

## OFFERING CIRCULAR



**TESCO PLC**

*(incorporated with limited liability in England with registered number 00445790)*

## **TESCO CORPORATE TREASURY SERVICES PLC**

*(incorporated with limited liability in England with registered number 08629715)*

**£15,000,000,000**

### **Euro Note Programme**

*unconditionally and irrevocably guaranteed in the case of Notes issued by Tesco Corporate Treasury Services PLC by Tesco PLC*

On 17 July, 1997 Tesco PLC ("Tesco") established a Euro Note Programme (the "Programme"). On 23 August, 2013 Tesco Corporate Treasury Services PLC ("TCTS") and Tesco (each an "Issuer" and together the "Issuers") became issuers under the Programme. The payment of all amounts due in respect of the Notes (as defined below) issued by TCTS under the Programme (the "Guaranteed Notes") will be unconditionally and irrevocably guaranteed by Tesco (in such capacity, the "Guarantor"). This Offering Circular (the "Offering Circular") supersedes all previous offering circulars issued in connection with the Programme with respect to Notes issued under the Programme on or after the date of this Offering Circular. This does not affect any Notes already in issue. Under the Programme the relevant Issuer may from time to time issue notes (the "Notes") denominated in any currency agreed between the relevant Issuer and the relevant Dealer (as defined on page 2).

**An investment in Notes issued under the Programme involves certain risks.** For a description of these risks, see "Risk Factors" below.

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "UK Listing Authority") for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the "Official List") and to the London Stock Exchange plc (the "London Stock Exchange") for such Notes to be admitted to trading on the London Stock Exchange's regulated market.

References in this Offering Circular to Notes being "listed" (and all related references) shall mean that such Notes have been admitted to trading on the London Stock Exchange's regulated market and have been admitted to the Official List. The expression "EEA State" when used in this Offering Circular has the meaning given to such term in the Financial Services and Markets Act 2000 (the "FSMA"). The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2014/65/EU (as amended, "MiFID II").

The requirement to publish a prospectus under the Prospectus Directive (as defined below) only applies to Notes which are to be admitted to trading on a regulated market in the European Economic Area (the "EEA") and/or offered to the public in the EEA other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive. References in this Offering Circular to "Exempt Notes" are to Notes for which no prospectus is required to be published under the Prospectus Directive. The UK Listing Authority has neither approved nor reviewed information contained in this Offering Circular in connection with Exempt Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche (as defined under "Terms and Conditions of the Notes" on page 52) of Notes will (other than in the case of Exempt Notes, as defined above) be set forth in a final terms document (the "Final Terms") which will be delivered to the UK Listing Authority and, where listed, to the London Stock Exchange on or before the date of issue of the Notes of such Tranche or such later date as the UK Listing Authority and the London Stock Exchange may agree. Copies of Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the London Stock Exchange through a regulatory information service and will be available from the registered office of the relevant Issuer and the specified office of each of the Paying Agents (as defined on page 52). In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain other information which is applicable to each Tranche will be set out in a pricing supplement document (the "Pricing Supplement"). Copies of Pricing Supplements in relation to Exempt Notes will only be obtainable by a holder of such Notes and such holder must produce evidence satisfactory to the relevant Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity.

The Programme provides that Exempt Notes may be admitted to trading on such other or further stock exchanges or markets (provided that such exchange or market is not a regulated market for the purposes of MiFID II) as may be agreed between the relevant Issuer, (in the case of Guaranteed Notes) the Guarantor and the relevant Dealer. The relevant Issuer may also issue unlisted Exempt Notes and/or Exempt Notes not admitted to trading on any market.

The Programme has been rated BB+ (senior unsecured) / B (short-term IDR) by Fitch Ratings Limited ("Fitch"), (P) Ba1 (senior unsecured) / (P) NP (short-term) by Moody's Investors Service Limited ("Moody's") and BB+ by Standard & Poor's Credit Market Services Europe Limited ("S&P"). In addition, Tesco PLC has a long-term issuer default rating of BB+ (stable outlook) and a short-term issuer default rating of B by Fitch, a long-term issuer rating of Ba1 (positive outlook) and a short-term issuer rating of NP by Moody's and a long-term issuer rating of BB+ (stable outlook) and a short-term issuer rating of B by S&P. Each of Fitch, Moody's and S&P is established in the European Union and is registered under Regulation (EC) No. 1060/2009 (as amended) (the "CRA Regulation").

Notes issued under the Programme may be rated or unrated by any one or more of the rating agencies referred to above. Where a Tranche of Notes is rated, such rating will be disclosed in the Final Terms (or Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the rating assigned to the Programme by Moody's, S&P and Fitch. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.

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**Arranger**  
**J.P. MORGAN**

**Dealers**

**BARCLAYS**  
**CITIGROUP**  
**HSBC**  
**MUFG**  
**RBC CAPITAL MARKETS**

**BNP PARIBAS**  
**GOLDMAN SACHS INTERNATIONAL**  
**J.P. MORGAN**  
**NATWEST MARKETS**  
**SANTANDER GLOBAL CORPORATE BANKING**

The date of this Offering Circular is 6 July, 2018.

## IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus in respect of all Notes other than Exempt Notes issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. When used in this Offering Circular, "Prospectus Directive" means 2003/71/EC (as amended), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

The Notes may be issued on a continuing basis to one or more of the Dealers specified on pages 7 and 8 and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a "Dealer" and together the "Dealers"). References in this Offering Circular to the "relevant Dealer" shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Notes of each Tranche will initially be represented by a temporary global Note which will be deposited on the issue date thereof with a common safekeeper or common depository for Clearstream Banking S.A. ("Clearstream, Luxembourg") and Euroclear Bank SA/NV ("Euroclear") and/or any other agreed clearing system and which will be exchangeable, as specified in the applicable Final Terms or the applicable Pricing Supplement (in the case of Exempt Notes), for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-U.S. beneficial ownership as required by U.S. Treasury regulations. A permanent global Note will be exchangeable for Notes in definitive form upon request (unless otherwise specified in the applicable Final Terms or the applicable Pricing Supplement (in the case of Exempt Notes)), all as further described in "*Form of the Notes*" below.

The relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may agree with any Dealer and the Trustee (as defined on page 52) that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event, other than where such Notes are Exempt Notes, a new Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes. In the case of Exempt Notes, the relevant provisions will be included in the applicable Pricing Supplement.

Each Issuer and the Guarantor accepts responsibility for the information contained in this Offering Circular and the Final Terms and Pricing Supplements, as the case may be, for each Tranche of Notes issued under the Programme. To the best of the knowledge and belief of each of the Issuers and the Guarantor (each having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "*Documents Incorporated by Reference*" below). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

Save for the Issuers, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer, the Arranger or the Trustee as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor in connection with the Programme or the Notes or their distribution. The statements made in this paragraph are made without prejudice to the responsibilities of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor under the Programme. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or made, such information or representation must not be relied upon as having been authorised by any Issuer, the Guarantor, any Dealer, the Arranger or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by any of the Issuers, the Guarantor, any Dealer, the Arranger or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the relevant Issuer and/or (in the case of Guaranteed Notes) the Guarantor. Neither this Offering Circular nor any other

information supplied in connection with the Programme or the issue of any Notes constitutes an offer or invitation by or on behalf of the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor or any of the Dealers or the Arranger or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning any of the Issuers and/or the Guarantor is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger and the Trustee expressly do not undertake to review the financial condition or affairs of any of the Issuers or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. When deciding whether or not to purchase Notes of any Tranche, investors should review, *inter alia*, the documents incorporated by reference into this Offering Circular and any supplement to this Offering Circular (including the Final Terms, or Pricing Supplement, as the case may be, relating to such Tranche, but not including any other Final Terms or Pricing Supplement).

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Each of the Issuers, the Guarantor, the Dealers, the Arranger and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by any of the Issuers, the Guarantor, the Dealers, the Arranger or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, EEA States (including the United Kingdom and Belgium) and Japan (see "*Subscription and Sale*" below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "Securities Act") and are subject to certain U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons (see "*Subscription and Sale*" below).

#### **IMPORTANT - EEA RETAIL INVESTORS**

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) includes a legend entitled "Prohibition of Sales to EEA Retail Investors", the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

#### **MIFID II PRODUCT GOVERNANCE AND TARGET MARKET**

The Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) may include a legend entitled "MiFID II product governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for

undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the Product Governance rules under EU Delegated Directive 2017/593 (the "MiFID Product Governance Rules"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules.

### **SUITABILITY OF INVESTMENT**

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact such investment will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes with principal or interest payable in one or more currencies, or where the currency for principal or interest payments is different from the currency in which such investor's financial activities are principally denominated;
- (iv) thoroughly understands the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

The maximum aggregate nominal amount of all Notes outstanding at any one time under the Programme will not exceed £15,000,000,000 (and for this purpose, any Notes denominated in a currency other than Sterling shall be converted into Sterling in accordance with the provisions of the Dealer Agreement (as such term is defined under "Subscription and Sale" below)). The maximum aggregate nominal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to compliance with the relevant provisions of the Dealer Agreement.

All references in this Offering Circular to "Sterling" and "£" refer to the currency of the United Kingdom, to "U.S. dollars", "U.S.\$" and "\$" refer to the currency of the United States of America, to "KRW" refer to the currency of South Korea, and to "euro" and "€" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

### **STABILISATION**

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the "Stabilisation Manager(s)") (or persons acting on behalf of any Stabilisation Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be

conducted by the relevant Stabilisation Manager(s) (or persons acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

### **BENCHMARKS REGULATION**

Amounts payable on Floating Rate Notes issued under the Programme may be calculated by reference to either LIBOR and/or EURIBOR as specified in the applicable Final Terms or applicable Pricing Supplement (in the case of Exempt Notes). As at the date of this Offering Circular, ICE Benchmark Administration Limited (as administrator of LIBOR) is included in ESMA's register of administrators under Article 36 of the Regulation (EU) No. 2016/1011 (the "Benchmarks Regulation"). As at the date of this Offering Circular, the administrator of EURIBOR is not included in ESMA's register of administrators under Article 36 of the Benchmarks Regulation. As far as the Issuer is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that the European Money Markets Institute (as administrator of EURIBOR) is not currently required to obtain authorisation/registration (or, if located outside the European Union, recognition, endorsement or equivalence).

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## OVERVIEW OF THE PROGRAMME

***The following overview does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement). The relevant Issuer and (in the case of Guaranteed Notes) the Guarantor and any relevant Dealer and the Trustee may agree that Notes shall be issued in a form other than that contemplated in the Terms and Conditions, in which event, in the case of Notes other than Exempt Notes and, if appropriate, a supplement to the Offering Circular or a new Offering Circular will be published.***

This Overview constitutes a general description of the Programme for the purposes of Article 22.5(3) of Commission Regulation (EC) No 809/2004 implementing Directive 2003/71/EC (the "Prospectus Regulation").

*Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" below shall have the same meanings in this Overview.*

Issuers:	Tesco PLC ("Tesco")  Tesco is a public limited company organised under the laws of England and Wales. Tesco and its subsidiaries (the "Group") are operators of retailing and retail banking services in the UK, the Republic of Ireland, Central Europe and Asia. Tesco is the overall holding company of the Group.  Tesco's shares are listed on the London Stock Exchange. As at 24 February, 2018 <sup>1</sup> , the Group operated an aggregate of 6,966 <sup>2</sup> stores worldwide.  Tesco Corporate Treasury Services PLC ("TCTS")  TCTS is a public limited company organised under the laws of England and Wales.  TCTS is a finance vehicle for members of the Group. Its sole function is to raise funds for the purpose of on-lending those funds to other members of the Group, its joint ventures and associates.
Issuer Legal Entity Identifier (LEI):	Tesco PLC: 2138002P5RNKC5W2JZ46  TCTS: 21380018AJDKNF3A6712
Guarantor:	Tesco PLC (in respect of Guaranteed Notes)
Risk Factors:	There are certain factors that may affect the relevant Issuer's ability to fulfil its obligations under Notes issued under the Programme or (in the case of Guaranteed Notes) the Guarantor's ability to fulfil its obligations under the Guarantee and the Notes issued under the Programme. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme and risks relating to the structure of a particular Series of Notes issued under the Programme. All of these are set out under " <i>Risk Factors</i> ".
Description:	Euro Note Programme
Arranger:	J.P. Morgan Securities plc
Dealers:	Banco Santander, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited

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<sup>1</sup> The financial information set out in this section headed "Overview of the Programme – Issuers" has been extracted from Tesco's audited results for the 52 weeks ended 24 February, 2018.

<sup>2</sup> Including franchise stores.

Goldman Sachs International  
HSBC Bank plc  
J.P. Morgan Securities plc  
MUFG Securities EMEA plc  
NatWest Markets Plc  
RBC Europe Limited

The Issuers and the Guarantor may, from time to time, terminate the appointment of any Dealer under the Programme or appoint Dealers either in relation to the Programme as a whole or in relation to specific issues under the Programme.

Certain Restrictions:	Each issue of Notes denominated in a currency in respect of which particular laws, guidelines, regulations, restrictions or reporting requirements apply will only be issued in circumstances which comply with such laws, guidelines, regulations, restrictions or reporting requirements from time to time (see “ <i>Subscription and Sale</i> ”).
Trustee:	Royal Exchange Trust Company Limited
Issuing and Principal Paying Agent:	HSBC Bank plc
Size:	Up to £15,000,000,000 (or its equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuers and the Guarantor may increase the amount of the Programme in accordance with the terms of the Dealer Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis in accordance with the terms of the Dealer Agreement.
Currencies:	Subject to any applicable legal or regulatory restrictions, such currencies as may be agreed between the relevant Issuer, (in the case of Guaranteed Notes) the Guarantor and the relevant Dealer (as indicated in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement).
Maturities:	<p>Such maturities as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant Specified Currency.</p> <p>At the date of this Offering Circular, the minimum maturity of all Notes is one month.</p> <p>Notes having a maturity of less than one year from their date of issue will constitute deposits for the purposes of the prohibition on accepting deposits contained in section 19 of the FSMA unless they are issued to a limited class of investment professionals and have a denomination of at least £100,000 or its equivalent (see “<i>Subscription and Sale</i>” on pages 87 to 89).</p>
Issue Price:	Notes may be issued on a fully-paid or, in the case of Exempt Notes, a partly-paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	Each Tranche of Notes will be in bearer form and will initially be represented by a temporary global Note. If the Global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms (or, in the case of Exempt Notes, the



applicable Pricing Supplement), the temporary global Note will be delivered on the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"); and if the global Notes are not intended to be issued in NGN form, the temporary global Note will be delivered on the original issue date of the Tranche to a common depository (the "Common Depository") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system and be exchangeable, upon request, as described therein for either a permanent global Note or definitive Notes (as indicated in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement) and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case not earlier than 40 days after the Issue Date upon certification of non-U.S. beneficial ownership as required by U.S. Treasury regulations. The applicable Final Terms will specify that a permanent global Note either (i) is exchangeable (in whole but not in part) for definitive Notes upon not less than 60 days' notice or (ii) is exchangeable (in whole but not in part) for definitive Notes only upon the occurrence of an Exchange Event, as described in "Form of the Notes" below. Any interest in a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg, Euroclear and/or any other agreed clearing system, as appropriate.

Fixed Rate Notes:

Interest on Fixed Rate Notes will be payable on such date or dates as may be agreed between the relevant Issuer and the relevant Dealer (as indicated in the applicable Final Terms or, in the case of Exempt Notes, the applicable Pricing Supplement) and on redemption, and will be calculated on the basis of such Fixed Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

Floating Rate Notes:

Floating Rate Notes will bear interest at a rate determined:

- (i) on the same basis as the floating rate under an interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc., and as amended and updated as at the Issue Date of the first Tranche of the Notes of the relevant Series); or
- (ii) on the basis of the reference rate set out in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement).

The Margin (if any) relating to such floating rate will be agreed between the relevant Issuer and the relevant Dealer for each Series of Floating Rate Notes.

Floating Rate Notes may also have a maximum interest rate, a minimum interest rate or both.

Interest on Floating Rate Notes in respect of each Interest Period, as agreed prior to issue by the Issuer and the relevant Dealer, will be payable on such Interest Payment Dates, and will be calculated on the basis of such Floating Day Count Fraction as may be agreed between the relevant Issuer and the relevant Dealer.

Zero Coupon Notes:

Zero Coupon Notes will be offered and sold at a discount to their nominal amount and will not bear interest.

Exempt Notes:	<p>The relevant Issuer may issue Exempt Notes which are Index Linked Notes, Dual Currency Notes, Partly Paid Notes or Notes redeemable in one or more instalments.</p> <p><b>Index Linked Notes:</b> Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer may agree.</p> <p><b>Dual Currency Notes:</b> Payments (whether in respect of principal or interest and whether at maturity or otherwise) in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange, as the relevant Issuer and the relevant Dealer may agree.</p> <p><b>Partly Paid Notes:</b> The relevant Issuer may issue Notes in respect of which the issue price is paid in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.</p> <p><b>Notes redeemable in instalments:</b> The relevant Issuer may issue Notes which may be redeemed in separate instalments in such amounts and on such dates as the relevant Issuer and the relevant Dealer may agree.</p> <p>The relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may agree with any Dealer and the Trustee that Exempt Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event the relevant provisions will be included in the applicable Pricing Supplement.</p>
Redemption:	<p>The applicable Final Terms relating to each Tranche of Notes (or, in the case of Exempt Notes, the applicable Pricing Supplement) will indicate either that the relevant Notes of such Tranche cannot be redeemed prior to their stated maturity (other than, in the case of Exempt Notes, in specified instalments, if applicable, or for taxation reasons or following an Event of Default) or that such Notes will be redeemable at the option of the relevant Issuer and/or the Noteholders upon giving notice to the Noteholders or the relevant Issuer, as the case may be, on a date or dates specified prior to such stated maturity and at a price or prices and on such other terms as may be agreed between the relevant Issuer and the relevant Dealer.</p> <p>In addition, if Restructuring Event Put is specified as applicable in the applicable Final Terms (or, in the case of Exempt Notes, the applicable Pricing Supplement), the Notes may be redeemed before their stated maturity at the option of the Noteholders in the circumstances described in Condition 6(d)(ii).</p> <p>Notes having a maturity of less than one year from their date of issue are subject to restrictions on their distribution and denomination (see “<i>Maturities</i>” above).</p>
Denomination of Notes:	<p>Notes will be issued in such denominations as may be agreed between the relevant Issuer and the relevant Dealer and as indicated in the applicable Final Terms save that the minimum denomination of each Note will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency (see “<i>Maturities</i>” above) and save that the minimum denomination of each Note (other than an Exempt Note) will be €100,000 (or, if the Notes are denominated in a</p>

currency other than euro, the equivalent amount in such currency).

- Taxation:** All payments in respect of Notes will be made without deduction for or on account of withholding taxes imposed within the United Kingdom, subject as provided in Condition 7. In the event that any such deduction is required, the relevant Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will, save in the circumstances provided in Condition 7, be required to pay additional amounts to cover the amount so deducted.
- Negative Pledge:** The Terms and Conditions of the Notes contain a negative pledge provision as described in Condition 3.
- Cross Default:** The Terms and Conditions of the Notes contain a cross-default provision as described in Condition 9.
- Status of the Notes:** The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other present and future unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.
- Guarantee:** Only Notes issued by TCTS will be unconditionally and irrevocably guaranteed by the Guarantor. The obligations of the Guarantor under its guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) will rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.
- Substitution:** In the case of Guaranteed Notes, the terms of the Notes permit the Trustee and TCTS to agree to the substitution of TCTS, without the consent of Noteholders, for any new holding company or Subsidiary of Tesco as principal debtor under the Notes, subject to satisfaction of the conditions described in Condition 16 and the Trust Deed.
- Rating:** The Programme has been rated BB+ (senior unsecured) / B (short-term IDR) by Fitch, (P) Ba1 (senior unsecured) / (P) NP (short-term) by Moody's and BB+ by S&P. Series of Notes issued under the Programme may be rated or unrated. Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or applicable Pricing Supplement, in the case of Exempt Notes) and will not necessarily be the same as the ratings assigned to the Programme. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, revision or withdrawal at any time by the assigning rating agency.
- Listing:** Application has been made for Notes issued under the Programme to be listed on the London Stock Exchange.
- Exempt Notes may also be admitted to trading on such other or further stock exchanges or markets as may be agreed between the relevant Issuer, (in the case of Guaranteed Notes) the Guarantor and the relevant Dealer in relation to each Series (provided that such exchange or market is not a regulated market for the purposes of MiFID II).
- Exempt Notes which are neither listed nor admitted to trading on any market may be issued (but see "*United Kingdom Taxation*" for certain important taxation implications of such Notes).

The applicable Final Terms relating to each Tranche of Notes will state when the relevant Notes are to be listed and admitted to trading.

The applicable Pricing Supplement (in the case of Exempt Notes) relating to each Tranche of Exempt Notes will state whether or not the relevant Notes are to be admitted to trading and, if so, on which stock exchanges and/or markets (provided that such exchange or market is not a regulated market for the purposes of MiFID II).

Governing Law:

The Programme documentation (including the Notes) and any non-contractual obligations arising out of or in connection with the Programme documentation will be governed by, and shall be construed in accordance with, English law.

Selling Restrictions:

There are restrictions on the offer, sale and transfer of the Notes in the United States of America, EEA States (including the United Kingdom and Belgium) and Japan and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Notes; see "*Subscription and Sale*" on pages 87 to 89.

United States Selling Restrictions:

Regulation S, Category 2. TEFRA D/TEFRA not applicable, as specified in the applicable Final Terms (or the applicable Pricing Supplement, in the case of Exempt Notes).

## RISK FACTORS

*In purchasing Notes, investors assume the risk that the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may become insolvent or otherwise be unable to make all payments due in respect of the Notes, and the Guarantee, as applicable. There is a wide range of factors which individually or together could result in the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor becoming unable to make all payments due in respect of the Notes, and the Guarantee, as applicable. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Issuers and the Guarantor may not be aware of all relevant factors and certain factors which they currently deem not to be material may become material as a result of the occurrence of events outside the relevant Issuer's and the Guarantor's control. The Issuers and the Guarantor have identified in this Offering Circular a number of factors which could materially adversely affect their businesses and ability to make payments due under the Notes. In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

### **Factors that may affect TCTS's ability to fulfil its obligations under Notes issued under the Programme**

*TCTS acts as a finance vehicle for members of the Group, its joint ventures and associates*

TCTS is a finance vehicle for members of the Group, its joint ventures and associates. Its purpose is to raise funds to on-lend to other members of the Group, its joint ventures and associates and its assets are made up of each relevant member of the Group's, or the relevant joint venture's or associate's, obligation to repay such funds to it. Proceeds from Notes issued by TCTS under the Programme will be on-lent to other members of the Group, its joint ventures and associates, and the ability of TCTS to fulfil its payment obligations under the Notes will depend upon payments made to it by other relevant members of the Group, its joint ventures and associates in respect of loans made to them by TCTS. Therefore, TCTS is subject to all risks to which the Group is subject, to the extent that such risks could limit each relevant member of the Group's ability to satisfy its obligations in full and on a timely basis, as well as its own risks independent of the Group. These risks are: (i) funding and liquidity risks; (ii) interest rate risk; (iii) foreign exchange rate risk; and (iv) risk of default by parties to financial transactions. See "*Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee*" below for a further description of certain of these risks.

### **Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee**

*Tesco is the holding company of the Group*

As the holding company of the Group, Tesco conducts all of its operations through its subsidiaries and is dependent on the financial performance of its subsidiaries and payments of dividends and inter-company cash-flows (both advances and repayments) from these subsidiaries to meet its debt obligations, including its ability to fulfil its obligations under the Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee. Generally, creditors of a subsidiary, including trade creditors, secured creditors and creditors holding indebtedness and guarantees issued by the subsidiary, and preferred shareholders (if any) of the subsidiary, will be entitled to the assets of that subsidiary before any of those assets can be distributed to its shareholders upon its liquidation or winding up. Tesco's subsidiaries may have other liabilities, including contingent liabilities, which could be substantial. Since Noteholders are not creditors to such subsidiaries, their claims to the assets of the subsidiaries that generate Tesco's income are subordinated to the creditors of such subsidiaries.

*Investors are relying solely on the creditworthiness of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor*

The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the relevant Issuer and will rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the relevant Issuer, from time to time outstanding.

The obligations of the Guarantor under the Guarantee (in the case of Guaranteed Notes) will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

Each investor in the Notes is relying on the creditworthiness of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor, and no other person.

In addition, investment in the Notes involves the risk that subsequent changes in actual or perceived creditworthiness of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may adversely affect the market value of the Notes.

*An adverse change in macroeconomic conditions, whether domestically or internationally, may adversely affect consumer confidence, consumer spending decisions, relative competitive position and the cost of doing business*

As the great majority of the Group's revenues are generated from retailing and associated activities in the United Kingdom and the Republic of Ireland ("ROI"), the Group's business, results of operations, financial condition and prospects are, and will continue to be, particularly affected by prevailing economic conditions (including higher inflation, higher interest rates, declining access to credit, lower or stagnating wages, increasing unemployment, weakness in housing and real estate markets, changes in government fiscal or tax policies, removal of subsidies, reduced public spending or credit crises affecting disposable incomes, increases in fuel prices, a loss of consumer confidence and a change in customer spending preferences) in the United Kingdom and the ROI but also (to a lesser extent given the relative sizes of the businesses in those jurisdictions) the other jurisdictions in which the Group carries on its businesses. The cost of doing business could also be materially affected as a result of, amongst other things, the increasing costs of, or volatility in the cost of, raw materials or commodities, including foods, petroleum, electricity and other fuels, adverse exchange rate movements, cost increases being passed along supply chains by primary producers and suppliers and associated increases in administrative costs, each of which must be absorbed by the Group (with a resultant increase in its cost of sales) 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 the Group's relative competitive position). Any combination of these adverse changes to general economic conditions or the cost of doing business could have a material and adverse effect on the Group's business results of operations, financial condition and prospects.

*A failure to ensure that customers have a coherent, connected and engaging customer journey and in store experience that is differentiated from competitors may result in the Group losing market share*

The Group will continue to keep the needs of customers central to decision making by monitoring customer behaviours, expectations and experience (through regular tracking of its business, and those of its competitors, against measures that customers consider to be important to their shopping experience). However, a failure to ensure that the Group is competitive on price, range and service (as well as developing its online and other formats to compete in different markets) and that customers have a coherent, connected and engaging customer journey and in store experience that is differentiated from competitors, could lead to a loss of market share and a fall in revenues as customer purchases are made with competitors, and/or the Group being unable to build and sustain customer loyalty. Any of these factors could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

*The Group may fail to achieve its Transformation Programmes and/or the Group may fail to achieve other business strategy objectives*

The Group has multiple transformation programmes in place designed to improve the shopping experience for Group customers, simplify the Group's business, increase the overall level of risk management maturity, control environment maturity and improve consistency across the Group, clarify accountability and reduce costs so as to enable its businesses to be run in a more sustainable and cost-effective way and to adapt more quickly in a rapidly changing retail environment, including finance, people, technology, data privacy, information security and service model initiatives (the "Transformation Programmes").

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

*Financial performance, cash liquidity or the ability to fund operations may be impacted if the Group's business performance does not deliver the levels of expected cash generation or if there are any other failures in operational liquidity and currency risk management*

Weaker than anticipated business performance and cash generation could reduce the Group's free cash flow generation below expectations over the longer term, that is, in the period beyond the date that is 12 months from the date of this Offering Circular. If this occurs and access to sufficient financial resources is restricted or is only available on commercially unacceptable or disadvantageous terms (including as a result of events beyond its control such as interest rate movements, exchange rate volatility, restrictions on access to funding markets or facilities, defaults by counterparties to financial transactions and other events or market dislocations which may result from turbulence in the financial markets and the prevailing conditions of the global economic environment from time to time resulting in market liquidity no longer being available to the Group on terms equivalent to the investment grade terms which, in current market conditions, the Group currently is able to obtain notwithstanding that as at the date of this Offering Circular its credit rating has not yet been returned to an investment grade credit rating), it could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. In addition, if failures in operational liquidity or currency risk management occur, unforeseen liabilities arise (such as an adverse change in the pension deficit funding requirements (see "Risk factors – Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee – The Group has significant funding obligations in relation to its defined benefit pension schemes. Low investment returns, high inflation, changes in bond yields, longer life expectancies and/or regulatory changes may result in the cost of funding of these schemes increasing beyond what is currently expected which may materially and adversely impact the Group's business, results of operations, financial condition and prospects") or additional funding is required by Tesco Personal Finance PLC ("Tesco Bank")), it could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects. Although debt levels are being reduced (with the intention of returning the Group's credit rating to an investment grade credit rating) and disciplined liquidity oversight and strategic planning across the Group's treasury activities is a key focus, any combination of the above factors could limit the Group's ability in the longer term to access the funding needed to

support its operations generally or on commercially unacceptable terms which could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

*If the Group fails to deliver an effective, coherent and consistent strategy to respond to competitors and changes in market conditions it may lose market share and fail to improve and/or experience declining profitability*

The Group faces the ongoing challenge of a changing competitive landscape (including one which could intensify as a result of possible future market consolidation) and price pressure across its markets from a diverse range of retailers and wholesalers who operate different models and formats through a variety of physical, digital and integrated distribution channels and who offer a range of distinct product propositions from the premium to the value end of the market. The United Kingdom grocery industry, in particular, is highly competitive (including competition from United Kingdom retailers as well as from international operations in the United Kingdom and in the form of budget retailers who offer certain food and retailing products and services on a low cost model basis, premium retailers and online entrants). Whilst the Group actively seeks to be competitive on price, range and service, as well as developing formats to compete in different markets, and engage in market scanning and competitor analysis to refine its customer proposition, if the Group fails to deliver an effective, coherent and consistent strategy to respond to competitors and broader market changes or fails to adapt to technological developments to improve the customer experience as effectively as its competitors, it may lose market share and fail to improve and/or experience declining profitability which could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

*A failure by the Group to create brand reappraisal opportunities to improve customer perceptions of quality, value and service may affect its ability to build or maintain trust in its brands*

Whilst maintaining a differentiated brand is a strategic priority and corporate responsibility goals have also been aligned with customer priorities and brands, if the Group fails to manage its brands or deliver products of sufficient value at the prices customers expect, this may affect its ability to consolidate loyalty and build trust, creating a perception among customers, colleagues, communities and suppliers that result in a loss of market share (including where the event which caused the brand damage was unfounded or was outside the knowledge or control of the Group). A failure to listen to the customers of the Group, and to update the customer proposition to react effectively to the changing marketplace could result in a loss of market share or unfavourable effects on its ability to do business. Any combination of these effects could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

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

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

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



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

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

*Failure to comply with legal or regulatory requirements relating to data security or data privacy may result in the Group suffering reputational damage, fines or other adverse consequences*

The Group's technology systems involve the storage and transmission of sensitive data, including customer data (including through Tesco Clubcard), colleague data and supplier data in a number of locations, some of which may be private. Any security breaches resulting from a failure by the Group or its employees and/or agents or contractors to comply with legal or regulatory requirements relating to data security or data privacy, whether caused by human error, ineffective or inadequately designed processes, failure or interruption of IT or other systems, improper or negligent conduct by employees and/or agents or contractors, failures by outsourced providers, unauthorised access or criminal activity (including fraud, theft and cybercrime), may result in technology platforms and/or websites and mobile applications being shut down and/or negatively impacted. They could also result in significant disruption to the operations of the Group and, particularly in a climate where customers and colleagues are increasingly sensitive to matters of personal data usage, storage and security, data risk is increasing globally and regulatory expectations are expanding, reputational damage, leading to loss of customer trust, fines or other adverse consequences, including criminal penalties and consequential litigation, with a material adverse impact on its business, results of operations, financial condition and prospects.

*The business of the Group is exposed to the risk of fraud and other dishonest activity by suppliers, customers and employees*

While there are checks and controls in place, as well as regular compliance training at the Group, there remains the potential for fraud and other dishonest activity at all levels of the business and the risk of fraud or dishonest activity affecting the Group and/its customers in the future cannot be excluded. It is possible that the internal controls and processes that the Group has in place that are designed to prevent and detect fraud may be inadequate. Any fraud incident or dishonest activity affecting the Group may lead to financial losses, a loss of customer trust and confidence, as well as litigation and/or financial or other regulatory penalties being imposed, any of which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

*As the regulatory environment becomes more restrictive due to changes in the global political landscape, the costs of doing business are increasing for the Group as a result of having to comply with more onerous and/or a greater number of rules and regulations and any failure to comply with legal or regulatory requirements may result in fines, criminal penalties and/or consequential litigation*

Changes in the global political environment mean there is a trend towards increased regulatory requirements governing the business activities of the Group, including intervention in relation to regulation of foreign investors. The Group is subject to a wide variety of laws and regulations in key areas such as planning and environmental regulation, packaging regulation, regulation of the transportation, handling, storage and distribution of fuel, food hygiene standards, health and safety laws, tobacco regulation, alcohol regulation, regulation of e-commerce (including, for example, in relation to online payment systems), data protection law, employment law (including in relation to minimum wages and working hours), trade and immigration law, consumer law (including trading,

pricing, and advertising laws), anti-corruption and anti-bribery laws, financial services regulation, financial reporting and disclosure accounting laws, regulations and standards, regulation of foreign investors, the rules of the Financial Conduct Authority (the "FCA"), the London Stock Exchange and the Irish Stock Exchange, corporate and income and other tax rules and others, as well as by oversight and scrutiny by competition and other regulatory authorities. A consequence of the trend towards increased regulation is that the costs of doing business for the Group as a result of having to comply with more onerous and/or a greater number of rules and regulations are increasing, which may have a detrimental impact on financial performance if it is not possible to pass on any such additional costs of business to customers in the form of higher prices (which may influence customer spending decisions and priorities and adversely impact its relative competitive position). Although policies and procedures are in place to monitor and guide legal, regulatory and tax compliance, and to engage with government, regulatory and tax authorities, there is also a risk that the Group may fail to comply with an applicable law or regulation and may consequently be subject to financial or regulatory fines and penalties, may be adversely impacted by a change in law or regulation or in the judicial interpretation of law or regulation, or may fail to adapt its business appropriately to such a change. The occurrence of any one or more of these factors could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

*If there is a failure to meet workplace health and safety or other legal standards, death, injury or illness to customers, colleagues, contractors, suppliers or third parties may lead to a loss of customer trust and confidence as well as litigation and/or financial or other regulatory penalties being imposed*

The Group has policies and procedures in place designed to ensure that workplace health and safety and other standards in relation to its stores, distribution centres and delivery vehicles are met. However, deficiencies or failures in any of these policies or procedures (including as a result of an event outside the Group's knowledge or control) could lead to injury, illness or death of one or more customers, employees or third parties and/or the risk of litigation and/or financial and/or other regulatory penalties being imposed and/or a loss of customers, distributors and suppliers and/or a loss of trust and confidence which could have a material and adverse effect on the Group's results of operations, financial condition and prospects.

*A failure of the Group to attract, motivate and retain the most talented colleagues and develop desired culture, leadership and behaviours may materially and adversely impact the Group's business, results of operations, financial condition and prospects*

Failure to attract, motivate and retain talented colleagues and develop the Group's desired culture, leadership and behaviours may result in colleagues experiencing a decline in engagement or job satisfaction and may disrupt the Group's business operations (including leading to strikes or other industrial action) and damage its reputation, and could result in a material adverse change in the Group's results of operations, financial condition and prospects.

*A failure to ensure that products are obtained through responsible and sustainable methods across the supply chain and that product safety, packaging, labelling or other legal standards are complied with may lead to death, injury or illness to customers, colleagues, contractors or third parties, reputational harm and significant costs in relation to product recall, litigation and/or financial or other regulatory penalties being imposed*

The Group has policies and procedures in place in stores and distribution centres, with primary producers and suppliers designed to ensure that all products are safe, properly packaged and labelled, comply with applicable health and safety and other legal standards, and that the human rights of workers are respected and environmental impacts are managed responsibly. In particular, the Group has policies in place to communicate global product safety standards to suppliers and to test their compliance through audit programmes. However, deficiencies or failures in any of these policies or procedures (including as a result of an event outside the Group's knowledge or control, for example, if errors are made in relation to packaging and labelling which result in information being provided to customers that is unsafe or misleading) could lead to injury, illness or death of one or more customers, employees or third parties, expensive product recalls or to the loss of future business from any customers, distributors and suppliers that have any concerns about the quality or safety of products. Changes to law and regulation aimed at implementing ethical environmental sustainability measures (including in relation to the packaging and labelling of products, the use of energy, emission charges

and use of plastic bags in stores and for the delivery of groceries) could also materially increase the compliance and operational costs of the Group and its suppliers (for example by increasing the cost of energy, fuels, packaging and raw materials). Any one or more of these could have a material and adverse effect on the Group's results of operations, financial condition and prospects.

*The business of the Group is generally dependent on the supply of products by an extensive network of domestic and international suppliers*

The business of the Group is generally dependent on the supply of products supplied by an extensive network of primary producers, suppliers and distributors located in the United Kingdom, the ROI and internationally. The business of the Group relies on its network of domestic and international suppliers to supply products of sufficiently high-quality at the right prices to meet the high expectations of its customers and to ensure appropriate product availability and timelines for the delivery of products. The supply of products could be disrupted by a wide variety of factors and events impacting these key suppliers including a failure by the Group to develop and maintain effective supplier relationships of mutual trust, a disruption to supply chains such as may occur as a result of "Brexit" (see – "Risk Factors – Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee - A failure to adequately prepare for the United Kingdom's withdrawal from the European Union could lead to increased costs and may lead to potential staff shortages, adverse currency impacts and increased regulatory burden") because of the reliance by the Group on some ROI and other international primary producers and suppliers and the in some cases comparatively limited capacity to source alternative suppliers in the United Kingdom, climate events or natural disasters affecting the geographies where it or its suppliers operate, adverse changes to general economic conditions, issues affecting shipping and other transport availability or cost, labour disruptions or disputes, the discovery of ethical concerns, such as human rights abuses, in a supply chain, unfavourable exchange rate fluctuations impacting upon procurement costs, increasing costs of raw materials being passed through the supply chain or a decline in supplier credit availability affecting product production or available payment terms. Any one or more of these factors could result in the Group being unable to source sufficient volumes of products from key suppliers on acceptable terms (including as to price), in a timely way, or at all, which could result in a decline in customer loyalty and a loss of market share which could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

*A failure to successfully integrate the Booker business following the completion of the merger of the Group with the Booker Group plc is dependent upon a number of factors, leading to a risk to the Group's planned synergy commitments and value creation*

On 5 March, 2018, the Group completed a merger with Booker Group plc ("Booker"). Following the merger, Booker is a wholly owned subsidiary of Tesco. A detailed synergy realisation and integration plan is being implemented with period-end reporting and tracking of targeted benefits and key performance indicators. The ability to integrate Booker and achieve the projected synergies is dependent upon a significant number of factors, some of which may be beyond the control of the Group. For example, there is a risk that the projected synergy benefits will fail to materialise, will take longer to materialise, that such synergy benefits may be materially lower than have been estimated (including if suppliers wish to renegotiate any arrangements with the Group as a result of the merger) or that costs or dis-synergies expected to arise in respect of implementation of the merger may be greater than expected. Any one or more of these factors could result in a loss of reputation, trust and goodwill with investors and/or have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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

On 23 June, 2016, a majority of voters in the United Kingdom elected in a national referendum to withdraw from the European Union (commonly referred to as "Brexit"). The referendum was advisory and the terms of withdrawal are subject to a negotiation period that started on 29 March, 2017 when the Government of the United Kingdom formally initiated the European Union withdrawal process. The referendum result has created political and economic uncertainty about the future relationship between the United Kingdom and the European Union generally, and the United Kingdom's future trading

relationship with countries within and outside the European Union specifically, which could make adverse changes in general economic conditions or adverse exchange rate movements more likely to occur and which could, in turn, have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

Following withdrawal from the European Union, barrier-free trade access between the United Kingdom and other member states of the European Union (including the ROI) could be diminished or eliminated and the United Kingdom may no longer be covered by trade agreements entered into by the European Union which apply to all member states and so will either have to seek to negotiate new trade agreements or revert to existing rules (such as World Trade Organisation tariffs) which could result in the transfer of goods between the European Union and the United Kingdom, or between certain non-European Union 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 European Union). 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 Group in the United Kingdom and ROI) could lead to delays to the 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 the relative competitive position of the Group). In addition, it is possible that the economic uncertainty that results from Brexit may depress consumer confidence which may lead to a reduction in customer spending.

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

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

*The Group may be subject to litigation or other legal or investigatory proceedings from time to time*

As with all businesses, there is a risk that the Group could be subject to material civil or criminal litigation, regulatory or other investigations or other complaints that could result in the Group being required to pay material damages or fines or material amounts in order to settle or satisfy any such claims, require significant management time to be incurred and material damage being done to the Group's reputation, brand or customer or supplier trust leading to a loss of market share (including if the Group is able to successfully defend or rebuff the litigation or investigation). Any such litigation or other legal or investigatory proceedings could be expensive and time-consuming and cause a significant diversion of management time. In addition, the outcome of litigation or an investigation can be difficult to predict with any certainty, and so there is a risk that the Group may underestimate or overestimate the materiality of a particular claim, which could result in selection of an inefficient or ineffective defence strategy. Any of these factors alone or in combination could result in a material adverse effect on the Group's business, results of operations, financial condition and prospects.

*The Group has significant funding obligations in relation to its defined benefit pension schemes. Low investment returns, high inflation, changes in bond yields, longer life expectancies and/or regulatory changes may result in the cost of funding of these schemes increasing beyond what is currently expected which may materially and adversely impact the Group's business, results of operations, financial condition and prospects*

As at 24 February, 2018, the Group's pension deficit measure (net of deferred tax) was £2.7 billion on an IAS 19 accounting basis. Tesco's United Kingdom defined benefit pension scheme (the "TPPS") was closed to new entrants and future accruals from November 2015. Under the current agreement

with the Trustees of the TPPS, the Group will contribute, £285 million per annum into the TPPS which commenced from April 2018. The Group also operates defined benefit pension schemes in overseas jurisdictions, including two schemes operated in the ROI. Significant assumptions have been made in valuing the Group's defined benefit schemes obligations, including in relation to investment returns, discount rates, inflation rates, bond yields and expected long-term interest rates, long-term bond yields and changes in life expectancy. Small changes in these assumptions could result in significant adverse changes to the valuation of the Group's pension liabilities.

There is a risk, therefore, that further contributions over and above those currently agreed could be required from the Group in future. In addition, the Group is subject to the risk that future legal and regulatory changes to the pension scheme could introduce more onerous requirements and increase its financial liabilities. Any such additional contributions could have a material and adverse effect on the Group's business, results of operations, financial condition and prospects.

*The Group is exposed to fluctuations in foreign currency exchange rates*

The Group prepares its financial statements in pounds sterling. With business operations in 10 countries and products sourced in multiple currencies the Group's results of operations will be exposed to risks associated with foreign currency movements which may have an impact on its reported results. Translation exposure arises from changes in the value of assets and liabilities denominated in currencies other than the reporting currency of the Group, which could have a negative effect on the Group's results of operations and financial condition. Transactional exposure arises from the cost of future purchases of goods for resale, where those purchases are denominated in a currency other than the functional currency of the purchasing company. To the extent there is a mismatch between pound sterling denominated revenues and foreign currency denominated costs and any additional costs (including those that are incurred by suppliers and passed on to Group) are not passed on, in whole or in part, to consumers, caterers and retailers (which may influence customer spending decisions and priorities and adversely impact its relative competitive position) this could have a negative effect on the Group's results of operations and financial condition.

*The Group may fail to mitigate adequately the environmental risks to which it is exposed*

The Group's environmental risks include matters relating to minimising greenhouse gas emissions from energy, refrigeration and fuels in stores and transportation, waste management, promoting marine sustainability, sustainable agriculture and addressing deforestation and climate change in its supply chains (especially agriculture, manufacturing and packaging), and its ability to respond to consumer concerns in this area. Whilst the Group will work to address the risk of climate change, deforestation, marine ecosystem loss and freshwater depletion through efficiency improvements, innovation, renewables, waste minimisation, policy advocacy, the sustainable management of natural resources and ecosystems, a failure to adequately mitigate any of these risks alone or in combination could damage its brand and reputation, result in a loss of trust and goodwill amongst its customers and suppliers, any of which could result in a material adverse effect on the Group's results of operations, financial condition and prospects.

*A failure to maintain the Group's credit rating may impact the Group's ability to access capital markets and the cost of borrowing in those markets*

The Group currently has a long-term issuer rating of Ba1 and a short-term issuer rating of NP with a positive outlook from Moody's, a long-term issuer rating of BB+ and a short-term issuer rating of B with a stable outlook from S&P and a long-term issuer rating of BB+ (stable outlook) and a short-term issuer rating of B from Fitch. The Group's ability to access capital markets, and the cost of borrowing in those markets, is dependent on its credit ratings. The rating agencies may review their ratings for possible downgrades including in circumstances where there has been a deterioration in the Group's financial position. Any downgrades would likely increase the Group's cost of capital, potentially limiting its access to sources of financing which could have a negative and adverse impact upon the Group's business and financial results.

## Tesco Bank

*Tesco Bank operates in a highly regulated industry and is subject to significant legislative and regulatory oversight and scrutiny*

Tesco Bank is authorised by the Prudential Regulation Authority (“PRA”) and regulated and supervised by the PRA and the FCA. In addition to obligations under a wide variety of laws and regulations, including the Financial Services and Markets Act 2000 (the “FSMA”), the Consumer Credit Act 1974 (“CCA”) and the Data Protection Act, Tesco Bank is required to maintain its regulated status, including requirements to have adequate financial and other resources to operate its business. There is a risk that Tesco Bank may fail to comply with an applicable law or regulation which could expose Tesco Bank to substantial regulatory intervention, financial or other regulatory penalties and/or litigation, including, in extreme cases, the Tesco Bank losing its banking licence and ability to do business, each of which could have a material adverse effect on Tesco Bank’s and the Group’s business, results of operations, financial condition and prospects.

*The legal and regulatory environment in which Tesco Bank operates is subject to significant change and regulators can apply a wide range of sanctions to firms (and individuals working for firms) found to be operating in breach of relevant regulations*

Significant new regulatory requirements have been, and continue to be, imposed on financial institutions which may impact Tesco Bank, as well as the third parties which are relevant for Tesco Bank’s business (such as the underwriters for certain parts of Tesco Bank’s insurance business). Tesco Bank is subject to various risks associated with the provision of financial services, including the risk of increasing regulation and proactive and intrusive supervision by the PRA and FCA. There remains significant regulatory focus in relation to conduct risk, with continued industry-wide focus on provision for customer redress. The FCA also took over regulation of consumer credit firms in April 2014 and, as a result, there have been relatively significant changes in the applicable regulatory regime and approach to enforcement, and this scrutiny is expected to continue. Legal and regulatory developments could adversely impact the businesses of Tesco Bank in various ways, including:

- limiting the ability of Tesco Bank to provide certain of its current or planned services;
- limiting the ability of Tesco Bank to retain and/or attract retail deposits;
- limiting the ability of Tesco Bank to outsource certain of its activities;
- placing further financial and corporate governance restrictions on Tesco Bank; and
- significantly increasing compliance and associated costs of Tesco Bank, for instance by requiring the business of Tesco Bank to devote substantial time and cost to the implementation of new rules and related changes in its operations.

Future changes in the legal and regulatory environment in which Tesco Bank operates may impose stricter requirements on Tesco Bank in areas that are currently subject to regulation. A failure by Tesco Bank to react to potential changes could result in financial penalties, reputational damage or regulatory investigations, any of which could have a material adverse effect on its business, results of operations, financial condition and prospects.

As noted above (see “*Risk factors – A failure to adequately prepare for the United Kingdom’s withdrawal from the European Union could lead to increased costs and may lead to potential staff shortages, adverse currency impacts and increased regulatory burden*”), the United Kingdom has voted by referendum to withdraw from the European Union. A number of the laws and regulations which apply to Tesco Bank and its business derive from the implementation of European law into English law. Changes to existing law and regulation which arise as a result of the United Kingdom leaving the European Union could have a material and adverse effect on the business, results of operations, financial condition and prospects of Tesco Bank and the Group.

Under the Banking Act 2009 (as amended) (the “2009 Act”), actions may be taken by the United Kingdom Treasury, the Bank of England and the PRA pursuant to the special resolution regime in order to address a situation where all or part of the business of a United Kingdom institution with permission

to accept deposits under the FSMA (such as Tesco Bank), and certain other United Kingdom regulated institutions (each a “United Kingdom Bank”), has encountered, or is likely to encounter, financial difficulties. The special resolution regime sets out five “stabilisation options” which are achieved through the exercise of one or more of the “stabilisation powers”. The stabilisation powers are:

- the resolution instrument powers – broadly, that is, the power to make a resolution instrument which makes special bail-in provision with respect to a specified bank. This gives the Bank of England the power to cancel the issued share capital of a relevant entity and permits the Bank of England to impose losses on creditors;
- the share transfer powers – that is, the power providing for securities issued by a financial institution (including Tesco Bank) to be transferred;
- the property transfer powers – that is, the power providing for property, rights or liabilities of a financial institution (including Tesco Bank) to be transferred; and
- the third country instrument powers – these powers apply where the Bank of England has been notified of third-country resolution action in respect of a third-country institution or third-country parent undertaking.

The 2009 Act also vests power in the Bank of England to override, vary or impose contractual obligations between a United Kingdom Bank or its holding company and its former group undertakings (as defined in the 2009 Act), for reasonable consideration, in order to enable any transferee or successor bank of a United Kingdom Bank, or its holding company, to operate effectively. In the event that Tesco Bank entered into financial difficulty, exercise of the stabilisation powers under the 2009 Act could have a material adverse impact on the business, results of operations, financial condition and prospects of Tesco Bank and the Group. Even if Tesco Bank were not in financial difficulty, the 2009 Act provides for the Bank of England to require institutions (such as Tesco Bank) or certain members of an institution’s group to take measures which, in the opinion of the Bank of England, are required to address impediments to the effective exercise of the stabilisation powers or the winding up of that person. The Bank of England may also give directions requiring an institution or certain members of its group to maintain a minimum requirement for own funds and eligible liabilities, to maintain particular kinds of eligible liabilities or to issue particular kinds of eligible liabilities or take other specified steps. Such requirements being imposed on Tesco Bank and the Group could have a material adverse impact on the business, results of operations, financial condition and prospects of Tesco Bank and the Group.

*As a United Kingdom bank, Tesco Bank is exposed to certain financial risks that are inherent to financial institutions, including liquidity and funding risks, credit risk and regulatory capital risk*

- *Liquidity risk* – Liquidity risk is the risk that Tesco Bank, although solvent, either does not have sufficient financial resources available to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. This includes the risk that a given security cannot be traded quickly enough in the market to prevent a loss if a credit rating falls. Although Tesco considers it has sufficient working capital to meet the Group’s requirements (including those of Tesco Bank) for the next 12 months following the date of this Offering Circular, there is a risk that in the longer term Tesco Bank will be unable to maintain sufficiently stable and diverse sources of funding (including through retail deposits and/or wholesale funding markets) or that it will be unable to attract sufficient financial resources to enable it to meet its obligations as they fall due (or be able to secure such resources only at excessive cost), which could have a material adverse effect on its ability to do business.
- *Credit risk* – Credit risk is the risk that a borrower or counterparty will default on a debt or obligation by failing to make contractually obligated payments or that Tesco Bank will incur losses due to any other counterparty failing to meet its financial obligations. Tesco Bank’s credit risk principally arises from its lending to retail customers but also arises as a result of the placement of surplus funds with other banks and money market funds, investments in transferable securities and interest rate and foreign exchange derivatives and contractual arrangements with third parties where payments and commissions are due to Tesco Bank. Tesco Bank’s current account, credit card, personal loan and mortgage loan portfolios may be subject to changes in credit quality, due to a general deterioration in economic conditions or by

failures in its credit assessment process, which could adversely impact its ability to recover amounts due. Tesco Bank is also subject to wholesale credit risk in respect of its treasury counterparties as a result of cash management, liquidity, and market risk management, with the inherent risk that these counterparties could fail to meet their obligations. There is a risk that Tesco Bank's management and control of these activities could be ineffective, which could expose Tesco Bank to unforeseen levels of bad debt. This in turn could have a material negative impact on the business, results of operations, financial condition, or prospects of Tesco Bank and the Group.

- *Regulatory capital risk* – Regulatory capital risk is the risk that Tesco Bank fails to maintain the minimum level of capital which it is required by law and regulation to have or that there are adverse changes to the applicable capital requirements. Any changes to the regulatory capital requirements applicable to Tesco Bank, including for example, the recent Basel III reforms and the obligation to maintain a minimum requirement for own funds and eligible liabilities (“MREL”), may result in an increase in the levels of capital Tesco Bank must maintain. Tesco Bank may be required to raise further capital in order to ensure compliance with applicable regulatory capital requirements. Any failure to do so may lead to Tesco Bank being subject to regulatory sanctions or other restrictive measures, including the revocation of operating licences.

Any one or more of these factors could have a material adverse impact on the business, results of operations, financial condition and prospects of Tesco Bank and the Group.

*Tesco Bank is exposed to general United Kingdom economic conditions and the risk that a general economic slowdown may have a negative effect on customers' ability to repay their debts*

A worsening of general economic conditions and market trends could lead to a decline in customer demand for Tesco Bank's services as well as changing Tesco Bank's exposure to interest rate and other changes. For example, an economic slowdown affecting employment levels, wages, interest rates and other economic factors or interest rate changes could lead to an increase in bad debts and/or a decline in customer demand for debt which could adversely affect Tesco Bank's profitability. As with other financial institutions, Tesco Bank is also exposed to the risk of contagion in the event of a deterioration (or perceived deterioration) in the soundness of, or a failure of, another financial institution, whether in the United Kingdom or abroad. Any one or more of these factors could have a material adverse effect on the business, results of operations, financial condition, or prospects of Tesco Bank and the Group.

*Tesco Bank may suffer loss as a result of operational risk, including human error, ineffective or inadequately designed processes, failure of IT or other systems, improper conduct by employees, failures by outsourced providers or criminal activity including fraud, theft and cybercrime*

Tesco Bank is exposed to the risk of loss caused by human error, ineffective or inadequately designed processes, systems failures, failure to maintain an appropriate level of operational resilience, failure to effectively manage change, improper conduct and/or criminal activity including cyber-attacks, whether originating within or outside the Group. In addition, as a significant portion of Tesco Bank's services and processes are provided by third-party service providers, a key operational risk to the business is a failure by an outsourced provider. Any one or more of these factors could result in a material negative impact on the business, results of operations, financial condition and prospects of Tesco Bank and the Group. See further “*Risk factors – Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and (in the case of Guaranteed Notes) the Guarantee - Failure to comply with legal or regulatory requirements relating to data security or data privacy may result in the Group suffering reputational damage, fines or other adverse consequences*”.

*The market for retail banking in the United Kingdom is highly competitive. Failure to compete with competitors on areas including price, product range, quality service and reputation could have a material adverse effect on Tesco Bank's business, results of operations, financial condition and prospects*

As is the case for all banks and financial institutions, Tesco Bank faces strong competitive pressures in the markets in which it operates, including from the traditional “Big Four” retail banks, building societies,



banks associated with competing retailers and a very broad range of “challenger banks” and other potential new entrants. If Tesco Bank is unable to compete successfully against existing and new competitors, or if it fails to effectively anticipate and respond to customer trends in a timely way, it could lose market share to competitors or fail to grow its profitability in line with its business strategies, which could have a material and adverse effect on Tesco Bank’s and the Group’s business, results of operations, financial condition and prospects.

## **Factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme**

### **Risks related to the structure of a particular issue of Notes**

A range of Notes may be issued under the Programme. A number of such Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features, distinguishing between factors which may occur in relation to any Notes and those which might occur in relation to certain types of Exempt Notes:

#### **Risks applicable to all Notes**

*If the relevant Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return.*

An optional redemption feature is likely to limit the market value of Notes. During any period when the relevant Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The relevant Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*If the Notes include a feature to convert the interest basis from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which bear interest at a rate that the relevant Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. Such a feature to convert the interest basis, and any conversion of the interest basis, may affect the secondary market in, and the market value of, such Notes as the change of interest basis may result in a lower interest return for Noteholders. Where the Notes convert from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. Where the Notes convert from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on those Notes and could affect the market value of an investment in the relevant Notes.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates.*

The market values of securities issued at a substantial discount (such as Zero Coupon Notes) or premium to their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for more conventional interest-bearing securities. Generally, the longer the remaining term of such securities, the greater the price volatility as compared to more conventional interest-bearing securities with comparable maturities.

*The regulation and reform of "benchmarks" may adversely affect the value of Notes linked to or referencing such "benchmarks"*

Interest rates and indices which are deemed to be "benchmarks", are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Notes linked to or referencing such a "benchmark". The Benchmarks Regulation was published in the Official Journal of

the EU on 29 June, 2016 and applied from 1 January, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of "benchmarks" of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Notes linked to or referencing a "benchmark", in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the "benchmark".

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of "benchmarks", could increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements. Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark" or (iii) lead to the disappearance of the "benchmark". Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Notes linked to or referencing a "benchmark".

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Notes linked to or referencing a "benchmark".

*Future discontinuance of LIBOR may adversely affect the value of Floating Rate Notes which reference LIBOR*

On 27 July, 2017, the Chief Executive of the FCA, which regulates LIBOR, announced that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Floating Rate Notes which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Notes. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions of the Notes, this may (i) if ISDA Determination applies, be reliant upon the provision by reference banks of offered quotations for the LIBOR rate which, depending on market circumstances, may not be available at the relevant time or (ii) if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, any Floating Rate Notes which reference LIBOR.

### **Risks applicable to certain types of Exempt Notes**

*There are particular risks associated with an investment in certain types of Exempt Notes, such as Index Linked Notes and Dual Currency Notes. In particular, an investor might receive less interest than expected or no interest in respect of such Notes and may lose some or all of the principal amount invested by it.*

The relevant Issuer may issue Notes with principal or interest determined by reference to an index or formula, to changes in the prices of securities or commodities, to movements in currency exchange rates or other factors (each, a "Relevant Factor"). In addition, the relevant Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated. Potential investors should be aware that:

- (i) the market price of such Notes may be volatile;
- (ii) movements in a Relevant Factor may adversely affect the amount of principal and/or interest to be paid to the Noteholder and may also affect the market value of the Notes;

- (iii) they may receive no interest;
- (iv) payment of principal or interest may occur at a different time or in a different currency than expected;
- (v) they may lose all or a substantial portion of their principal;
- (vi) a Relevant Factor may be subject to significant fluctuations that may not correlate with changes in interest rates, currencies or other indices;
- (vii) if a Relevant Factor is applied to Notes in conjunction with a multiplier greater than one or contains some other leverage factor, the effect of changes in the Relevant Factor on principal or interest payable is likely to be magnified; and
- (viii) the timing of changes in a Relevant Factor may affect the actual yield to investors, even if the average level is consistent with their expectations. In general, the earlier the change in the Relevant Factor, the greater the effect on yield.

The historical experience of an index or other Relevant Factor should not be viewed as an indication of future performance of such Relevant Factor during the term of any Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any Notes linked to a Relevant Factor and the suitability of such Notes in light of its particular circumstances.

*Where Notes are issued on a partly paid basis, an investor who fails to pay any subsequent instalment of the issue price could lose all of his investment*

The relevant Issuer may issue Notes where the issue price is payable in more than one instalment. Any failure by an investor to pay any subsequent instalment of the issue price in respect of his Notes could result in such investor losing all of his investment.

*Notes which are issued with variable interest rates or which are structured to include a multiplier or other leverage factor are likely to have more volatile market values than more standard securities*

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

*Inverse Floating Rate Notes will have more volatile market values than conventional Floating Rate Notes*

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes typically are more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

### **Risks related to Notes generally**

Set out below is a description of material risks relating to the Notes generally:

*The Terms and Conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Notes or any of the provisions of the Trust Deed or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such or (iii)

agree to the substitution of another company as principal debtor under any Notes in place of the relevant Issuer, in the circumstances described in Condition 16 of the Terms and Conditions of the Notes.

**Investors who hold less than the minimum Specified Denomination may be unable to sell their Notes and may be adversely affected if definitive Notes are subsequently required to be issued**

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts in excess of the minimum Specified Denomination that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system would not be able to sell the remainder of such holding without first purchasing a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination. Further, a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes at or in excess of the minimum Specified Denomination such that its holding amounts to a Specified Denomination.

***If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.***

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

**Risks related to the market generally**

Set out below is a description of material market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

*If an investor holds Notes which are not denominated in the investor's home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes.*

The relevant Issuer will pay principal and interest on the Notes, and (in the case of Guaranteed Notes) the Guarantor will make payments under the Guarantee, in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "Investor's Currency") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (1) the Investor's Currency-equivalent yield on the Notes, (2) the Investor's Currency equivalent value of the principal payable on the Notes and (3) the Investor's Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*The value of Fixed Rate Notes may be adversely affected by movements in market interest rates.*

Investment in Fixed Rate Notes involves the risk that if market interest rates subsequently increase above the rate paid on the Fixed Rate Notes, this will adversely affect the value of the Fixed Rate Notes.

*Credit ratings assigned to the relevant Issuer, (in the case of Guaranteed Notes) the Guarantor or any Notes may not reflect all the risks associated with an investment in those Notes.*

One or more independent credit rating agencies may assign credit ratings to the relevant Issuer, (in the case of Guaranteed Notes) the Guarantor or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Certain information with respect to the credit rating agencies and ratings is set out on the cover of this Offering Circular.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been filed with the Financial Conduct Authority shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (a) the independent auditors' report and audited non-consolidated financial statements of Tesco Corporate Treasury Services PLC for the 52 weeks ended 24 February, 2018 (which appear on pages 7 to 34 of the 2018 annual report);
- (b) the independent auditors' report and audited non-consolidated financial statements of Tesco Corporate Treasury Services PLC for the 52 weeks ended 25 February, 2017 (which appear on pages 7 to 25 of the 2017 annual report);
- (c) the independent auditors' report and audited consolidated financial statements of Tesco PLC for its financial year ended 24 February, 2018 (which appear on pages 68 to 145 of the 2018 annual report);
- (d) the independent auditors' report and audited consolidated financial statements of Tesco PLC for its financial year ended 25 February, 2017 (which appear on pages 79 to 149 of the 2017 annual report);
- (e) the terms and conditions set out on pages 24 to 41 of the Offering Circular of Tesco relating to the Programme dated 21 July, 1999;
- (f) the terms and conditions set out on pages 22 to 39 of the Offering Circular of Tesco relating to the Programme dated 27 July, 2001;
- (g) the terms and conditions set out on pages 20 to 35 of the Offering Circular of Tesco relating to the Programme dated 10 July, 2002;
- (h) the terms and conditions set out on pages 29 to 44 of the Offering Circular of Tesco relating to the Programme dated 28 February, 2006;
- (i) the terms and conditions set out on pages 29 to 44 of the Offering Circular of Tesco relating to the Programme dated 24 January, 2007;
- (j) the terms and conditions set out on pages 43 to 59 of the Offering Circular of Tesco relating to the Programme dated 12 February 2009; and
- (k) the terms and conditions set out on pages 44 to 65 of the Offering Circular of Tesco and TCTS relating to the Programme dated 23 August, 2013,

including, in respect of items (c)-(d) above, the information set out at the following pages in particular:

	<i>24 February, 2018</i>	<i>25 February, 2017</i>
<b>Group income statement</b>	page 74	page 86
<b>Group statement of comprehensive income/loss</b>	page 75	page 87
<b>Group balance sheet</b>	page 76	page 88
<b>Group statement of changes in equity</b>	page 77	page 89
<b>Group cash flow statement</b>	page 78	page 90
<b>Reconciliation of net cash flow to movement in net debt note</b>	page 128	page 145
<b>Notes to the Group financial statements</b>	page 79 to (and including) page 131	page 91 to (and including) page 149
<b>Independent auditors' report</b>	page 68 to (and including) page 73	page 79 to (and including) page 85
<b>Alternative Performance Measures</b>	page 150 to (and including) page 153	page 170 to (and including) page 172

save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by

reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the relevant Issuer and from the specified offices of the Paying Agents for the time being and have been made available at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

Any documents themselves incorporated by reference in the document incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

## **SUPPLEMENTS AND NEW OFFERING CIRCULARS**

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes arising or being noted between the approval of this Offering Circular by the UK Listing Authority and the commencement of trading of such Notes on any EEA State stock exchange or the final closing of the offer of such Notes to the public in any EEA State, as the case may be, the Issuers and the Guarantor will prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with such Notes and any subsequent issue of Notes.



## FORM OF THE NOTES

*Any reference in this section to "applicable Final Terms" shall be deemed to include a reference to "applicable Pricing Supplement" where relevant.*

Each Tranche of Notes will initially be represented by a temporary global Note without receipts, interest coupons or talons. If the global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, the temporary global Note will be delivered on the original issue date of the Tranche to a common safekeeper (the "Common Safekeeper") for Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking S.A. ("Clearstream, Luxembourg"); and if the global Notes are not intended to be issued in NGN form, the temporary global Note will be delivered on the original issue date of the Tranche to a common depositary (the "Common Depositary") for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Where the global Notes issued in respect of any Tranche are in NGN form, the applicable Final Terms will also indicate whether or not such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg, as indicated in the applicable Final Terms.

Whilst any Note is represented by a temporary global Note, payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not U.S. persons or persons who have purchased for resale to any U.S. person, as required by U.S. Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent (as defined on page 52). Any reference in this section "Form of the Notes" to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the relevant Issuer, the Agent and the Trustee.

On and after the date (the "Exchange Date") which is 40 days after the date on which any temporary global Note is issued, interests in such temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note of the same Series without receipts, interest coupons or talons or for definitive Notes of the same Series with, where applicable, receipts, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. If any further Notes to be consolidated and form a single Series with any series of outstanding Notes are issued prior to the exchange of interests in the temporary global Note for interests in the permanent global Note representing such outstanding Notes, then the Exchange Date may be extended, without the consent of the holders, to a date which is not earlier than 40 days after the date of issue of such further Notes provided that the Exchange Date would not thereby fall on or after the first interest payment date for such outstanding Notes. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the temporary global Note is improperly withheld or refused. Pursuant to the Agency Agreement (as defined on page 52) the Agent shall arrange that, where a further Tranche of Notes is issued which is intended to form a single Series with an existing Tranche of Notes as at a point after the Issue Date of the further Tranche, the Notes of such Tranche shall be assigned a common code and ISIN by Clearstream, Luxembourg and Euroclear which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until such time as the Tranches are consolidated and form a single Series, which shall not be prior to the expiry of 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal and interest (if any) on a permanent global Note will be made through Clearstream, Luxembourg and/or Euroclear (against presentation or surrender (as the case may be) of such permanent global Note if the permanent global Note is not intended to be issued in NGN form)

without any requirement for certification. The applicable Final Terms will specify that either (i) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon not less than 60 days' written notice from Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, receipts, interest coupons and talons attached upon the occurrence of an Exchange Event. "Exchange Event" means (i) an Event of Default has occurred and is continuing, (ii) the relevant Issuer has been notified by the Agent that either Clearstream, Luxembourg or Euroclear has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the relevant Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 7 which would not be required were the Notes represented by such permanent global Note in definitive form. The relevant Issuer will promptly give notice to Noteholders in accordance with Condition 13 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the relevant Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Tranches of Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December, 2005.

Global Notes and definitive Notes will be constituted by, or pursuant to, the Trust Deed (as defined on page 52) and issued in accordance with the provisions of the Agency Agreement.

The exchange of a permanent global Note for definitive Notes upon notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder) or at any time at the request of the Issuer should not be expressed to be applicable in the applicable Final Terms if the Notes are issued with a minimum Specified Denomination such as €100,000 (or its equivalent in another currency) plus one or more higher integral multiples of another smaller amount such as €1,000 (or its equivalent in another currency). Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a temporary global Note exchangeable for definitive Notes.

The following legend will appear on all global Notes, definitive Notes, receipts, interest coupons and talons relating to such Notes:

"Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code."

The Sections referred to provide that United States holders, with certain exceptions, will not be entitled to deduct any loss on Notes, receipts or interest coupons and will not be entitled to capital gains treatment in respect of any gain on any sale, disposition, redemption or payment of principal in respect of Notes, receipts or interest coupons.

No Noteholder or Couponholder shall be entitled to proceed directly against the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor unless the Trustee, having become bound so to proceed, fails or neglects to do so within a reasonable period and such failure or neglect is continuing.

The relevant Issuer and (in the case of Guaranteed Notes) the Guarantor may agree with any Dealer and the Trustee that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes, in which event, other than where such Notes are Exempt Notes, a new Offering Circular, or a supplement to the Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

## FORM OF FINAL TERMS

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (where “Prospectus Directive” means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in a relevant Member State of the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MIFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

[Date]

**[Tesco PLC/Tesco Corporate Treasury Services PLC]**

**Legal entity identifier (LEI): [2138002P5RNKC5W2JZ46/21380018AJDKNF3A6712]**

**Issue of  
[Aggregate Nominal Amount of Tranche] [Title of Notes]  
[Guaranteed by Tesco PLC]**

**under the  
£15,000,000,000 Euro Note Programme**

### **PART A — CONTRACTUAL TERMS**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated 6 July, 2018 which[, as modified by the supplement[s] to the Offering Circular dated [ ] together,] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Offering Circular”). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer, the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).

[Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions (the “Conditions”) set forth in the Offering Circular dated [ ] and which are incorporated by reference in the Offering Circular dated 6 July, 2018. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular dated 6 July, 2018 [as modified by the supplement to the Offering Circular dated [ ],] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the “Offering Circular”), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer, the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering

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<sup>1</sup> Legend to be included on front of the Final Terms if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at [www.londonstockexchange.com/exchange/news/market-news/market-news-home.html](http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html).]

1. [(i)] Issuer: [Tesco PLC/Tesco Corporate Treasury Services PLC]
- [(ii)] Guarantor: [Tesco PLC]
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 22 below, which is expected to occur on or about [ ]]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (i) Tranche: [ ]
  - (ii) Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]
6. (i) Specified Denominations: [ ]/[€100,000] and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No Notes in definitive form will be issued with a denomination above [€199,000].]
- (ii) Calculation Amount (in relation to calculation of interest in global form see Conditions): [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ]/Issue Date/Not Applicable]
8. Maturity Date: [*Specify date or for Floating Rate Notes — Interest Payment Date falling in or nearest to [ ]*]
9. Interest Basis: [Fixed Rate]  
[Floating Rate]  
[Zero Coupon]  
(see paragraph [13]/[14]/[15] below)
10. Redemption[/Payment] Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [ ] per cent. of their nominal amount
11. Change of Interest Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [13/14] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [13/14] applies][Not Applicable]
12. Put/Call Options: [Investor Put]  
[Restructuring Event Put]  
[Issuer Call]  
[Not Applicable]  
[(see paragraph [17]/[18]/[19] below)]

## PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[s] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
  - (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date
  - (iii) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
  - (iv) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
  - (v) Fixed Day Count Fraction: [Actual/Actual (ICMA)] [30/360]
  - (vi) Determination Date(s): [[ ] in each year] [Not Applicable]
14. Floating Rate Note Provisions [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ], subject to adjustment in accordance with the Business Day Convention set out in (ii) below, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
  - (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention] [Not Applicable]
  - (iii) Additional Business Centre(s): [ ]
  - (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
  - (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
  - (vi) Screen Rate Determination:
    - Reference Rate: [ ] month [LIBOR/EURIBOR]
    - Interest Determination Date(s): [ ]
    - Relevant Screen Page: [ ]
  - (vii) ISDA Determination:
    - Floating Rate Option: [ ]
    - Designated Maturity: [ ]
    - Reset Date: [ ]
  - (viii) Linear Interpolation: [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
  - (ix) Margin(s): [+/-] [ ] per cent. per annum
  - (x) Minimum Rate of Interest: [ ] per cent. per annum
  - (xi) Maximum Rate of Interest: [ ] per cent. per annum

- (xii) Floating Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
Actual/365 (Fixed)  
Actual/365 (Sterling)  
Actual/360  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond Basis]  
30E/360 (ISDA)
15. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360][Actual/360]  
[Actual/365]

#### PROVISIONS RELATING TO REDEMPTION

16. Notice periods for Condition 6(b) Minimum period: [30] days  
Maximum period: [60] days
17. Issuer Call [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s): [ ] per Calculation Amount/
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [ ]
- (b) Higher Redemption Amount: [ ]
- (iv) Notice periods: Minimum period: [10] days  
Maximum period: [30] days
18. Investor Put [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount: [ ] per Calculation Amount
- (iii) Notice periods: Minimum period: [15] days  
Maximum period: [30] days
19. Restructuring Event Put [Applicable/Not Applicable]
20. Final Redemption Amount [ ] per Calculation Amount
21. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default: [ ] per Calculation Amount

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

22. (i) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
- (ii) New Global Note: [Yes][No]
23. Additional Financial Centre(s): [Not Applicable/ ]

24. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made /No]

**THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. [Each of the][The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of [Tesco PLC/Tesco Corporate Treasury Services PLC]

By: .....

*Duly authorised*

[Signed on behalf of Tesco PLC:

By: .....

*Duly authorised]*

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

- (i) Listing and Admission to trading: [Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].]
- [Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on [the London Stock Exchange's regulated market] and listing on [the Official List of the UK Listing Authority] with effect from [ ].]
- (ii) Estimate of total expenses related to admission to trading: [ ]

### 2. RATINGS

- Ratings: [The Notes to be issued [have been]/[are expected to be] rated]/[The following ratings reflect ratings assigned to Notes of this type issued under the Programme generally]:
- [ ] by Moody's Investors Service Limited] [and]
- [ ] by Standard & Poor's Credit Market Services Europe Limited].

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for the fees [of [insert relevant fee disclosure]] payable to [specify] (the ["Managers"/"Dealers"]), so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business.]

### 4. YIELD (Fixed Rate Notes only)

- Indication of yield: [ ]
- The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.

### 5. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [Not Applicable]/[ ]
- (iv) FISN: [Not Applicable]/[ ]
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable]/[ ]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [ ]



(viii) Intended to be held in a manner which would allow Eurosystem eligibility

[Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as “no” at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]]

(ix) Prohibition of Sales to EEA Retail Investors:

[Applicable/Not Applicable]

*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*

(x) Prohibition of Sales to Belgian Consumers:

[Applicable/Not Applicable]

*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction.)*

## 6. U.S. SELLING RESTRICTIONS

U.S. selling restrictions:

[Reg. S Compliance Category 2; TEFRA D/TEFRA not applicable]

**FORM OF PRICING SUPPLEMENT**  
**EXEMPT NOTES OF ANY DENOMINATION**

*Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes whatever the denomination of those Notes issued under the Programme:*

**[PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the “EEA”). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); (ii) a customer within the meaning of Directive 2002/92/EC (the “Insurance Mediation Directive”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive (where “Prospectus Directive” means Directive 2003/71/EC (as amended), and includes any relevant implementing measure in a relevant Member State of the EEA). Consequently no key information document required by Regulation (EU) No 1286/2014 (the “PRIIPs Regulation”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.]<sup>1</sup>

**[MIFID II product governance / Professional investors and eligible counterparties only target market** – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in [Directive 2014/65/EU (as amended, “MiFID II”)] [MiFID II]; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a “distributor”) should take into consideration the manufacturer[’s/s’] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer[’s/s’] target market assessment) and determining appropriate distribution channels.]

**NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC FOR THE ISSUE OF NOTES DESCRIBED BELOW. ACCORDINGLY, SUCH NOTES ARE NOT ISSUED IN COMPLIANCE WITH DIRECTIVE 2003/71/EC. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THE INFORMATION CONTAINED IN THIS PRICING SUPPLEMENT.**

[Date]

**[Tesco PLC/Tesco Corporate Treasury Services PLC]**

**Legal entity identifier (LEI): [2138002P5RNKC5W2JZ46/21380018AJDKNF3A6712]**

**Issue of**  
**[Aggregate Nominal Amount of Tranche] [Title of Notes]**  
**[Guaranteed by Tesco PLC]**  
**under the**  
**£15,000,000,000 Euro Note Programme**

**PART A — CONTRACTUAL TERMS**

[Any person making or intending to make an offer of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.]<sup>2</sup>

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 6 July, 2018 [as supplemented by the supplement[s] dated [date[s]]] (the “Offering Circular”). Full information on the Issuer, the Guarantor (in the case of Guaranteed Notes) and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Offering Circular. Copies of the Offering Circular may

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<sup>1</sup> Legend to be included on front of the Pricing Supplement if the Notes potentially constitute “packaged” products and no key information document will be prepared or the Issuer wishes to prohibit offers to EEA retail investors for any other reason, in which case the selling restriction should be specified to be “Applicable”.

<sup>2</sup> Do not include if the “Prohibition of Sales to EEA Retail Investors” legend is included (because the Notes potentially constitute “packaged” products and no key information document will be prepared) and the related selling restriction is specified to be “Applicable”.

be obtained from the registered office of the Issuer and the specified office of each of the Paying Agents.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "Conditions") set forth in the Offering Circular [dated [*original date*] which are [incorporated by reference in the Offering Circular][attached hereto]].<sup>3</sup>

*[Include whichever of the following apply or specify as "Not Applicable". Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]*

*[If the Notes have a maturity of less than one year from the date of their issue, the minimum denomination must be £100,000 or its equivalent in any other currency.]*

1. [(i)] Issuer: [Tesco PLC/Tesco Corporate Treasury Services PLC]
- [(ii)] Guarantor: [Tesco PLC]
2. (i) Series Number: [ ]
- (ii) Tranche Number: [ ]
- (iii) Date on which the Notes will be consolidated and form a single Series: [The Notes will be consolidated and form a single Series with [*identify earlier Tranches*] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [*date*]]] [Not Applicable]
3. Specified Currency or Currencies: [ ]
4. Aggregate Nominal Amount:
  - (i) Tranche: [ ]
  - (ii) Series: [ ]
5. Issue Price: [ ] per cent. of the Aggregate Nominal Amount  
[plus accrued interest from [*insert date*]] (*if applicable*)
6. (i) Specified Denominations: [ ]
- (ii) Calculation Amount (in relation to calculation of interest in global form see Conditions): [ ]  
  
*(If only one Specified Denomination, insert the Specified Denomination.*  
  
*If more than one Specified Denomination, insert the highest common factor. Note: There must be a common factor in the case of two or more Specified Denominations.)*
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [*specify/Issue Date/Not Applicable*]  
  
*(N.B. An Interest Commencement Date will not be relevant for certain Notes, for example Zero Coupon Notes.)*
8. Maturity Date: [Specify date or for Floating Rate Notes — Interest Payment Date falling in or nearest to [*specify month and year*]]

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<sup>3</sup> Only include this language where it is a fungible issue and the original Tranche was issued under an Offering Circular with a different date.

9. Interest Basis: [ ] per cent. Fixed Rate]  
 [[specify Reference Rate] +/- [ ] per cent.  
 Floating Rate]  
 [Zero Coupon]  
 [Index Linked Interest]  
 [Dual Currency Interest]  
 [specify other]  
 (further particulars specified below)
10. Redemption/Payment Basis: [Redemption at par]  
 [Index Linked Redemption]  
 [Dual Currency Redemption]  
 [Partly Paid]  
 [Instalment]  
 [specify other]
11. Change of Interest Basis or Redemption/Payment Basis: [For the period from (and including) the Interest Commencement Date, up to (but excluding) [insert date] paragraph [ ] applies and for the period from (and including) [insert date], up to (and including) the Maturity Date, paragraph [ ] applies] / [Specify details of any provision for change of Notes into another Interest Basis or Redemption/Payment Basis] / [Not Applicable]
12. Put/Call Options: [Investor Put]  
 [Restructuring Event Put]  
 [Issuer Call]  
 [Not Applicable]  
 [(further particulars specified below)]

#### PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

13. Fixed Rate Note Provisions [Applicable/Not Applicable]  
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Rate(s) of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [[ ] in each year up to and including the Maturity Date (Amend appropriately in the case of irregular coupons)
- (iii) Fixed Coupon Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount
- (iv) Broken Amount(s) for Notes in definitive form (and in relation to Notes in global form see Conditions): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]
- (v) Fixed Day Count Fraction: [Actual/Actual (ICMA)] [30/360] [specify other]
- (vi) Determination Date(s): [[ ] in each year] [Not Applicable]  
 (Only relevant where Day Count Fraction is Actual/Actual (ICMA). In such a case, insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon)
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes which are Exempt Notes: [None/Give details]
14. Floating Rate Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Specified Period(s)/Specified Interest Payment Dates: [     ], subject to adjustment in accordance with the Business Day Convention set out in (ii) below /, not subject to any adjustment, as the Business Day Convention in (ii) below is specified to be Not Applicable]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[specify other]] [Not Applicable]
- (iii) Additional Business Centre(s): [     ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination/specify other]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [     ]
- (vi) Screen Rate Determination:
- Reference Rate: [     ] month [LIBOR/EURIBOR/specify other Reference Rate]  
*(Either LIBOR, EURIBOR or other, although additional information is required if other, including fall back provisions in the Agency Agreement)*
  - Interest Determination Date(s): [     ]  
*(Second London business day prior to the start of each Interest Period if LIBOR (other than Sterling or euro LIBOR), first day of each Interest Period if Sterling LIBOR and the second day on which the TARGET2 System is open prior to the start of each Interest Period if EURIBOR or euro LIBOR)*
  - Relevant Screen Page: [     ]  
*(In the case of EURIBOR, if not Reuters EURIBOR01 ensure it is a page which shows a composite rate or amend the fall back provisions appropriately)*
- (vii) ISDA Determination:
- Floating Rate Option: [     ]
  - Designated Maturity: [     ]
  - Reset Date: [     ]  
*(In the case of a LIBOR or EURIBOR based option, the first day of the Interest Period)*
- (viii) Linear Interpolation [Not Applicable/Applicable – the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation (*specify for each short or long interest period*)]
- (ix) Margin(s): [+/-] [     ] per cent. per annum
- (x) Minimum Rate of Interest: [     ] per cent. per annum
- (xi) Maximum Rate of Interest: [     ] per cent. per annum
- (xii) Floating Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]

- Actual/365 (Fixed)  
 Actual/365 (Sterling)  
 Actual/360  
 [30/360][360/360][Bond Basis]  
 [30E/360][Eurobond Basis]  
 30E/360 (ISDA)  
 [Other]  
 (See Condition 5 for alternatives)
- (xiii) Fall back provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes which are Exempt Notes, if different from those set out in the Conditions: [ ]
15. Zero Coupon Note Provisions [Applicable/Not Applicable]  
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable for Zero Coupon Notes which are Exempt Notes: [ ]
- (iv) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
 [Actual/360]  
 [Actual/365]
16. Index Linked Interest Note [Applicable/Not Applicable]  
 (If not applicable, delete the remaining subparagraphs of this paragraph)
- (i) Index/Formula: [give or annex details]
- (ii) Calculation Agent: [give name]
- (iii) Party responsible for calculating the Rate of Interest (if not the Calculation Agent) and Interest Amount (if not the Agent): [ ]
- (iv) Provisions for determining Coupon where calculation by reference to Index and/or Formula is impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (v) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (vi) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/specify other]
- (vii) Additional Business Centre(s): [ ]
- (viii) Minimum Rate of Interest: [ ] per cent. per annum
- (ix) Maximum Rate of Interest: [ ] per cent. per annum
- (x) Day Count Fraction: [ ]
17. Dual Currency Interest Note Provisions [Applicable/Not Applicable]

*(If not applicable, delete the remaining subparagraphs of this paragraph)*

- (i) Rate of Exchange/method of calculating Rate of Exchange: [give or annex details]
- (ii) Calculation Party, if any, responsible for calculating the principal and/or interest due (if not the Agent): [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: [need to include a description of market disruption or settlement disruption events and adjustment provisions]
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]

**PROVISIONS RELATING TO REDEMPTION**

- 18. Notice periods for Condition 6(b): Minimum period: [30] days  
Maximum period: [60] days
- 19. Issuer Call [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount][specify other/see Appendix]
  - (iii) If redeemable in part:
    - (a) Minimum Redemption Amount: [ ]
    - (b) Higher Redemption Amount: [ ]
  - (iv) Notice periods: Minimum period: [10] days  
Maximum period: [30] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution of information through intermediaries, for example, clearing systems (which require a minimum of 5 clearing system business days' notice for a call) and custodians as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)*
- 20. Investor Put [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
  - (i) Optional Redemption Date(s): [ ]
  - (ii) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[ ] per Calculation Amount/specify other/see Appendix]
  - (iii) Notice periods: Minimum period: [15] days  
Maximum period: [30] days  
*(N.B. When setting notice periods, the Issuer is advised to consider the practicalities of distribution*

of information through intermediaries, for example, clearing systems (which require a minimum of 15 clearing system business days' notice for a put) and custodians as well as any other notice requirements which may apply, for example, as between the Issuer and the Agent or Trustee)

21. Restructuring Event Put [Applicable/Not Applicable]
22. Final Redemption Amount [[ ] per Calculation Amount/specify other/See Appendix]
23. Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): [[ ] per Calculation Amount/specify other/See Appendix]
- (N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)*

#### GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. (i) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]
- [Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]
- Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgian Law of 14 December, 2005.
- (ii) New Global Note: [Yes] [No]
25. Additional Financial Centre(s): [Not Applicable/give details]
- (Note that this paragraph relates to the date of payment and not the end dates of Interest Periods for the purposes of calculating the amount of interest, to which sub-paragraphs 14(iii) and 16(vii) relate)*
26. Talons for future Coupons to be attached to Definitive Notes: [Yes, as the Notes have more than 27 coupon payments, Talons may be required if, on exchange into definitive form, more than 27 coupon payments are still to be made/No]
27. Detail relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details. N.B. A new form of Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]
28. Details relating to Instalment Notes: [Applicable/Not Applicable]
- (i) Instalment Amount(s): [give details]
- (ii) Instalment Date(s): [give details]
29. Other terms or special conditions: [Not Applicable/give details]



**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement. [[*Relevant third party information*] has been extracted from [*specify source*]. [Each of the][The] Issuer [and the Guarantor] confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [*specify source*], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

[Signed on behalf of [Tesco PLC/Tesco Corporate Treasury Services PLC]

By: .....

*Duly authorised*

[Signed on behalf of Tesco PLC:

By: .....

*Duly authorised]*

## PART B — OTHER INFORMATION

### 1. LISTING AND ADMISSION TO TRADING

Listing and Admission to trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market - note this must not be a regulated market] with effect from [ ].] [Not Applicable]

### 2. RATINGS

Ratings: [The Notes to be issued [[have been]/[are expected to be]] rated [insert details] by [insert the legal name of the relevant credit rating agency entity(ies)]

*(The above disclosure is only required if the ratings of the Notes are different to those stated in the Offering Circular)*

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for [any/the] fees [of [insert relevant fee disclosure]] payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer [and the Guarantor] and [its/their] affiliates in the ordinary course of business — Amend as appropriate if there are other interests]

### 4. OPERATIONAL INFORMATION

- (i) ISIN: [ ]
- (ii) Common Code: [ ]
- (iii) CFI: [Not Applicable]/[ ]
- (iv) FISN: [Not Applicable]/[ ]
- (v) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
- (vi) Delivery: Delivery [against/free of] payment
- (vii) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (viii) Intended to be held in a manner which would allow Eurosystem eligibility: [Yes. Note that the designation “yes” simply means that the Notes are intended upon issue to be deposited with one of the ICSDs as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

[No. Whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting

them the Notes may then be deposited with one of the ICSDs as common safekeeper. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]

- (ix) Prohibition of Sales to EEA Retail Investors: [Applicable/Not Applicable]  
*(If the Notes clearly do not constitute “packaged” products, “Not Applicable” should be specified. If the Notes may constitute “packaged” products and no key information document will be prepared, “Applicable” should be specified.)*
- (x) Prohibition of Sales to Belgian Consumers: [Applicable/Not Applicable]  
*(N.B. advice should be taken from Belgian counsel before disapplying this selling restriction.)*

## 5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/give names]
- (iii) Stabilisation Manager(s) (if any): [Not Applicable/give name]
- (iv) If non-syndicated, name of relevant Dealer: [Not Applicable/give name]
- (v) U.S. selling restrictions: [Reg. S Compliance Category 2; TEFRA D/TEFRA not applicable]
- (vi) Additional selling restrictions: [Not Applicable/give details]  
*(Additional selling restrictions are only likely to be relevant for certain structured Notes, such as commodity-linked Notes)*

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes to be issued on or after 6 July, 2018 and which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer, the Guarantor (in the case of Guaranteed Notes) and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Pricing Supplement in relation to any Tranche of Exempt Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each temporary global Note, permanent global Note and definitive Note. Reference should be made to "Form of Final Terms" above for the form of Final Terms which will include the meaning of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by the Issuer named in the applicable Final Terms (as defined below) (the "Issuer") constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 17th July, 1997 made between Tesco Corporate Treasury Services PLC ("TCTS") as an issuer, Tesco PLC ("Tesco") as an issuer and as a guarantor of Notes issued by TCTS (in its capacity as such, the "Guarantor") and Royal Exchange Trust Company Limited (the "Trustee", which expression shall include any successor as trustee).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a global Note; and
- (iii) any global Note.

The Notes, the Receipts (as defined below) and the Coupons (as defined below) also have the benefit of an Agency Agreement (as modified and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 20 June, 2017 and made among TCTS as an issuer, Tesco as an issuer and as a guarantor of Notes issued by TCTS, HSBC Bank plc, as issuing and principal paying agent and agent bank (the "Agent", which expression shall include any successor agent specified in the applicable Final Terms), the other paying agent named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and which supplement these Terms and Conditions (the "Conditions") or, if this Note is a Note which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive (an "Exempt Note"), the final terms (or the relevant provisions thereof) are set out in Part A of the Pricing Supplement and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, replace or modify these Conditions for the purposes of this Note. References to the "applicable Final Terms" are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note. Any reference in the Conditions to "applicable Final Terms" shall be deemed to be a reference to "applicable Pricing Supplement" in the case of Exempt Notes.

The expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

Interest bearing definitive Notes have interest coupons ("Coupons") and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Exempt Notes in definitive form which are repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

If this Note is issued by Tesco, references in these Terms and Conditions to Guarantor and Guarantee, and related expressions, are not applicable.

If this Note is issued by TCTS (“Guaranteed Notes”), the payment of principal and interest in respect of this Note and all other moneys payable by TCTS as Issuer under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by the Guarantor in the Trust Deed (the “Guarantee”).

The Trustee acts for the benefit of the holders of the Notes (the “Noteholders”, which expression shall, in relation to any Notes represented by a global Note, be construed as provided below), the holders of the Receipts (the “Receiptholders”) and the holders of the Coupons (the “Couponholders”, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, “Tranche” means Notes which are identical in all respects (including as to listing and admission to trading) and “Series” means a Tranche of Notes together with any further Tranche or Tranches of Notes which (i) are expressed to be consolidated and form a single series and (ii) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed (including the Guarantee) and the applicable Final Terms.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee, being at 20 June, 2017 at 4th Floor, 40 Dukes Place, London EC3A 7NH, and at the specified office of each of the Paying Agents. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on the website of the London Stock Exchange through a regulatory information service. If this Note is an Exempt Note, the applicable Pricing Supplement will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity.

The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed (including the Guarantee), the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In these Conditions, “euro” means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the “Specified Currency”) and the denominations (the “Specified Denomination(s)”) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

Unless this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note or a Zero Coupon Note, or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

If this Note is an Exempt Note, this Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Pricing Supplement.

If this Note is an Exempt Note, this Note may also be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/ Payment Basis shown in the applicable Pricing Supplement.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. The Issuer, the Guarantor, the Trustee, the Agent and any Paying Agent may deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a global Note held on behalf of Clearstream Banking S.A. ("Clearstream, Luxembourg") and/or Euroclear Bank SA/NV ("Euroclear") each person (other than Clearstream, Luxembourg or Euroclear) who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Guarantor, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Guarantor, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest or proven error, be conclusive and binding on all concerned.

References to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent.

## **2. Status of the Notes and the Guarantee**

### *(a) Status of the Notes*

The Notes and the relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

### *(b) Status of the Guarantee*

The obligations of the Guarantor in respect of Guaranteed Notes under the Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Guarantor and (save for certain obligations required to be preferred by law) rank equally with all other unsecured obligations (other than subordinated obligations, if any) of the Guarantor, from time to time outstanding.

## **3. Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed):

- (a) in the case of Guaranteed Notes, none of the Issuer, the Guarantor and any of their respective Subsidiaries (as defined in the Trust Deed but, for the purposes of this Condition 3, excluding Tesco Personal Finance Group Limited, Tesco Personal Finance PLC and each of their respective directly or indirectly held subsidiaries) will create any mortgage, standard security, assignation in security, charge, pledge, lien or other security interest (other than a Permitted Security Interest) on any of their respective present or future undertakings or assets, in any case in respect of (i) any Obligation of the Issuer, the Guarantor or any other person or (ii) any guarantee or indemnity in respect of any Obligation of the Issuer, the Guarantor or any other person; and
- (b) in the case of Notes other than Guaranteed Notes, neither the Issuer nor any of its Subsidiaries (as defined in the Trust Deed but, for the purposes of this Condition 3, excluding Tesco Personal Finance Group Limited, Tesco Personal Finance PLC and each of their respective directly or indirectly held subsidiaries) will create any mortgage, standard security, assignation

in security, charge, pledge, lien or other security interest (other than a Permitted Security Interest) on any of their respective present or future undertakings or assets, in any case in respect of (i) any Obligation of the Issuer or any other person or (ii) any guarantee or indemnity in respect of any Obligation of the Issuer or any other person,

without, in any such case, the Issuer or the Guarantor (as the case may be) at the same time securing the Notes, the Receipts and the Coupons and all amounts payable under the Trust Deed equally and rateably therewith to the satisfaction of the Trustee or providing such other security therefor which the Trustee in its absolute discretion shall deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

"Obligation" means any present or future indebtedness evidenced by notes, bonds, debentures (as defined in Section 738 of the Companies Act 2006) or other securities which, except where it is the intention of the Issuer, (in the case of Guaranteed Notes) the Guarantor or the relevant Subsidiary (which, for the purposes of this Condition 3, excludes Tesco Personal Finance Group Limited, Tesco Personal Finance PLC and each of their respective directly and indirectly held subsidiaries) that such securities will not be so quoted or traded, are, at the request or with the concurrence of the Issuer, (in the case of Guaranteed Notes) the Guarantor or such Subsidiary (which, for the purposes of this Condition 3, excludes Tesco Personal Finance Group Limited, Tesco Personal Finance PLC and each of their respective directly and indirectly held subsidiaries), quoted or traded for the time being on any stock exchange or other generally recognised market for securities, excluding (i) any secured loan stock listed on the Official List denominated or payable in Sterling and initially distributed primarily to investors in the United Kingdom and (ii) any such indebtedness incurred by a newly established Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor (the "New Subsidiary") and applied for the purpose of acquiring assets from the Issuer, (in the case of Guaranteed Notes) the Guarantor or any other person and in respect of which the person to whom such indebtedness is owed has no recourse whatsoever to the Issuer, (in the case of Guaranteed Notes) the Guarantor, the New Subsidiary or any other Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor, as the case may be, for repayment other than (A) recourse to the relevant New Subsidiary for amounts limited to the cash flow or net cash flow (other than historical cash flow or historical net cash flow) from the asset or assets which were so acquired by the New Subsidiary, and available receipts from liquidity drawings and hedge counterparties which are related to the indebtedness to be repaid by the New Subsidiary, in each case which are the subject of such security or (B) recourse to the Issuer, (in the case of Guaranteed Notes) the Guarantor or other person, as the case may be, directly or indirectly under any form of obligation or warranty in respect of the acquisition of such assets, which recourse is limited to a claim for a breach of such obligation or warranty (not being a payment obligation or an obligation to procure payment by another or an indemnity in respect of the indebtedness incurred for the purposes of funding the acquisition itself) by the person against whom such recourse is available.

"Permitted Security Interest" means a lien arising by operation of law or any security interest created either (i) by any Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor over the whole or any part of the present or future assets, undertakings or revenues of such Subsidiary or (ii) by the Issuer or (in the case of Guaranteed Notes) the Guarantor over a specifically identified Asset Pool (as such term is defined in the Regulated Covered Bonds Regulations 2008 (as the same may be amended or re-enacted)), provided that in either case the creation of such security interest is pursuant to or in accordance with the relevant contractual arrangements or, as the case may be, specific provisions of the laws of any jurisdiction relating to covered bonds (howsoever described) applicable at the time of creation of such security interest.

#### **4. Interest**

##### *(a) Interest on Fixed Rate Notes*

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

"Fixed Day Count Fraction" means:

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if "30/360" is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

"Determination Period" means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

"sub-unit" means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

*(b) Interest on Floating Rate Notes*

*(i) Interest Payment Dates*

Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:



- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an "Interest Payment Date") which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period. In these Conditions "Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day on the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, "Business Day" means:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (B) if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2 System) (the "TARGET2 System") is open; and
- (C) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.

(ii) *Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.

(A) *ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest

Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the "ISDA Definitions") and under which: (1) the Floating Rate Option is as specified in the applicable Final Terms; (2) the Designated Maturity is a period specified in the applicable Final Terms; and (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

*(B) Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate (being either LIBOR or EURIBOR, as specified in the applicable Final Terms) which appears or appear, as the case may be, on the Relevant Screen Page (or such replacement page on that service which displays the information) as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

*(iii) Minimum and/or Maximum Interest Rate*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

*(iv) Determination of Rate of Interest and calculation of Interest Amounts*

The Agent will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

“Floating Day Count Fraction” means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 4(b):

- (i) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30;

- (vi) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

*(v) Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 13 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will promptly be notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 13. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (and, where practicable, in accordance with this Condition).

*(vii) Linear Interpolation*

Where Linear Interpolation is specified as applicable in respect of an Interest Period in the applicable Final Terms, the Rate of Interest for such Interest Period shall be calculated by the Agent by straight line linear interpolation by reference to two rates based on the relevant Reference Rate (where Screen Rate Determination is specified as applicable in the applicable Final Terms) or the relevant Floating Rate Option (where ISDA Determination is specified as applicable in the applicable Final Terms), one of which shall be determined as if the Designated Maturity were the period of time for which rates are available next shorter than the length of the relevant Interest Period and the other of which rates are available next longer than the length of the relevant Interest Period provided however that if there is no rate available for the period of time next shorter or, as the case may be, next longer, then the Agent shall determine such rate at such time and by reference to such sources as it determines appropriate.

“Designated Maturity” means, in relation to Screen Rate Determination, the period of time designated in the Reference Rate.

*(viii) Certificates to be Final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), by the Agent or the Trustee shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Agent, the Trustee, the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to the Issuer, (in the case of Guaranteed Notes) the Guarantor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

*(c) Exempt Notes*

In the case of Exempt Notes which are also Floating Rate Notes where the applicable Pricing Supplement identifies that Screen Rate Determination applies to the calculation of interest, if the Reference Rate from time to time is specified in the applicable Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Exempt Notes will be determined as provided in the applicable Pricing Supplement.

The rate or amount of interest payable in respect of Exempt Notes which are not also Fixed Rate Notes or Floating Rate Notes shall be determined in the manner specified in the applicable Pricing Supplement, provided that where such Notes are Index Linked Interest Notes the provisions of Condition 4(b) shall, save to the extent amended in the applicable Pricing Supplement, apply as if the references therein to Floating Rate Notes and to the Agent were references to Index Linked Interest Notes and the Calculation Agent, respectively, and provided further that the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Pricing Supplement.

*(d) Accrual of Interest*

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## **5. Payments**

*(a) Method of Payment*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with, or by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified

Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively); and

- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or by a euro cheque.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 7 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7) any law implementing an intergovernmental approach thereto.

*(b) Presentation of Notes, Receipts and Coupons*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against surrender of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than as provided in Condition 5(d)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 7) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

*(c) Payments in respect of global Notes*

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made distinguishing between any payment of principal and any payment of interest, will be made on such global Note either by such Paying Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

*(d) Specific provisions in relation to payments in respect of certain types of Exempt Notes*

Payments of instalments of principal (if any), other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above only against surrender of the relevant Receipt. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against surrender of the relevant Note. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the Issuer. Upon the

date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Upon the date on which any Dual Currency Note or Index Linked Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

*(e) General provisions applicable to payments*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer or, as the case may be, the Guarantor will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer and the Guarantor (in the case of Guaranteed Notes), adverse tax consequences to the Issuer or the Guarantor (in the case of Guaranteed Notes).

*(f) Payment Day*

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 8) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits): (A) in the case of Notes in definitive form only, in the relevant place of presentation; and (B) in each Additional Financial Centre (other than TARGET2 System) specified in the applicable Final Terms;
- (ii) if TARGET2 System is specified as an Additional Financial Centre in the applicable Final Terms, as day on which the TARGET2 System is open; and
- (iii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro a day on which the TARGET2 system is open.

*(g) Interpretation of Principal and Interest*

Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 7 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;

- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) the Restructuring Event Redemption Amount (if any) of the Notes;
- (vi) in relation to Exempt Notes redeemable in instalments, the Instalment Amounts;
- (vii) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6(e)(ii)); and
- (viii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 7 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## **6. Redemption and Purchase**

### *(a) At Maturity*

Unless previously redeemed or purchased and surrendered for cancellation as specified below, each Note will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.

### *(b) Redemption for Tax Reasons*

Subject to Condition 6(e), the Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is not a Floating Rate Note) or on any Interest Payment Date (if this Note is a Floating Rate Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and the Agent and, in accordance with Condition 13, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that:

- (i) on the occasion of the next payment due under the Notes, the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 7 or (in the case of Guaranteed Notes) the Guarantor would be unable for reasons outside its control to procure payment by the Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to, the laws or regulations of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by the Issuer or, as the case may be, the Guarantor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer or, as the case may be, the Guarantor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee (i) a certificate signed by two Directors of the Issuer or, as the case may be, two Directors of the Guarantor stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer or, as the case may be, the Guarantor has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders, the Receiptholders and the Couponholders.

Notes redeemed pursuant to this Condition 6(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.



*(c) Redemption at the Option of the Issuer (Issuer Call)*

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given not less than the minimum period nor more than the maximum period of notice specified in applicable Final Terms to the Noteholders in accordance with Condition 13 (which notice shall be irrevocable), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Higher Redemption Amount, in each case as may be specified in the applicable Final Terms.

In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will (i) in the case of Redeemed Notes represented by definitive Notes, be selected individually by lot, not more than 30 days prior to the date fixed for redemption and (ii) in the case of Redeemed Notes represented by a global Note, be selected in accordance with the rules of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 13 not less than 10 days prior to the date fixed for redemption.

*(d) Redemption at the Option of the Noteholders*

*(i) Redemption at the option of the Noteholders (other than Restructuring Event Put)*

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 13 not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, (which notice shall be irrevocable) the Issuer will, upon the expiry of such notice, redeem such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is by cheque, an address) to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable unless the Issuer otherwise agrees.

*(ii) Restructuring Event Put*

- (a)* If Restructuring Event Put is specified as being applicable in the applicable Final Terms, this Condition 6(d)(ii) shall apply.
- (b)* If during the period from the Issue Date to the date falling seven days prior to the Maturity Date there occurs a Put Event, the holder of each Note will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice under Condition 6(b) or (c)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Restructuring Optional Redemption Date at its principal amount (the "Restructuring Event Redemption Amount") together with (or, where purchased, together with an amount equal to) interest accrued to (but excluding) the Restructuring Optional Redemption Date.
- (c)* Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall, and at any time upon the Trustee becoming similarly so aware the Trustee may, and if so

requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, the Trustee shall, give notice (a "Put Event Notice") to the Noteholders in accordance with Condition 13 specifying the nature of the Put Event and the procedure for exercising the option contained in this Condition 6(d)(ii).

- (d) To exercise the option to require redemption of a Note under this Condition 6(d)(ii), the holder of the Note, if it is in definitive form, must deliver such Note, on any Restructuring Event Business Day (as defined below) falling within the period (the "Put Period") of 45 days after a Put Event Notice is given, at the specified office of any Paying Agent, accompanied by a duly signed and completed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a "Restructuring Event Put Notice") and in which the holder may specify a bank account to which payment is to be made under this Condition 6(d)(ii).

If the Notes are represented by a global Note, such option may be exercised by the holder of the global Note by giving notice to the Agent of the principal amount of Notes in respect of which the option is exercised and presenting such global Note for endorsement of exercise within the time limits specified in this Condition 6(d)(ii).

"Restructuring Event Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the place of the specified office of the Paying Agent at which the Note is delivered.

- (e) The Paying Agent to which any definitive Note and Restructuring Event Put Notice are delivered will issue to the Noteholder concerned a non-transferable receipt in respect of the Note so delivered. Payment in respect of any Note so delivered will be made, if the holder duly specifies a bank account in the Restructuring Event Put Notice to which payment is to be made, on the date (the "Restructuring Optional Redemption Date") seven days after the expiry of the Put Period by transfer to that bank account and, in every other case, on or after the Restructuring Optional Redemption Date against presentation and surrender or (as the case may be) endorsement of such receipt at the specified office of any Paying Agent. A Restructuring Event Put Notice, once given, shall be irrevocable. For the purposes of Condition 5 and certain other purposes specified in the Trust Deed, receipts issued pursuant to this Condition 6(d)(ii) shall be treated as if they were Notes. The Issuer shall redeem or, at the option of the Issuer, purchase (or procure the purchase of) the relevant Notes on the Restructuring Optional Redemption Date unless previously redeemed or purchased and cancelled.
- (f) For the purpose of these Conditions a "Put Event" shall be deemed to occur if:
- (i) (whether or not approved by the Board of Directors of Tesco) any person or any persons acting in concert (as defined in the City Code on Takeovers and Mergers), or any persons acting on behalf of any such person(s), at any time is/are or become(s) interested (within the meaning of Part 22 of the Companies Act 2006) in (A) more than 50 per cent., of the issued or allotted ordinary share capital of Tesco or (B) such number of shares in the capital of Tesco carrying more than 50 per cent., of the voting rights normally exercisable at a general meeting of Tesco (each a "Restructuring Event"); and
- (ii) at the time of the occurrence of a Restructuring Event the Notes carry from any of Standard & Poor's Credit Market Services Europe Limited ("S&P") or Moody's Investors Service Limited ("Moody's") or Fitch Ratings Limited ("Fitch Ratings"), or any of their respective successors or any other rating agency of equivalent standing, specified by the Issuer (and (in the case of Guaranteed Notes) the Guarantor) and agreed in writing by the Trustee (each a "Rating Agency"):
- (A) an investment grade credit rating (BBB-/Baa3/BBB- or better), and such rating from any Rating Agency is, within the period commencing on the occurrence of the Restructuring Event and ending 90 days after the public announcement of the Restructuring Event having occurred, or such longer period in which such rating is under consideration (as announced publicly within such initial period) for rating review or, as the case may be, rating by a Rating Agency (the "Restructuring Period"), either downgraded to a non-investment grade credit rating

(BB+/Ba1/BB+ or worse), or withdrawn and is not within such Restructuring Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to an investment grade credit rating by such Rating Agency; or

- (B) a non-investment grade credit rating (BB+/Ba1/BB+ or worse), and such rating from any Rating Agency is within the Restructuring Period downgraded by two or more notches (for illustration, BB+ to BB- being two notches) or withdrawn and is not within such Restructuring Period subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated to its earlier credit rating or better by such Rating Agency; or
- (C) no credit rating, and no Rating Agency assigns within the Restructuring Period an investment grade credit rating to the Notes,

provided that if at the time of the occurrence of the Restructuring Event the Notes carry a credit rating from more than one Rating Agency, at least one of which is investment grade, then sub-paragraph (A) will apply; and

- (iii) in making the relevant decision(s) referred to in sub-paragraphs (ii)(A) to (C) above, the relevant Rating Agency announces or publicly confirms or informs the Trustee in writing at its request that such decision(s) was the result, in whole or in part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event.

If the rating designations employed by any of S&P, Moody's or Fitch are changed from those which are described in Condition 6(d)(ii)(f)(ii) of the definition of "Put Event" above, or if a rating is procured from any other Rating Agency of equivalent standing, the Issuer (and (in the case of Guaranteed Notes) the Guarantor) shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed), the rating designations of S&P, Moody's or Fitch or such other Rating Agency of equivalent standing (as appropriate) as are most equivalent to the prior rating designations of S&P, Moody's or Fitch and this Condition 6(d)(ii) shall be read accordingly.

(e) *Early Redemption Amounts*

For the purpose of Condition 6(b) above and Condition 9:

- (i) each Note (other than a Zero Coupon Note) will be redeemed at its Early Redemption Amount; and
- (ii) each Zero Coupon Note will be redeemed at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each in the case of any currency other than Sterling and euro and on the basis of a year of 365 days, or 366 days in the case of a leap year, in the case of Sterling and euro) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360 in the case of any currency other than Sterling and euro and 365, or 366 in the case of a leap year, in the case of Sterling and euro, or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (iii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365).

*(f) Specific redemption provisions applicable to certain types of Exempt Notes*

The Final Redemption Amount, any Optional Redemption Amount and the Early Redemption Amount in respect of Index Linked Redemption Notes and Dual Currency Redemption Notes may be specified in, or determined in the manner specified in, the applicable Pricing Supplement. For the purposes of Condition 6(b), Index Linked Interest Notes and Dual Currency Interest Notes may be redeemed only on an Interest Payment Date.

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates specified in the applicable Pricing Supplement. In the case of early redemption, the Early Redemption Amount of Instalment Notes will be determined in the manner specified in the applicable Pricing Supplement.

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Pricing Supplement.

*(g) Purchases*

The Issuer, (in the case of Guaranteed Notes) the Guarantor or any Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer or the Guarantor, surrendered to any Paying Agent for cancellation.

*(h) Cancellation*

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and surrendered for cancellation pursuant to Condition 6(g) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

*(i) Late payment on Zero Coupon Notes*

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6(a), 6(b), 6(c) or 6(d) above or upon its becoming due and repayable as provided in Condition 9 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in Condition 6(e)(ii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 13.

## **7. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by or on behalf of the Issuer or (in the case of Guaranteed Notes) the Guarantor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of the United Kingdom or any authority thereof or therein having power to tax unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the Guarantor (in the case of Guaranteed Notes) will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note, Receipt or Coupon:

- (i) the holder of which is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note, Receipt or Coupon; or
- (ii) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day; or

- (iii) presented for payment in the United Kingdom; or
- (iv) where such withholding or deduction would have been avoided by the Noteholder, Receiptholder or Couponholder (or a person on behalf of the Noteholder, Receiptholder or Couponholder) complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any authority of or in the United Kingdom; or
- (v) where such withholding or deduction is required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein, the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 13.

## **8. Prescription**

The Notes, Receipts and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 7) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 5(b) or any Talon which would be void pursuant to Condition 5(b).

## **9. Events of Default**

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-fifth in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall, (but, in the case of the happening of any of the events mentioned in sub-paragraphs (ii) to (ix) inclusive below (other than the winding-up of, or the appointment of an administrative or other receiver of the whole or any part of the undertaking or assets of, the Issuer or (in the case of Guaranteed Notes) the Guarantor), only if the Trustee shall have certified in writing that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice to the Issuer that the Notes are, and they shall accordingly thereby forthwith become, immediately due and payable at the Early Redemption Amount (as defined in Condition 6(e)), together with accrued interest as provided in the Trust Deed, if any of the following events shall occur and be continuing:

- (i) if default is made for a period of seven days or more in the payment of any principal in respect of the Notes or any of them or for a period of 14 days or more in the payment of any interest in respect of the Notes or any of them; or
- (ii) if an order is made or an effective resolution passed for winding-up the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary (as defined below) (except, in the case of a Material Subsidiary, a winding-up for the purpose of a reconstruction or amalgamation, the terms of which have previously been approved in writing by the Trustee, or a voluntary solvent winding-up in connection with the transfer of all or the major part of the business, undertaking and assets of such Material Subsidiary to the Issuer, (in the case of Guaranteed Notes) the Guarantor, or a Subsidiary of the Issuer or (in the case of Guaranteed Notes) the Guarantor); or
- (iii) if the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary stops or threatens to stop payment generally or ceases or threatens to cease to carry on its business or all or substantially all of its business (except, in the case of a Material Subsidiary, a cessation or threatened cessation for the purpose of a reconstruction or amalgamation the terms of which have previously been approved in writing by the Trustee, or in connection with the transfer of all or substantially all of the business, undertaking and assets of such Material Subsidiary to the Issuer, (in the case of Guaranteed Notes) the Guarantor, or a Subsidiary); or
- (iv) if an encumbrancer takes possession or an administrative or other receiver is appointed of the whole or any material part of the undertaking or assets of the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary or if a distress, execution or any similar proceeding is levied or enforced upon or sued out against any of the chattels or property of the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary and is not discharged within 21 days; or

- (v) if the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary is deemed unable to pay its debts within the meaning of Section 123(1)(b), (c) or (d) of the Insolvency Act 1986, or the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary becomes unable to pay its debts as they fall due or the value of its assets falls to less than the amount of its liabilities (taking into account for both these purposes its contingent and prospective liabilities) or the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary otherwise becomes insolvent, or the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary suspends making payments (whether of principal or interest) with respect to all or any class of its debts or announces an intention to do so or if an administration order in relation to the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary is made; or
- (vi) if any kind of composition, scheme of arrangement, compromise or other similar arrangement involving the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary and the creditors of any of them generally (or any class of such creditors) is entered into or made; or
- (vii) if any indebtedness for Moneys Borrowed (as defined below) having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date declared due) of the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary shall be or be declared due and payable prior to the date on which the same would otherwise become due and payable by reason of the occurrence of an event of default (howsoever described) in relation thereto or the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary defaults in the repayment of any indebtedness for Moneys Borrowed having an aggregate outstanding principal amount of at least £25,000,000 (or its equivalent in any other currency or currencies at the date of maturity) at the maturity thereof or at the expiry of any applicable grace period or any guarantee of any such indebtedness given by the Issuer, (in the case of Guaranteed Notes) the Guarantor, or any Material Subsidiary shall not be paid when due and called upon save in any such case where there is a bona fide dispute as to whether payment or repayment is due; or
- (viii) if default is made by the Issuer or the Guarantor (in the case of Guaranteed Notes) in the performance or observance of any obligation, condition or provision binding on it under the Notes or the Trust Deed (including the Guarantee (in the case of Guaranteed Notes)) (other than any obligation for the payment of any principal or interest in respect of the Notes) and, except where, in the opinion of the Trustee, such default is not capable of remedy (in which case the Notes will become due and repayable subject to, and immediately upon, the Trustee certifying and giving notice as aforesaid), such default continues for 30 days after written notice thereof by the Trustee to the Issuer or the Guarantor (as the case may be) requiring the same to be remedied; or
- (ix) if, in the case of Guaranteed Notes, the Issuer ceases to be a subsidiary wholly owned and controlled, directly or indirectly, by the Guarantor; or
- (x) if, in the case of Guaranteed Notes, the Guarantee ceases to be, or is claimed by the Issuer or the Guarantor not to be, in full force and effect.

“Material Subsidiary” means (a) a Subsidiary of Tesco whose profits before tax and exceptional items or whose net assets (in each case attributable to Tesco) calculated by reference to its latest audited accounts represent ten per cent. or more of the consolidated profits before tax and exceptional items or net assets (in each case attributable to Tesco), as the case may be, of Tesco and its Subsidiaries similarly calculated, all as more particularly defined in the Trust Deed, and (b) in addition, for the purposes of sub-paragraph (vii) above, a Subsidiary which has outstanding any notes, bonds or other like securities of which the Trustee is trustee. A certificate of any two directors of Tesco that in their opinion a Subsidiary is or is not or was or was not at any particular time a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

“Moneys Borrowed” means (a) borrowed moneys, and (b) liabilities under any note, bond, bill, debenture, loan stock or other security in each case issued for cash or in respect of acceptance credit facilities or as consideration for assets or services but excluding such liabilities incurred in relation to the acquisition of goods or services in the ordinary course of trading.

At any time after the Notes become due and repayable and have not been repaid, the Trustee may at its discretion and without further notice take such proceedings against the Issuer and/or (in the case of Guaranteed Notes) the Guarantor as it may think fit to enforce the obligations of the Issuer and/or (in

the case of Guaranteed Notes) the Guarantor under the Trust Deed and the Notes and the relative Receipts and Coupons, but it shall not be bound to take any such proceedings or any other action unless (i) it shall have been so directed by an Extraordinary Resolution of the holders of the Notes or so requested in writing by holders of at least one-fifth in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified to its satisfaction. No holder of a Note, or of a Receipt or Coupon appertaining thereto, shall be entitled to proceed directly against the Issuer or (in the case of Guaranteed Notes) the Guarantor unless the Trustee, having become bound so to do, fails to do so within a reasonable period and such failure is continuing.

#### **10. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 13, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

#### **11. Agent and Paying Agents**

The names of the initial Agent in respect of the Notes and the other initial Paying Agents in respect of the Notes and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (ii) there will at all times be an Agent; and
- (iii) there will at all times be a Paying Agent in a jurisdiction in continental Europe, other than the jurisdiction in which the Issuer or the Guarantor is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 5(e). Notice of any variation, termination, appointment or change in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 13.

#### **12. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 8.

#### **13. Notices**

All notices regarding the Notes will be valid if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading including publication on the website of the relevant stock exchange or relevant authority if required by those rules. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the first date on which publication has been made in all the required newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or admitted to trading by any other relevant authority, such stock exchange or other relevant authority permits), so long as the global Note(s) is or are held in its/their entirety on

behalf of Clearstream, Luxembourg and Euroclear, be substituted for such publication in such newspaper(s) or such websites the delivery of the relevant notice to Clearstream, Luxembourg and Euroclear for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on the day after the day on which the said notice was given to Clearstream, Luxembourg and/or Euroclear.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Clearstream, Luxembourg and/or Euroclear, as the case may be, in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear, as the case may be, may approve for this purpose.

#### **14. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions, the Notes, the Receipts, the Coupons or certain provisions of the Trust Deed. Such a meeting may be convened by the Issuer or (in the case of Guaranteed Notes) the Guarantor or the Trustee or by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution will be one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Conditions, the Notes, Receipts or Coupons (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, Receipts or Coupons) or certain of the provisions of the Trust Deed, the necessary quorum for passing an Extraordinary Resolution will be one or more persons holding or representing not less than two-thirds, or at any adjourned such meeting not less than a clear majority, in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trust Deed provides that the Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to any modification of, or to any waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed, or may determine that any condition, event or act which, but for such determination, would constitute an Event of Default, shall not be treated as such which in any such case, in the opinion of the Trustee, is not materially prejudicial to the interests of the Noteholders or to any modification of any of these Conditions, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed which is of a formal, minor or technical nature or which is made to correct a manifest error or an error which is, in the opinion of the Trustee, proven. Any such modification, waiver, authorisation or determination shall be binding on the Noteholders, Receiptholders and Couponholders and, unless the Trustee agrees otherwise, any such modification shall be notified to the Noteholders as soon as practicable thereafter in accordance with Condition 13.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation or substitution), the Trustee shall have regard to the interests of the Noteholders as a class and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the Issuer or the (in the case of Guaranteed Notes) Guarantor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except to the extent already provided for in Condition 7 and/or any undertaking given in addition to, or in substitution for, Condition 7 pursuant to the Trust Deed.

#### **15. Further Issues**

The Issuer shall be at liberty from time to time without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further notes having terms and conditions the same as the Notes



or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **16. Substitution**

The Trustee may, in the case of Guaranteed Notes, without the consent of the Noteholders, the Receiptholders or the Couponholders, agree with the Issuer to the substitution of any new holding company or Subsidiary of Tesco in place of the Issuer (or of any previous substitute under this provision) as the principal debtor under the Notes, the Receipts, the Coupons and the Trust Deed, subject to (a) the Notes being unconditionally and irrevocably guaranteed by the Guarantor, (b) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and (c) certain other conditions set out in the Trust Deed being complied with.

#### **17. Indemnification**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility in certain circumstances including provisions relieving it from instituting proceedings to enforce repayment unless indemnified to its satisfaction.

#### **18. Governing Law**

The Trust Deed (including the Guarantee), the Agency Agreement, the Notes, the Receipts, the Coupons, the Talons and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law.

#### **19. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes will be applied by the relevant Issuer for its general corporate purposes in the context of its business and, in the case of Guaranteed Notes, may include, amongst other things, the on-lending of some or all of those proceeds to other members of the Group. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.

## DESCRIPTION OF TESCO CORPORATE TREASURY SERVICES PLC

### Information about Tesco Corporate Treasury Services PLC ("TCTS")

The legal and commercial name of TCTS is Tesco Corporate Treasury Services PLC.

TCTS is a public limited company registered in England and Wales with registered number 8629715 and was incorporated on 30 July, 2013. The Issuer operates under the Companies Act 2006.

The registered office of TCTS is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA and the telephone number of its registered office is 01992 632222.

The initial share capital of TCTS is £100,000,001.00 comprising 100,000,001 ordinary shares of £1 each, of which 100,000,000 are held by the Guarantor and 1 is held by Tesco Holdings Limited.

On 19 June, 2018, TCTS published its financial statements in respect of the 52 week period ending on 24 February, 2018.

Reports and accounts published by TCTS are available for inspection during normal office hours at its registered address set out above.

### Business Overview

TCTS is a finance vehicle for members of the Group, its joint ventures and associates. TCTS was incorporated on 30 July, 2013 with a certificate under Section 761 of the Companies Act 2006 entitling it to do business and exercise any borrowing powers.

TCTS does not have any substantial liabilities other than general financing activities for members of the Group, its joint ventures and associates.

TCTS is dependent on the Group, its joint ventures and associates to meet its cashflow requirements. The sole function of TCTS's business is to raise funds for the purpose of on-lending those funds to other members of the Group, its joint ventures and associates. TCTS is reliant on payments made to it by other relevant members of the Group and its relevant joint ventures and associates in respect of loans made to them by TCTS, *inter alia*, to service the interest and principal repayments on the finance it raises.

### Board of Directors of TCTS

The current directors of TCTS, as at the date of this Offering Circular, are, and their functions and principal activities outside TCTS, where these are significant with respect to the Group, as at the date of this Offering Circular, were, as follows:

Lynda Jane Heywood	Director
Tesco Services Limited	Corporate Director
Alan James Harris Stewart	Director

The Board of Directors of Tesco Services Limited as Corporate Director of TCTS is comprised of John Gibney, Adrian Morris and Robert Welch.

The business address of each of the above is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

There are no potential or actual conflicts of interest between the private interests or other duties of persons listed in this section and their duties to TCTS. The Board of Directors monitors potential and actual conflicts of interest and has processes to deal with them. The Directors and the Corporate Director of TCTS are required to disclose potential and actual conflicts of interest to the Board of Directors and the Board of Directors addresses potential and actual conflicts in accordance with legal requirements. As a matter of English law, each director of TCTS is under a duty to act honestly and in good faith with regard to the best interests of TCTS, regardless of any other directorships such director may hold.

**Corporate Governance**

As TCTS is a wholly-owned subsidiary of the Guarantor, it adheres to the corporate governance policies applied by the Guarantor to the Group.

## DESCRIPTION OF TESCO PLC

### Introduction

Tesco PLC (“Tesco”) was incorporated and registered in England and Wales on 27 November, 1947 as Tesco Stores (Holdings) Limited, a private company limited by shares with the registered number 00445790, under the Companies Act 1929. Tesco was re-registered as a public company limited by shares and re-named Tesco Stores (Holdings) public limited company on 14 December, 1981, and was re-named Tesco PLC on 25 August, 1983. 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 01992 632222.

From its origins as a trading business in 1919, Tesco opened its first store in 1929, in London, and then expanded throughout the United Kingdom by a mixture of store openings and selective acquisitions. International expansion started in the 1990’s and continued through the 2000’s. Tesco launched its online business in the United Kingdom in 2000, making Tesco an early entrant in online retailing. As at the date of this Offering Circular, Tesco operates retailing businesses through stores and online through three segments in the UK and the ROI (UK/ROI segment), Czech Republic, Slovakia, Hungary and Poland (Central Europe segment), and Thailand and Malaysia (Asia segment).

The Group also has retail interests in China and India through joint ventures with local partners. The Indian joint venture, Trent Hypermarket Private Limited, is a 50:50 agreement with Trent Limited (part of the Tata Group of companies) and its purpose is to develop the Star Bazaar retail business in India. As at 24 February, 2018, the joint venture operates 33 hypermarkets (StarHyper), supermarkets (StarMarket) and convenience stores (StarDaily). Tesco operates in China through Gain Land Limited, a joint venture with China Resources (Holdings) Company Limited (“CRH”). The joint venture combines Tesco’s retail practices, international sourcing and multi-channel capabilities with CRH’s local knowledge and brand, to create a leading multi-format retailer in China. As at 24 February, 2018, Tesco’s investment gives it a 20 per cent. stake in this food retail business in China.

Tesco is the overall holding company of the Group. As the holding company of the Group, Tesco is dependent on the performance of its operating subsidiaries and the payment of dividends by them.

For the 52 weeks ended 24 February, 2018<sup>1</sup>, Group Sales, which excludes VAT and fuel, was £50,991 million, an increase of 2.3 per cent. over the corresponding period in the previous year, Group operating profit before exceptional items was £1,644 million, an increase of 28.4 per cent. over the corresponding period in the previous year and Group profit before tax before exceptional items, net pension finance costs and fair value remeasurements on financial instruments<sup>2</sup> was £1,282 million, an increase of 64.1<sup>3</sup> per cent. over the corresponding period in the previous year. In accordance with accounting practices, these figures cover continuing operations only.

### Strategy

In October 2016, the Group published six strategic drivers through which it seeks to strengthen its market position:

- *A differentiated brand:* A strong brand creates long-term value. The Group’s purpose, to serve shoppers a little better every day, is central to what the Tesco brand stands for.
- *Reduce operating costs by £1.5 billion by the 2019/2020 financial year:* The Group has undertaken a thorough review of its entire cost base, to identify further opportunities for meaningful savings.

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<sup>1</sup> The financial information set out in this section headed “Description of Tesco PLC” relating to the 52 weeks ended 24 February, 2018, has been extracted from Tesco’s audited Annual Report and Financial Statements for the financial year ended 24 February, 2018.

<sup>2</sup> This measure excludes exceptional items, the net finance costs of the defined benefit pension deficit and fair value remeasurements on financial instruments. Net pension finance costs are impacted by corporate bond yields, which can fluctuate significantly and are reset each year based on often volatile external market factors. Fair value remeasurements are impacted by changes to credit risk and various market indices, which can fluctuate significantly. Also included in these items are fair value remeasurements on financial instruments resulting from liability management exercises.

<sup>3</sup> At actual exchange rates.

- *Generate £9 billion cash from operations:* Cash is key to the Group's business, and Tesco has set a three-year target to generate £9 billion of cumulative retail cash from operations.
- *"Maximise the mix" to achieve a 3.5 per cent. to 4.0 per cent. Group operating margin:* Building sustainable profitability across the Group's businesses, channels and product ranges.
- *Maximise value from property:* the Group's property strategy is about releasing value from its estate, and repurposing space to enhance its customer offer.
- *Innovation:* the Group's innovation strategy is driven by expertise and insight in its three differentiating capabilities: Product, Channel and Customer.

To continue to provide long-term value for its stakeholders, the Group undertook a portfolio review and has disposed of: its instore opticians business in the UK and ROI, its shareholding in Lazada Group S.A., and Kipa Ticaret A.Ş. (formerly Tesco Kipa Kitle Pazarlama Ticaret Lojistik ve Gıda Sanayi A.Ş.), its retail business in Turkey. This has allowed the Group to focus on its core competencies and unique strengths to create future growth.

For the year ending 24 February, 2018, the Group has achieved £594 million of cost savings, generating a total of £820 million of savings as at 24 February, 2018, towards the Group's £1.5 billion medium-term target.

By improving profitability and through strong working capital management the Group intends to generate additional cash from its retail operations. For the year ending 24 February, 2018, retail cash generated from operations increased by £495 million to £2,773 million.

The IAS 19 pension deficit measure, which relates to the Group's closed UK defined benefit scheme, reduced from £5.5 billion to £2.7 billion partially owing to an increase in yields on corporate bonds.

To maximise value from its property, the Group has increased its freehold ownership by value in the UK and ROI to 52 per cent. for the period up to 24 February, 2018. The repurchase of stores to date has resulted in an annualised saving of £26 million in rent. The Group continues to seek opportunities to further reduce its exposure to index-linked and fixed-uplift rent inflation where the economics are attractive. The Group has also worked with other leading brands to open over 50 concessions in its stores including Arcadia Group, Holland & Barrett, Dixons Carphone and Next.

In line with the Group's six strategic priorities, the Group continues to innovate through its offerings. In January 2018, the Group launched a new "Wicked Kitchen" product range of plant-based dishes. The range responds to increasing demand for vegetarian and vegan food and has proved extremely popular since its launch. By reformulating its own label brands, the Group has removed hundreds of tonnes of salt, sugar and fat from its own-label products to help customers live healthier lives. The Group has also become the first retailer in the United Kingdom to offer same-day grocery deliveries nationwide.

The Group is focused on its commitment that no food that is safe for human consumption will go to waste from its United Kingdom retail operations.

## Channels

For the 52 weeks ended 24 February, 2018, the Group's principal activities have been reported in the following segments:

- retailing and associated activities ("**Retail**"). Retail is reported in three separate segments: (A) the UK and ROI; (B) Central Europe; and (C) Asia - Malaysia and Thailand; and
- retail banking and insurance services through Tesco Bank in the United Kingdom.

### *UK and ROI Segment*

As at 24 February, 2018, the Group operated 3,585<sup>4</sup> stores in the United Kingdom and the ROI. These range in formats from the Tesco Express convenience store and the Tesco Metro town and city centre store through to the Tesco Extra hypermarket.

Sales in the United Kingdom and the ROI (excluding fuel) for the 52 weeks ended 24 February, 2018, were £38,650 million<sup>5</sup>, an increase of 2.5 per cent.<sup>6</sup>, over the corresponding period in the previous year.

Operating profit before exceptional items in the United Kingdom and the ROI for the 52 weeks ended 24 February, 2018, was £1,053 million<sup>7</sup>, an increase of 31.1 per cent.<sup>8</sup> over the corresponding period in the previous year.

### *Central Europe Segment*

Since March 2015, the Group's four markets in Central Europe (Czech Republic, Hungary, Poland and Slovakia) have operated as a single business unit. Whilst the four markets remain as separate legal entities they are managed by a single leadership team and have a common business strategy across the region.

Sales in Central Europe (excluding fuel) for the 52 weeks ended 24 February, 2018, were £6,343 million<sup>9</sup>, an increase of 6.1 per cent.<sup>10</sup>, over the corresponding period in the previous year.

Operating profit before exceptional items in Central Europe for the 52 weeks ended 24 February, 2018, was £119 million<sup>11</sup>, an increase of 105.2 per cent.<sup>12</sup> over the corresponding period in the previous year.

As at 24 February, 2018, the Group had 189<sup>13</sup> stores in the Czech Republic, 206 in Hungary, 415 in Poland and 151 in Slovakia.

### *Asia Segment*

The Asia Segment comprises the Group's operations in Thailand and Malaysia. Tesco Lotus, the Group's business in Thailand, began trading in 1998 and is the Group's largest international business. The Group's Malaysian business was launched in 2002 and has expanded since that time.

Sales in Asia (excluding fuel) for the 52 weeks ended 24 February, 2018, were £4,947 million<sup>14</sup>, a decrease of 4.4 per cent.<sup>15</sup> over the corresponding period in the previous year. This decline is partially owing to the Group's previously announced decision to withdraw from unprofitable bulk selling activities in Thailand and scale back of mass couponing.

Operating profit before exceptional items in Asia for the 52 weeks ended 24 February, 2018, was £299 million<sup>16</sup>, an increase of 14.1 per cent.<sup>17</sup> over the corresponding period in the previous year.

As at 24 February, 2018, the Group's Asian business comprised 1,951 stores in Thailand and 72 in Malaysia.

### **Tesco Bank**

Tesco Bank began in 1997 as Tesco Personal Finance, a joint venture between Tesco and The Royal Bank of Scotland plc ("**RBS**"). In 2008, Tesco bought RBS's share of the business and introduced the

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<sup>4</sup> Excludes franchise stores.

<sup>5</sup> At actual exchange rates.

<sup>6</sup> At actual exchange rates.

<sup>7</sup> At actual exchange rates.

<sup>8</sup> At actual exchange rates.

<sup>9</sup> At actual exchange rates.

<sup>10</sup> At actual exchange rates.

<sup>11</sup> At actual exchange rates.

<sup>12</sup> At actual exchange rates.

<sup>13</sup> Excludes franchise stores.

<sup>14</sup> At actual exchange rates.

<sup>15</sup> At actual exchange rates.

<sup>16</sup> At actual exchange rates.

<sup>17</sup> At actual exchange rates.

new trading name, Tesco Bank, in 2009. Total lending at 24 February, 2018, was £11,776 million, comprised of retail unsecured lending of £8,637 million, retail mortgage lending of £3,010 million and retail instalment lending of £129 million. Total customer deposits as at 24 February, 2018, were £9,245 million.

Tesco Bank is authorised by the PRA and regulated by the FCA and the PRA.

Tesco Bank has issued three bonds each aimed at retail investors. The first bond was a £125 million bond issued in February 2011, the second bond was a £60 million bond issued in December 2011 and the third bond was a £200 million bond issued in May 2012.

All banking and insurance products offered by Tesco Bank are available through online banking, the Tesco Bank Mobile App, or over the phone. Additionally, Tesco Bank has in-store services at a number of Tesco stores across the United Kingdom.

Tesco Bank offers a range of simple personal banking products, principally current accounts, travel money, credit cards, personal loans, mortgages and savings, and a range of insurance products, some of which are underwritten by Tesco Underwriting Limited, a joint venture with Ageas (UK) Limited in which Tesco Bank holds a 49.9 per cent. share as at 28 February, 2018. Tesco Bank's products and services are available 24 hours a day, seven days a week, online, by phone, or on customers' mobiles.

The Tesco ATM network represents one of the largest cash machine networks in the UK and customers of any bank can use Tesco Bank ATMs.

### **Booker**

On 5 March, 2018, the Group completed a merger with Booker Group plc ("Booker"). Following the merger, Booker is a wholly owned subsidiary of Tesco and the process of integration of the Booker business is ongoing. Booker is the UK's leading food wholesaler<sup>18</sup>, offering branded and own label goods which are currently sold to approximately 117,000 independent retail customers, 569,000 registered digital customers, 441,000 catering customers and 641,000 small business customers including independent convenience stores, grocers, leisure outlets, pubs and restaurants.

Booker currently lists approximately 18,000 product lines, comprising an extensive range of branded and own label grocery, fresh and frozen food, beers, wines, spirits, tobacco and non-food items. The Booker group trades as Booker Wholesale, Makro, Booker Direct, Classic Drinks, Ritter Courivaud and Booker India (together the "Booker Group"). The Booker Group owns the Premier, Budgens, Londis and Family Shopper retail symbol fascias.

### **dunnhumby**

Founded in 1989, dunnhumby, which is wholly owned by Tesco, uncovers and applies customer insight to create more personalised shopper experiences.

dunnhumby helps its clients and their suppliers to make strategic decisions based on customer behaviour, through a mix of technology, software and consulting. It enables businesses to deliver tailored experiences for their customers, both on and offline thereby providing more value and loyalty-building experiences. dunnhumby helps companies compete in the modern data-driven economy and its insights help its clients to stock the right products, optimise prices, run relevant promotions, and communicate personalised offers for customers across all contact channels to drive sales and margin.

dunnhumby employs almost 2,000 people in offices across the United Kingdom and the ROI, Europe, Asia, South Africa and the Americas working for well-known brands such as Tesco, Coca-Cola, Whole Foods Market, Procter & Gamble, and L'Oreal. The dunnhumby group also includes social marketing and advocacy experts BzzAgent and the programmatic display advertising business Sociomantic.

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<sup>18</sup> Source: Tesco and Booker merger rule 2.7 announcement dated 27 January 2017 and the Grocer Top 30 Wholesalers Report 2016.



## Internet Shopping

Tesco was the United Kingdom's first food retailer to offer grocery home shopping. Its grocery home shopping website sells food, drink, baby, pet and household products.

Tesco Direct offers non-food products on-line to consumers including homeware, furniture, toys, electronics and sporting goods. Tesco Direct has faced a number of significant challenges, including high costs for fulfilment and online marketing, which have prevented it from delivering a sustainable offer as a standalone non-food business. As a result, on 22 May, 2018, Tesco announced that Tesco Direct will cease trading on 9 July, 2018, and, as part of this, the intention is to close the fulfilment centre at Fenny Lock in Buckinghamshire, which handles Tesco Direct orders. Tesco remains committed to bringing a range of general merchandise to its customers, both in-store and online at Tesco.com, creating a simpler online experience for customers, allowing them to purchase general merchandise, clothing and groceries all in one place. There are no other changes to the Tesco grocery home shopping service resulting from the announcement of the closure of Tesco Direct.

## Telecoms

Tesco operates Tesco Mobile, a 50:50 joint venture between Tesco and Telefonica UK. The company sells exclusively Tesco Mobile branded services in Tesco stores, online through TescoMobile.com and via telesales. Tesco Mobile leverages the Tesco retail network and brand and provides mobile services across the UK using O2's technology and mobile network. Tesco Mobile has over five million customers, and operates from over 480 Tesco stores in the United Kingdom. In 2018, the brand won the uSwitch Best Customer Service award and is a 2018 Which? Recommended Mobile Provider. In Ireland, with effect from 27 October 2017, Tesco has operated its Tesco Mobile business itself, having previously been a joint venture.

## Capital Expenditure

During the financial year ended 24 February, 2018, Group capital expenditure (excluding property buybacks) was £1.1 billion (a decrease of £0.1 billion on the previous year), reflecting the Group's disciplined approach to capital spending and focus on delivering attractive returns.

As at 24 February, 2018, the Group held 87,552 million square feet of space (excluding franchise stores), a decrease of 1,185 million square feet<sup>19</sup> on the previous year.

## Board of Directors of Tesco

The current directors of Tesco, as at the date of this Offering Circular, are, and their functions and principal activities outside Tesco, where these are significant with respect to the Group, as at the date of this Offering Circular, were, as follows:

Name of Director	Role	Principal activities outside Tesco
John Allan	Non-executive Chairman	<ul style="list-style-type: none"><li>Chairman of Barratt Developments PLC;</li><li>Chairman of London First; and</li><li>Vice President of the Confederation of British Industry.</li></ul>
Mark Armour	Independent Non-executive Director	<ul style="list-style-type: none"><li>Non-executive director of the Financial Reporting Council; and</li><li>Member of the Takeover Panel (from 1 May 2018).</li></ul>
Stewart Gilliland	Independent Non-executive Director	<ul style="list-style-type: none"><li>Senior Independent Director of Mitchells &amp; Butlers plc;</li><li>Non-executive director of C&amp;C Group plc;</li><li>Non-executive director of Curious Drinks Ltd; and</li><li>Director of Nature's Way Foods Ltd.</li></ul>
Steve Golsby	Independent Non-	<ul style="list-style-type: none"><li>Non-executive director of RMA Group;</li></ul>

<sup>19</sup> Excludes franchise stores.

	executive Director	<ul style="list-style-type: none"> <li>• Advisor to Thai Union Group PLC; and</li> <li>• Honorary Investment Advisor to the Thailand Board of Investment.</li> </ul>
Byron Grote	Independent Non-executive Director	<ul style="list-style-type: none"> <li>• Vice Chairman of the Supervisory Board of Akzo Nobel NV;</li> <li>• Non-executive director of Anglo American PLC; and</li> <li>• Non-executive director of Standard Chartered PLC.</li> </ul>
Dave Lewis	Group Chief Executive	<ul style="list-style-type: none"> <li>• Member of the Governance Committee of the Consumer Goods Forum; and</li> <li>• Chair of Champions 12.3, a UN programme seeking to add momentum to the achievement of the UN Sustainable Development Target 12.3 by 2030.</li> </ul>
Mikael Olsson	Independent Non-executive Director	<ul style="list-style-type: none"> <li>• Non-executive director of Ikano S.A.;</li> <li>• Non-executive director of Lindengruppen AB;</li> <li>• Non-executive director of The Royal Schiphol Group; and</li> <li>• Member of the Nominations Committee of Volvo Cars AB.</li> </ul>
Deanna Oppenheimer	Senior Independent Director	<ul style="list-style-type: none"> <li>• Chair of Hargreaves Lansdown plc;</li> <li>• Non-executive director of AXA Group;</li> <li>• Non-executive director of Whitbread PLC;</li> <li>• Non-executive director of Joshua Green Corp;</li> <li>• Founder of CameoWorks LLC; and</li> <li>• Senior advisor to Bain &amp; Company.</li> </ul>
Simon Patterson	Independent Non-executive Director	<ul style="list-style-type: none"> <li>• Managing Director of Silver Lake Partners;</li> <li>• Board member of Dell and FlixBus;</li> <li>• Trustee of the Natural History Museum; and</li> <li>• Trustee of the Royal Foundation of the Duke and Duchess of Cambridge and Prince Harry.</li> </ul>
Alison Platt	Independent Non-executive Director	N/A
Lindsey Pownall	Independent Non-executive Director	<ul style="list-style-type: none"> <li>• Non-executive director of Meadow Foods Limited;</li> <li>• Non-executive director of Story Contracting Limited; and</li> <li>• Non-executive director of Story Homes Limited.</li> </ul>
Alan Stewart	Chief Financial Officer	<ul style="list-style-type: none"> <li>• Non-executive director of Diageo plc;</li> <li>• Non-executive director of Tesco Bank;</li> <li>• Member of the Advisory Board, Chartered Institute of Management Accountants; and</li> <li>• Member of the Main Committee and Chairman of the Pension Committee of the 100 Group of Finance Directors.</li> </ul>
Charles Wilson	CEO, UK & ROI	N/A

The business address of each of the above is Tesco House, Shire Park, Kestrel Way, Welwyn Garden City, United Kingdom, AL7 1GA.

Except as described in the next paragraph, there are no potential or actual conflicts of interest between the private interests or other duties of the Directors of Tesco and their duties to Tesco.

All of the Non-Executive Directors are also directors of companies with which a member of the Group

has or may have a business relationship and, as a result, may have potential conflicts of interest between their duties to Tesco and their duties to the companies of which they are directors. For example, a potential conflict of interest could arise if a Director is called upon to vote in relation to a transaction between Tesco and a company of which he or she is a director.

The Board of Directors monitors potential and actual conflicts of interest and has processes to deal with them. Directors of Tesco are required to disclose potential and actual conflicts of interest to the Board and the Board addresses potential and actual conflicts in accordance with legal requirements. Tesco maintains a register of authorised conflicts of interest which is reviewed annually by the Nominations and Governance Committee. If such conflicts exist, the Directors of Tesco excuse themselves from consideration of the relevant matter.

As a matter of English law, each director of Tesco is under a duty to act honestly and in good faith with regard to the best interests of Tesco, regardless of any other directorships such director may hold.

### **Audit Committee**

The Audit Committee's primary responsibilities are to review the financial statements; to monitor the Group's financial reporting processes; to review the internal control systems including risk management; to review the internal audit programme; to consider the appointment of the external auditors, their fees and their independence; to review the Group's declaration of any proposed interim and final dividends; to review business continuity plans, whistleblowing arrangements and processes for the prevention of fraud, bribery and corruption; and to review the Audit Committee's own effectiveness. The members of the Audit Committee as at the date of this Offering Circular, are:

B. Grote (*Committee Chairman*)  
M. H. Armour  
S. Patterson

### **Corporate Governance**

Tesco complies in all material respects with the United Kingdom Corporate Governance regime applicable to it.

### **Historic accounting practices and overstatement of expected profits**

On 10 April, 2017, the Group announced that its subsidiary, Tesco Stores Limited ("TSL"), had obtained Court approval and entered into a Deferred Prosecution Agreement (the "DPA") with the UK Serious Fraud Office ("SFO") regarding historic accounting practices. The DPA relates to false accounting by Tesco's subsidiary, TSL, between February 2014 and September 2014. The DPA is a voluntary agreement under which TSL will not be prosecuted provided the business fulfils certain requirements, including paying a financial penalty of £129 million. The SFO commenced an investigation into accounting policies at the Group on 29 October, 2014.

On 23 August, 2017, the Tesco Compensation Scheme (the "Compensation Scheme") opened for eligible shareholders and bondholders. The establishment of the Compensation Scheme followed an agreement between the Group and the FCA to a finding of market abuse in relation to its trading statement announced on 29 August, 2014. In making its finding, the FCA expressly stated that it is not suggesting that the Tesco PLC Board of Directors knew, or could reasonably be expected to have known, that the information contained in that trading statement was false or misleading. The Group has agreed with the FCA (under its statutory powers) to establish the Compensation Scheme which will compensate certain net purchasers of Tesco ordinary shares and listed bonds between 29 August, 2014 and 19 September, 2014 inclusive. Tesco's audited Annual Report and Financial Statements for the financial year ended 24 February, 2018, set out that the Group had taken a total exceptional charge of £(235) million in respect of the DPA and the FCA obligations, including £(85) million for the Compensation Scheme in the 52 weeks to 25 February, 2017. With the Compensation Scheme now closed to new claimants, £25 million relating to the Compensation Scheme was released in the 52 weeks to 24 February, 2018. Outstanding claims submitted before the 22 February, 2018 deadline are still being processed. Tesco has appointed KPMG LLP to administer the Compensation Scheme, with oversight from the FCA.

## **Litigation**

Law firms in the UK have formed or have announced the intention of forming claimant groups to commence litigation against the Group for matters arising out of or in connection with its overstatement of profits in 2014, and purport to have secured third party funding for such litigation. In this regard, the Group has received two High Court claims against Tesco PLC. The first was received on 31 October, 2016 from a group of 112 investors (now reduced to 78 investors as at the date of this Offering Circular) 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 Group of any such litigation that either has been or might potentially be brought against the Group is subject to a number of significant uncertainties and therefore, the Group cannot make any assessment of the likely outcome or quantum of any such litigation as at the date of this Offering Circular.

In August 2017, the Group's appeal was upheld in the First-Tier Tribunal (Tax) on a dispute with HMRC relating to VAT on costs incurred to reward partners under the Tesco Clubcard scheme. As a result of the decision of the First-Tier Tribunal (Tax), the Group recovered VAT and interest of £160 million for the periods up to 25 February, 2017 and a further £12 million is recoverable in relation to the 52 weeks ended 24 February, 2018. HMRC has commenced an appeal against the decision of the First-Tier Tribunal (Tax). The Group has recognised a provision of £176 million for these amounts plus penalty interest, which would be due if HMRC were to be successful in their appeal. The ultimate outcome of the litigation remains uncertain.

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

TSL has received claims from current and former Tesco store colleagues alleging that their work is of equal value to that of colleagues working in the Tesco 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 Group of any such litigation is subject to a number of significant uncertainties and therefore, the Group cannot make any assessment of the likely outcome or quantum of any such litigation at the date of this disclosure. There are substantial factual and legal defences to these claims and the Group intends to defend them.

## **Korean Disposal**

Prior to the disposal of its Korean operations ("Homeplus"), Tesco provided guarantees in respect of 13 Homeplus lease agreements in Korea in the event of termination of the relevant lease agreement by the landlord due to Homeplus' default. Entities controlled by MBK Partners and Canada Pension Plan Investment Board, as the purchasers of Homeplus, undertook to procure Tesco's release from these guarantees following the disposal of Homeplus, of which 8 currently remain outstanding as at the date of this Offering Circular. This liability decreases over time with all relevant leases expiring in the period between 2026 and 2033. Tesco has the benefit of an indemnity from the purchasers of Homeplus for any claims made under such guarantees. The maximum potential liability under the lease guarantees as at 24 February, 2018, is between KRW366 billion (£243 million) and KRW517 billion (£344 million).

## **Recent Developments**

On 2 July, 2018, Tesco and French retailer Carrefour announced their intention to enter into a long-term, strategic alliance which will cover the strategic relationship with global suppliers, the joint purchasing of own brand products and goods not for resale. It will be governed by a three-year operational framework, which is expected to be formally agreed within the two months following 2 July, 2018.

## TAXATION

### UNITED KINGDOM TAXATION

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuers' understanding of current law and HM Revenue & Customs ("HMRC") published practice in the United Kingdom as at the date of this Offering Circular relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are or may be unsure as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom should seek their own professional advice.

#### Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction or withholding for or on account of United Kingdom income tax provided that the Notes carry a right to interest and are and continue to be listed on a recognised stock exchange within the meaning of section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where the maturity of the Notes is less than 365 days after issue and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any available exemptions and reliefs, including an exemption for certain payments of interest to which a company within the charge to United Kingdom corporation tax is beneficially entitled (unless HMRC direct otherwise). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the relevant Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Depending on the correct analysis of payments in respect of the Notes made by the Guarantor (in the case of Guaranteed Notes) as a matter of United Kingdom tax law, it is possible that such payments by the Guarantor which have a United Kingdom source would be subject to withholding on account of United Kingdom income tax, subject to any applicable exemptions or reliefs. Such payments by the Guarantor may not be eligible for the exemptions or reliefs described above.

#### THE PROPOSED FINANCIAL TRANSACTIONS TAX ("FTT")

On 14 February, 2013, the European Commission published a proposal (the "Commission's Proposal") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (each, other than Estonia, a "participating Member State"). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Notes (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article (5)(c) of Regulation (EC) No 1287/2006 are expected to be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional Member States may decide to participate.

Prospective Noteholders are advised to seek their own professional advice in relation to the FTT.

#### **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as "FATCA", a foreign financial institution (as defined by FATCA) may be required to withhold on certain payments it makes ("foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. The Issuers may be foreign financial institutions for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as Notes, such withholding would not apply prior to 1 January, 2019 and Notes characterised as debt for U.S. federal income tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of an Issuer). However, if additional Notes (as described under "Terms and Conditions—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisers regarding how these rules may apply to their investment in Notes.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement dated 6 July, 2018 (as modified and/or supplemented and/or restated from time to time, the "Dealer Agreement") agreed with the Issuers and the Guarantor a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under "Form of the Notes" and "Terms and Conditions of the Notes" above. In the Dealer Agreement, the Issuers (failing which (in the case of Guaranteed Notes) the Guarantor) have agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to the registration requirements of the Securities Act.

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes, (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part, within the United States or to, or for the account or benefit of, U.S. persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering of any Tranche of Notes, an offer or sale of such Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. Treasury regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes) will identify whether TEFRA D rules apply or whether TEFRA is not applicable.

Each issue of Exempt Notes which are also Index Linked Notes and Dual Currency Notes shall be subject to such additional U.S. selling restrictions as the relevant Issuer and the relevant Dealer shall agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Pricing Supplement. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional U.S. selling restrictions.

### Prohibition of Sales to EEA Retail Investors

Unless the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms (or, in the case of Exempt Notes, the Pricing Supplement) in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:
  - (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "MiFID II"); or

- (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "Insurance Mediation Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
  - (iii) not a qualified investor as defined in the Prospectus Directive (where "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

If the Final Terms in respect of any Notes (or Pricing Supplement, in the case of Exempt Notes) specifies "Prohibition of Sales to EEA Retail Investors" as "Not Applicable", in relation to each Member State of the EEA which has implemented the Prospectus Directive (each a "Relevant Member State"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "Relevant Implementation Date") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Final Terms (or Pricing Supplement, in the case of Exempt Notes) in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the relevant Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (a) to (c) above shall require the relevant Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, (i) the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, (ii) the expression "Prospectus Directive" means Directive 2003/71/EC of 4th November, 2003 of the European Parliament and the Council of the European Union (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

## **United Kingdom**

Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Notes having a maturity of less than one year from the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue or sale of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the relevant Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the relevant Issuer or (in the case of Guaranteed Notes) the Guarantor; and



- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "FIEA") and each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan pursuant to an exemption from the registration requirements of and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Belgium**

Other than in respect of Notes for which "Prohibition of Sales to Belgian Consumers" is specified as "Not Applicable" in the applicable Final Terms (or Pricing Supplement, in the case of Exempt Notes), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that an offering of Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article 1.1 of the Belgian Code of Economic Law, as amended from time to time (a "Belgian Consumer") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Notes, directly or indirectly, to any Belgian Consumer.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuers, the Guarantor and any other Dealer shall have any responsibility therefor.

None of the Issuers, the Guarantor and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

### Authorisation

The updating of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of TCTS dated 27 April, 2018. The updating of the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of Tesco dated 23 February, 2018. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 23 February, 2018.

### Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Such application is expected to be granted on or around 12 July, 2018.

### Clearing Systems

The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms (or the applicable Pricing Supplement, in the case of Exempt Notes). If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms or Pricing Supplement.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

### Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the relevant Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### Significant or Material Change

There has been no significant change in the financial or trading position of TCTS or of Tesco since 24 February, 2018, or of the Group since 24 February, 2018 and there has been no material adverse change in the financial position or prospects of TCTS, of Tesco or of the Group since 24 February, 2018.

### Material Contracts

None of the Issuers, the Guarantor or any of their respective subsidiaries has entered into any material contracts outside the ordinary course of business which could result in it being under an obligation or entitlement which is, or may be, material to the ability of the Issuers or (in the case of Guaranteed Notes) the Guarantor to meet their respective obligations in respect of the Notes.

### Governmental, Legal and Arbitration Proceedings

Except as set out in this Offering Circular on page 84 under the heading "Korean Disposal" and on page 84 under the heading "*Litigation*", there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuers or the Guarantor are aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuers, the Guarantor or the Group.

## **Auditors**

Deloitte LLP audited the accounts for TCTS for the 52 weeks ended 24 February, 2018 and the consolidated accounts for the Group for the 52 weeks ended 24 February, 2018. Deloitte LLP also audited the accounts for TCTS for the 52 weeks ended 25 February, 2017 and the consolidated accounts for the Group for the 52 weeks ended 25 February, 2017, in each case in accordance with the generally accepted auditing standards in the United Kingdom and reported thereon without qualification.

Deloitte LLP does not have a material interest in TCTS or Tesco.

## **Trust Deed**

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on the liability (monetary or otherwise) of the Auditors or such other expert.

## **Documents Available**

For the period of 12 months following the date of this Offering Circular, copies of the following documents will, when published (if applicable), be available from the registered office of the relevant Issuer and from the specified office of the Paying Agents:

- (i) the Memorandum and Articles of Association of each of the Issuers and the Guarantor;
- (ii) the independent auditors' report and audited non-consolidated financial statements of TCTS for the 52 weeks ended 24 February, 2018;
- (iii) the independent auditors' report and audited non-consolidated financial statements of TCTS for the 52 weeks ended 25 February, 2017;
- (iv) the independent auditors' report and audited consolidated financial statements of Tesco for its financial year ended 24 February, 2018;
- (v) the independent auditors' report and audited consolidated financial statements of Tesco for its financial year ended 25 February, 2017;
- (vi) the Schedule of Forms (containing the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Receipts, the Coupons and the Talons);
- (vii) this Offering Circular;
- (viii) any future offering circulars, prospectuses or information memoranda in respect of the Notes, any supplements thereto and any Final Terms and Pricing Supplements (in the case of Exempt Notes) (save that Pricing Supplements will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding and identity) and any other documents incorporated herein or therein by reference; and
- (ix) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

## **Dealers Transacting with the Issuers and the Guarantor**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuers, the Guarantor and their affiliates in the ordinary course of business. Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuers, the Guarantor and their respective affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuers, the Guarantor or their respective affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuers and/or the Guarantor, routinely hedge their credit exposure

to the Issuers and the Guarantor consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

**REGISTERED HEAD OFFICES OF THE ISSUERS AND THE GUARANTOR**

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**PAYING AGENT**

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*To the Dealers and the Trustee*

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Independent Auditors

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