relation thereto. On 8 March 2020 Tesco entered into an agreement with the Trustee of the Tesco Group's main UK defined benefit pension scheme, the Tesco PLC Pension Scheme (the **Scheme**). In that agreement, subject to Completion occurring, Tesco undertook to make a contribution to the Scheme of £2.5 billion of sale proceeds and a further £300 million from free cash flow. In addition, Tesco will continue to pay an annual amount (currently £25 million) to meet the running costs of and levies payable by the Scheme. Tesco also agreed to increase the value of property-backed security that is already held by the Trustee by £200 million, raising the total value of the security to £775 million, which the Trustee could later call upon in certain circumstances. The agreement with the Trustee also covers the key principles of the triennial Scheme actuarial valuation, which will be calculated as at 31 December 2019 and which is intended to be completed by Completion. The significant contribution being made will enable further de-risking of the Scheme which will be reflected in the assumptions to be used for the valuation.

Principal Transaction Documents

Your attention is drawn to Part V (*Summary of the Principal Terms and Conditions of the Disposal*) of this document which contains a summary of the key Disposal agreements, being the Sale Agreement, the Transitional Services Agreement and the Transitional Brand Licence Agreements.

Save as disclosed above, no contracts have been entered into (other than contracts entered into in the ordinary course of business) by any member of the Retained Group either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Retained Group; or (ii) at any time, which contain any provisions under which any member of the Retained Group (as relevant) has an obligation or entitlement which is or may be material to the Retained Group (as relevant) as at the date of this document.

8.2 The Asia Business

No contracts have been entered into (other than contracts entered into in the ordinary course of business) by or on behalf of any member of the Asia Business either: (i) within the period of two years immediately preceding the date of this document, which are or may be material to the Asia Business; or (ii) at any time, which contain any provisions under which any member of the Asia Business has an obligation or entitlement which is or may be material as at the date of this document.

9. Litigation

9.1 *The Retained Group*

Historic accounting practices and overstatement of expected profits

Law firms in the UK have announced the intention of forming claimant groups to commence litigation against the Retained Group for matters arising out of or in connection with its overstatement of expected profits in 2014, and purport to have secured third-party funding for such litigation. In this regard, the Retained Group has received two high court claims against Tesco. The first was received on 31 October 2016 from a group of 112 investors (now reduced to 56 investors) and the second was received on 5 December 2016 from an investment company and a trust company. The merit, likely outcome and potential impact on the Retained Group of any such litigation that either has been or might potentially be brought against the Retained Group is subject to a number of significant uncertainties and, therefore, the Retained Group cannot make any assessment of the likely outcome or quantum of any such litigation as at the date of this disclosure.

Claims in respect of Homeplus sale

Following the disposal of its South Korean operations (**Homeplus**) in 2015, Tesco received a warranty claim from the purchasers, comprising two investment vehicles controlled by MBK Partners and one investment vehicle controlled by Canada Pension Plan Investment Board, relating to alleged breaches of a warranty by Tesco pursuant to the sale and purchase agreement for the disposal of Homeplus. The claim is being vigorously defended through a confidential arbitration process which began in August 2016. Whilst the claim has evolved since originally issued, the merit, likely outcome and potential impact on the Retained Group of the claim is subject to a number of significant uncertainties. Consequently, the Retained Group cannot make any assessment of the likely outcome or quantum of the warranty claim as at the date of this document.

Equivalence of pay terms

Tesco Stores Limited has received claims from current and former Tesco store colleagues in 2018 alleging that their work is of equal value to that of colleagues working in Tesco's distribution centres and that differences in terms and conditions relating to pay are not objectively justifiable. The claimants are seeking the differential between the pay terms looking back, and equivalence of pay terms moving forward. At present, the likely number of claims that may be received and the merit, likely outcome and potential impact on the Retained Group of any such litigation is subject to a number of significant uncertainties and therefore, the Retained Group cannot make any assessment of the likely outcome or quantum of any such litigation as at the date of this disclosure. There are substantial factual and legal defences to these claims and the Retained Group intends to vigorously defend them.

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

9.2 *The Asia Business*

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which Tesco is aware) during the 12 months preceding

the date of this document, which may have, or have had in the recent past, a significant effect on the Asia Business and/or the Asia Business's financial position or profitability.

10. Related Party Transactions

Details of related party transactions (which for these purposes are those set out in the standards adopted according to Regulation (EC) No 1606/2002) that Tesco has entered into are set out below:

- for the 2018 Financial Year, such transactions are disclosed in note 29 on page 126 of Tesco's 2018 Annual Report and Accounts which is hereby incorporated by reference into this document;
- for the 2019 Financial Year, such transactions are disclosed in note 29 on page 148 of Tesco's 2019 Annual Report and Accounts which is hereby incorporated by reference into this document; and
- for the 2020 Financial Year, such transactions are disclosed in note 31 on page 88 of Tesco's 2020 Financial Statements which is hereby incorporated by reference into this document.

Other than as publicly announced, during the period since 29 February 2020 and up to 17 April 2020 (being the latest practicable date prior to the publication of this document), neither Tesco nor members of the Tesco Group have entered into any transactions with related parties.

11. No Significant Change

11.1 *The Retained Group*

Other than in respect of the impact of COVID-19 on the Tesco Group (including Tesco Bank) as set out in Note 36 on page 93 of the 2020 Financial Statements (which is hereby incorporated by reference into this document) and on page 18 at Section 7 of Part I (*Letter from the Chairman of Tesco*) above, there has been no significant change in the financial position of the Retained Group since 29 February 2020, being the date to which the last published audited financial statements for the Tesco Group were prepared.

11.2 *The Asia Business*

Other than in respect of the impact of COVID-19 on the Asia Business (including the related Thai governmental restrictions on, *inter alia*, general merchandise and clothing sales, and increasing costs and decreasing mall income as set out in Note 36 on page 93 of the 2020 Financial Statements), there has been no significant change in the financial position of the Asia Business since 29 February 2020, being the date to which the historical financial information relating to the Asia Business in Part III (*Financial Information on the Asia Business*) of this document was prepared.

12. Working Capital

Tesco is of the opinion that the working capital available to the Retained Group is sufficient for its present requirements, that is, for at least the next 12 months from the date of this document.

13. Consents

Deloitte has given and has not withdrawn its written consent to the inclusion of its report on the unaudited pro forma statement of net assets of the Retained Group set out in Section 2 of

Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document in the form and context in which it appears.

Barclays has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

Goldman Sachs has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

Greenhill has given, and not withdrawn, its written consent to the issue of this document with references to its name being included in the form and context in which they appear.

14. Information Incorporated by Reference

Information from the following documents has been incorporated into this document by reference:

- (a) Tesco's 2018 Annual Report and Accounts;
- (b) Tesco's 2019 Annual Report and Accounts; and
- (c) Tesco's 2020 Financial Statements.

Part VII (*Checklist of Information Incorporated by Reference*) of this document sets out the location of references to the above documents within this document.

15. Documents Available for Inspection

Copies of the following documents will be available for inspection on the Company's website (www.tescopl.com/GM2020) from the date of this document up to and including the date of the General Meeting and for the duration of the General Meeting:

- (a) the Articles;
- (b) the 2018 Annual Report and Accounts, 2019 Annual Report and Accounts and 2020 Financial Statements;
- (c) the consent letters referred to in Section 13 of this Part VI (*Additional Information*) of this document;
- (d) the report of Deloitte set out in Section 2 of Part IV (*Unaudited Pro Forma Statement of Net Assets of the Retained Group*) of this document;
- (e) this document and the Proxy Form; and
- (f) the Sale Agreement.

Part VII

Checklist of Information Incorporated by Reference

The 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts and the 2020 Financial Statements are incorporated by reference into this document in accordance with Section 14 of Part VI (*Additional Information*) of this document and contain information which is relevant to this document. These documents are also available on the Company's website at www.tescopl.com/investors/reports-results-and-presentations/results-and-presentations.

The table below sets out the various sections of such documents which are incorporated by reference into this document in order to provide the information required under the Listing Rules.

No part of the 2018 Annual Report and Accounts, the 2019 Annual Report and Accounts or the 2020 Financial Statements is incorporated by reference herein except as expressly stated below.

<u>Reference document</u>	<u>Information incorporated by reference</u>	<u>Document page reference</u>	<u>Page number(s) in this document</u>
2018 Annual Report and Accounts	Information on related party transactions in note 29 of the Company's 2018 audited financial statements.	126	51
2019 Annual Report and Accounts	Information on related party transactions in note 29 of the Company's 2019 audited financial statements.	148	51
2020 Financial Statements	Information on related party transactions in note 31 of the Company's 2020 audited financial statements.	88	51
2020 Financial Statements	Information on the impact of COVID-19 in note 36 of the Company's 2020 audited financial statements.	93	50

Information that is itself incorporated by reference in the above documents is not incorporated by reference into this document. It should be noted that, except as set forth above, no other portion of the above documents are incorporated by reference into this document and those portions which are not specifically incorporated by reference in this document are either not relevant for Shareholders or the relevant information is included elsewhere in this document.

Any statement contained in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purposes of this document to the extent that a statement contained herein (or in a later document which is incorporated by reference herein) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

A person who has received this document may request a copy of such documents incorporated by reference. A copy of any such documents or information incorporated by reference will not be sent to such persons unless requested from Equiniti Limited, by calling the Shareholder helpline between 9.00am and 5.00pm (UK time) Monday to Friday (except UK public holidays) on +44(0) 371 384 2977 (calls to this number from a landline are charged at national rates, calls from a mobile device may incur network extras) or on +44 121 415 7053 from outside the UK. Please note that calls may be monitored or recorded and the helpline cannot provide financial, legal or tax advice or advice on the merits of the Disposal. You may also request that all future documents, announcements and information to be sent to you in relation to the Disposal should be in hard copy form. Copies of this document and any document or information incorporated

by reference into this document will not be provided unless such a request is made and you are urged to consider the impact on the environment before making such request. If requested, copies will be provided, free of charge, within two business days of the request.

Part VIII

Definitions

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

2018 Annual Report and Accounts	the annual report and audited financial statements of the Company for the 52 weeks ended 24 February 2018
2018 Financial Year	the 52 weeks ended 24 February 2018 in respect of Tesco PLC and the year ended 28 February 2018 in respect of the Asia Business, as applicable
2019 Annual Report and Accounts	the annual report and audited financial statements of the Company for the 52 weeks ended 23 February 2019
2019 Financial Year	the 52 weeks ended 23 February 2019 in respect of Tesco PLC and the year ended 28 February 2019 in respect of the Asia Business, as applicable
2020 Financial Statements	the audited financial statements of the Company for the 53 weeks ended 29 February 2020
2020 Financial Year	the 53 weeks ended 29 February 2020 in respect of Tesco PLC and the year ended 29 February 2020 in respect of the Asia Business, as applicable
ADR	American Depositary Receipt
APMs	Alternative performance measures
Articles	the articles of association of Tesco
Asia Business	the Tesco Thailand Group and the Tesco Malaysia Group
Barclays	Barclays Bank PLC, acting through its Investment Bank
Board	the board of Directors of Tesco
Chairman	John Allan, the non-executive chairman of Tesco
Cheshunt Holdings	Cheshunt Holdings Guernsey Limited
Completion	completion of the Disposal in accordance with the provisions of the Sale Agreement
CPALL	CP All Public Company Limited
CPF	Charoen Pokphand Foods Public Company Limited
CP Group	various public and private entities including CPALL and CPF
CREST	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK & Ireland Limited is the operator in accordance with the Uncertificated Securities Regulations 2001 (SI 2001/3755)
CREST Manual	the manual, as amended from time to time, produced by Euroclear UK and Ireland Limited describing the CREST

	system, and supplied by Euroclear UK and Ireland Limited to users and participants thereof
CRH	China Resources Holdings (Company) Limited
Deloitte	Deloitte LLP
Directors	the Executive Directors and Non-executive Directors of Tesco
Disclosure Guidance and Transparency Rules	the Disclosure Guidance and Transparency Rules made by the FCA for the purposes of Part VI of FSMA
Disposal	the proposed disposal by the Sellers of the Asia Business to the Purchaser pursuant to the Sale Agreement
EBITDA	earnings before interest, taxation, exceptional items, depreciation and amortisation
Ek-Chai	Ek-Chai Distribution System Co., Ltd.
EU	European Union
Executive Directors	the executive Directors of Tesco, currently Dave Lewis and Alan Stewart
FCA	the Financial Conduct Authority of the UK, its predecessors or its successors from time to time, including, as applicable, in its capacity as the competent authority for the purposes of Part VI of FSMA
FSMA	the Financial Services and Markets Act 2000, as amended
FY	Financial Year
Gain Land	Gain Land Limited
General Meeting	the general meeting of Tesco to be held at 184 Shepherd's Bush Road, Brook Green, Hammersmith, London, W6 7NL, at 3.00pm on 14 May 2020
Greenhill	Greenhill & Co. International LLP
Homeplus	the Company's former South Korean operations
IAS19	the International Accounting Standard 19 "Employee Benefits"
IFRS	the International Financial Reporting Standards, as adopted by the European Union
IFRS 16	the International Financial Reporting Standard 16 "Leases"
Licensed Brands	the proprietary brand IP used by the Asia Business in the relevant country during the Lookback Period, in the manner and form and to the extent used during the Lookback Period
Listing Rules	the Listing Rules made by the FCA or the purposes of Part VI of FSMA

Longstop Date	the date which is 12 months from the date of signing of the Sale Agreement, or such later date as the parties may agree in writing
Lookback Period	a period of 12 months prior to Thailand Completion or Malaysia Completion, as relevant
Malaysia	the Federation of Malaysia
Malaysia Completion	completion of the Malaysia Sale
Malaysia Conditions	the Tesco Condition and the MDTCA Condition
Malaysia Sale	the sale by THBV of its entire holding in the share capital of Tesco Malaysia
MDTCA	the Ministry of Domestic Trade and Consumers Affairs of Tesco Malaysia
MDTCA Condition	has the meaning set out in Section 1.2 of Part V (<i>Summary of the Principal Terms and Conditions of the Disposal</i>)
Net Cash Proceeds	net cash proceeds from the Disposal before tax and other transaction costs
Non-executive Directors	the non-executive Directors of Tesco, currently John Allan, Mark Armour, Melissa Bethell, Stewart Gilliland, Steve Golsby, Byron Grote, Mikael Olsson, Deanna Oppenheimer, Simon Patterson, Alison Platt and Lindsey Pownall
Notice of General Meeting	the notice of the General Meeting, as set out in Part IX (<i>Notice of General Meeting</i>) of this document
NPS	net promoter score
Ondereel	Ondereel Ltd.
Pro Forma Financial Information	the information set out in Part IV (<i>Unaudited Pro Forma Statement of Net Assets of the Retained Group</i>) of this document
PSP	the Company's Performance Share Plan 2011
Proxy Form	the form of proxy in connection with the General Meeting, which accompanies this document
Purchaser	C.P. Retail Development Company Limited a company incorporated under the laws of Thailand, whose registered office is at 313 C.P. Tower, 14th Floor, Silom Road, Silom Sub-district, Bangrak District, Bangkok, Thailand and whose registered number is 0105563042102
Purchaser Guarantors	CPALL; Charoen Pokphand Holding Co., a company incorporated under the laws of Thailand, whose registered office is at 313 C.P. Tower, 14th Floor, Silom Road, Silom Sub-district, Bangrak District, Bangkok, Thailand and whose registered number is 0105535105961; and

	C.P. Merchandising Co., Ltd a company incorporated under the laws of Thailand, whose registered office is at 313 C.P. Tower, Silom Road, Silom Sub-district, Bangrak District, Bangkok, Thailand and whose registered number is 0105532018919
Resolution	the resolution being proposed at the General Meeting to approve the Disposal and to grant the Directors authority to implement the Disposal
Retained Group	Tesco and its subsidiaries and subsidiary undertakings from time to time excluding the Asia Business, being the continuing business of the Tesco Group following Completion
RIS	a Regulatory Information Service that is approved by the FCA and that is on the list of Regulatory Information Services maintained by the FCA
ROI	Republic of Ireland
Sale Agreement	the share purchase agreement dated 9 March 2020 entered into between, <i>inter alia</i> , the Sellers and Purchaser in connection with the Disposal, as described in more detail in Part V (<i>Summary of the Principal Terms and Conditions of the Disposal</i>) of this document
SAYE	the Company's Save As You Earn share option scheme
Scheme	the Tesco Group's main UK defined benefit pension scheme, the Tesco PLC Pension Scheme
Sellers	THL and THBV
Separation	the separation of the operations of the Asia Business from the Retained Group
Shareholders	the holders of Tesco Shares from time to time
Sime Darby Berhad	Sime Darby Allied Products Berhad (company number 72119-P), with its registered office at Level 9, Menara Sime Darby, Oasis Corporate Park, Jalan PJU 1A/2, Ara Damansara, 47301, Petaling Jaya, Selangor, Malaysia
SIP	the Company's all-employee Share Incentive Plan
Sponsor	Barclays Bank PLC, incorporated in England and Wales with registered number 1026167 and whose registered address is 1 Churchill Place, London E14 5HP
TCC	The Trade Competition Commission of Thailand
Tesco or Company	Tesco PLC, incorporated in England and Wales with registered number 00445790 and whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom
Tesco Condition	approval (by ordinary resolution) of the Disposal by the Shareholders

Tesco Group	in respect of any time prior to Completion, Tesco and its consolidated subsidiaries and subsidiary undertakings and, in respect of any time following Completion, the Retained Group
Tesco Malaysia	Tesco Stores (Malaysia) Sdn Bhd
Tesco Malaysia Group	Tesco Malaysia and its subsidiaries (if any) from time to time
Tesco Shares	the ordinary shares of five pence each in the capital of Tesco
Tesco Thailand	Tesco Stores (Thailand) Limited
Tesco Thailand Group	Tesco Thailand and its subsidiaries from time to time
Thailand	the Kingdom of Thailand
Thailand Completion	completion of the Thailand Sale
Thailand Conditions	the Tesco Condition and the approval of the TCC of the proposed acquisition of the shares in Tesco Thailand by the Purchaser
Thailand Sale	the sale by THL of its entire holding in the share capital of Tesco Thailand
THBV	Tesco Holdings B.V., incorporated in the Netherlands and whose registered office is at Willemsparkweg 150 hs, 1071 HS, Amsterdam, Netherlands
THL	Tesco Holdings Limited, incorporated in England and Wales with registered number 00243011 and whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom
Transitional Brand Licence Agreements	the transitional brand licence agreements in the agreed form to be entered into at Completion by TSL and Ek-Chai or TSL and Tesco Malaysia, as applicable
TSA or Transitional Services Agreement	the transitional services agreement in the agreed form to be entered into at Completion by TSL, Ek-Chai, Tesco Malaysia and the Purchaser
TSL	Tesco Stores Limited, incorporated in the UK and whose registered office is at Tesco House, Shire Park, Kestrel Way, Welwyn Garden City AL7 1GA, United Kingdom
UK	the United Kingdom of Great Britain and Northern Ireland
VAT	Value added tax

Part IX

Notice of General Meeting

Tesco PLC (the *Company*)

(*Company number 00445790*)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a **GENERAL MEETING** of the Company will be held at 184 Shepherds Bush Road, Brook Green, Hammersmith, London, W6 7NL at 3.00pm on 14 May 2020 for the purpose of considering and, if thought fit, passing the following resolution, which shall be proposed as an ordinary resolution, in connection with the disposal of the Company's businesses in Thailand and Malaysia (the **Disposal**):

Ordinary resolution to approve the Disposal

THAT

- (a) the Disposal, as described in the circular to the Company's shareholders dated 22 April 2020, substantially on the terms as set out in the sale and purchase agreement entered into on 9 March 2020, together with any associated and ancillary arrangements thereto, be and are hereby approved; and
- (b) the directors of the Company (the **Directors**) (or any duly constituted committee thereof) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or to procure the implementation or completion of the Disposal and give effect thereto with such modifications, variations, revisions or amendments (not being modifications, variations, revisions or amendments of a material nature) as the Directors (or any duly authorised committee thereof) may deem necessary, expedient or appropriate in connection with the Disposal.

By order of the Board
Robert Welch
Company Secretary

22 April 2020

Registered Office:

Tesco House
Shire Park, Kestrel Way
Welwyn Garden City, AL7 1GA

Shareholder Notes

The General Meeting

1. Given prevailing Government guidance in relation to COVID-19, avoiding unnecessary travel and stopping all gatherings of more than two people in public, it is proposed that the General Meeting be convened with the minimum quorum of shareholders present (which will be facilitated by Tesco) in order to conduct the business of the meeting. The well-being of our shareholders is vitally important to us and as we expect shareholders will not be able to attend the General Meeting due to the latest Government guidance, we ask shareholders to adhere to the current instructions to stay at home and instead to vote by proxy on the resolution set out above as early as possible. In the interests of safety, shareholders will not be admitted to the General Meeting.
2. We will continue to closely monitor the rapidly developing impact of COVID-19, including the latest Government guidance, and how this may affect the arrangements for the General Meeting. If it becomes necessary or appropriate to revise the current arrangements for the General Meeting, further information will be made available on our website at www.tescopl.com/GM2020 and/or via RNS.

Eligibility to vote

3. Only persons entered in the register of members of the Company at 6.30pm on 12 May 2020 or, in the event that the meeting is adjourned, 6.30pm on the date which is two working days prior to the reconvened meeting, shall be entitled to vote at the meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to vote at the meeting or adjourned meeting. Voting on the resolution will be by way of a poll. Although those on the register at 6.30pm on the relevant date would ordinarily be invited to attend the meeting, given prevailing Government guidance in relation to COVID-19, we expect shareholders will not be able to attend the General Meeting and we ask shareholders to adhere to the current instructions to stay at home and instead to vote by proxy on the resolution set out above as early as possible. In the interests of safety, shareholders will not be admitted to the General Meeting. Please see Note 19 if you would like to submit a question relating to the Disposal ahead of the meeting.

Appointment of proxies

4. As we are asking shareholders to adhere to the current instructions to stay at home and instead to vote by proxy, in order to retain flexibility given the current situation, we recommend appointing the “Chair of the Meeting” to vote on your behalf. This person is called your proxy. Your proxy does not need to be a shareholder of the Company. Details of how to appoint the Chair of the Meeting or another person as your proxy using the Proxy Form are set out in the notes to the Proxy Form.
5. Where no specific instruction is given, your proxy may vote at his/her own discretion or refrain from voting, as he/she sees fit. You can appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attaching to different shares held by you. If you are appointing more than one proxy, you should indicate the number of shares for which each proxy is authorised to act on your holding. Failure to specify the number of shares to which each Proxy Form relates or specifying a number which, when taken together with the number of shares set out in the other proxy appointments, is in excess of the number of shares held by the member may result in the proxy appointment being invalid.

Appointment of proxies using hard copy Proxy Forms

6. To appoint a proxy using the hard copy Proxy Form, you should complete and return your Proxy Form to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to arrive no later than 3.00pm on 12 May 2020, being the specified time which is not less than 48 hours before the appointed time of the meeting (excluding any part of a day that is not a working day). Please note that voting online is quicker and more secure than paper voting. We encourage all shareholders to vote by proxy as soon as possible.

Appointment of proxies electronically

7. You may, if you wish, register the appointment of a proxy or proxies, or voting instructions for the meeting electronically by logging on to www.sharevote.co.uk. You will need to use your Voting ID, Task ID and Shareholder Reference Number which are printed on your Proxy Form. Full details of the procedure are given on the website.
8. The proxy appointment and/or voting instructions must be received by Equiniti Limited no later than 3.00pm on 12 May 2020, being the specified time which is not less than 48 hours before the time appointed for the holding of the General Meeting (excluding any part of a day that is not a working day). Please note that any electronic communication sent to the Company or Equiniti Limited as Tesco’s Registrar that is found to contain a computer virus will not be accepted. The use of the internet service in connection with the General Meeting is governed by Equiniti Limited’s conditions of use set out on the website, www.sharevote.co.uk, and may be read by logging on to that site.
9. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Attending in person after voting by proxy

10. Submitting a Proxy Form in advance does not legally prevent you from attending and voting at the meeting in person. However, given prevailing Government guidance in relation to COVID-19, we expect shareholders will not be able to attend the General Meeting and we ask shareholders to adhere to the current instructions to stay at home and instead to vote by proxy on the resolution set out above as early as possible. In the interests of safety, shareholders will not be admitted to the General Meeting.

CREST – appointing a proxy

11. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy instruction service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual. These procedures are available via www.euroclear.com. CREST personal members or other CREST sponsored members, and those CREST members who have appointed voting service providers, should refer to their CREST sponsors or voting service providers, who will be able to take the appropriate action on their behalf.

Authentication of CREST proxy instruction

12. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a **CREST Proxy Instruction**) must be properly authenticated in accordance with Euroclear UK and Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com). The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 3.00pm on 12 May 2020. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST system) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST system timings

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

Circumstances of invalidity

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

Appointment of proxy by joint members

15. In the case of joint holders, where more than one of the joint holders completes a proxy appointment, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Nominated persons

16. Any persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with section 146 of the Companies Act 2006 (Nominated Persons) may have a right under an agreement with the registered shareholder who holds shares on their behalf to be appointed (or to have someone else appointed) as a proxy.
17. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the registered holder of the ordinary shares as to the exercise of voting rights. The statement of members' rights to appoint proxies set out in these notes does not apply to nominated persons. The rights described to appoint proxies can only be exercised by registered holders of shares.

Corporate representatives

18. Any corporation which is a member of the Company can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member, provided that they do not do so in relation to the same shares. If two or more corporate representatives purport to vote in respect of the same shares:
 - (a) if they purport to exercise the power in the same way as each other, the power is treated as exercised in that way; and

- (b) in other cases, the power is treated as not exercised.

Asking questions on the business of the meeting

19. If you are a shareholder and would like to ask a question about the Disposal, please email your question to shareholderquestions@tesco.com by 3.00pm on 12 May 2020. Any questions submitted that are not relevant to the business of the General Meeting will be forwarded for the attention of the relevant executive or the Registrar. Please note that the Company must answer any such question relating to the business being dealt with at the meeting but no such answer need be given if:
- (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Availability of this Notice and other information

20. A copy of this notice, information regarding the meeting, the documents listed in Section 15 of Part VI (*Additional Information*) of the Circular and other information required by section 311A of the Companies Act 2006, can be found at www.tescopl.com/GM2020.

Issued share capital and total voting rights

21. As at 17 April 2020 (being the latest practicable date prior to the publication of this document), the Company's issued share capital consisted of 9,793,496,561 ordinary shares, carrying one vote each. The Company does not hold any ordinary shares in the capital of the Company in treasury. Therefore, the total voting rights in the Company as at 17 April 2020 were 9,793,496,561.

