

## 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 8629715)*

**£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 17th July, 1997 Tesco PLC ("Tesco") established a Euro Note Programme (the "Programme"). On 28th June, 2012 Tesco Treasury Services PLC replaced Tesco as the issuer under the Programme. On 23 August, 2013 Tesco Corporate Treasury Services PLC ("TCTS") and Tesco (each an "Issuer" and together the "Issuers") replaced Tesco Treasury Services PLC to become 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 the Markets in Financial Instruments Directive ("Directive 2004/39/EC").

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 and/or offered to the public in the European Economic Area other than in circumstances where an exemption is available under Article 3.2 of the Prospectus Directive (as implemented in the relevant Member State(s)). 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 45) 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, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and 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 44). 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 Directive 2004/39/EC) 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 (P)Baa1 (senior unsecured) / (P)P-2 (short-term) by Moody's Investors Service Limited ("Moody's") and BBB+ by Standard & Poor's Credit Market Services Europe Limited ("S&P"). In addition, Tesco PLC has a long-term issuer default rating of BBB+ and a short-term issuer default rating of F2 by Fitch Ratings Limited ("Fitch"), a long-term issuer rating of Baa1 and a short-term issuer rating of P-2 by Moody's and a long-term issuer rating of BBB+ and a short-term issuer rating of A-2 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 and S&P. 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.

**Arranger**

**DEUTSCHE BANK**

**Dealers**

**BARCLAYS**

**CITIGROUP**

**GOLDMAN SACHS INTERNATIONAL**

**J.P. MORGAN CAZENOVE**

**SANTANDER GLOBAL BANKING & MARKETS**

**UBS INVESTMENT BANK**

**BNP PARIBAS**

**DEUTSCHE BANK**

**HSBC**

**MITSUBISHI UFJ SECURITIES**

**THE ROYAL BANK OF SCOTLAND**

The date of this Offering Circular is 23 August, 2013.

## 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 Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area (the “Prospectus Directive”).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on page 7 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, société anonyme (“Clearstream, Luxembourg”) and Euroclear Bank S.A./N.V. (“Euroclear”) and/or any other agreed clearing system and which will be exchangeable, as specified in the applicable Final Terms, 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 44) 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).

### **IMPORTANT INFORMATION**

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 the Republic of France) and Japan (see “Subscription and Sale” below).

This Offering Circular has not been submitted to the clearance procedures of the *Autorité des marchés financiers* of France. Notes acquired under the Programme cannot be distributed directly or indirectly to the public in France otherwise than in accordance with articles L. 411-1, L. 411-2, L.412-1 and L. 621-8 to L. 621-8-3 of the French *Code Monétaire et Financier*.

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).

This Offering Circular has been prepared on a basis that would permit an offer of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) only in circumstances where there is an exemption from the obligation under the Prospectus Directive to publish a prospectus. As a result, any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”) must be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Notes. Accordingly any person making or intending to make an offer of Notes in that Relevant Member State may only do so in circumstances in which no obligation arises for 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, in each case, in relation to such offer. Neither the relevant Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Notes in circumstances in which an obligation arises for the relevant Issuer or any Dealer to publish or supplement a prospectus for such offer.

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 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 "Stabilising Manager(s)") (or persons acting on behalf of any Stabilising 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, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. 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 be ended 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 Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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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 the Prospectus Directive (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:	<p>Tesco PLC ("Tesco")</p> <p>Tesco is a public limited company organised under the laws of England and Wales. Tesco and its consolidated subsidiaries (the "Group") is the leading food retailer in the United Kingdom and the Republic of Ireland. Tesco is the overall holding company of the Group.</p> <p>Tesco's shares are listed on the London Stock Exchange. As at 23rd February, 2013<sup>*</sup>, the Group operated an aggregate of 6,784 stores worldwide.</p> <p>For the financial year ended 23rd February, 2013, Group sales (including value added tax and excluding the effects of IFRIC 13) were £72 billion and underlying profit before taxation<sup>**</sup> was £3.5 billion.</p> <p>Tesco Corporate Treasury Services PLC ("TCTS")</p> <p>TCTS is a public limited company organised under the laws of England and Wales.</p> <p>TCTS is a finance vehicle for members of the Group (as defined below). The sole function of its business is to raise funds for the purpose of on-lending those funds to other members of the Group.</p>
Guarantor:	<p>Tesco PLC (in respect of Guaranteed Notes)</p>
Risk Factors:	<p>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 the case of TCTS, these include that it acts as a finance vehicle for members of the Group. In the case of Tesco, these include that it is the holding company of the Group, investors are relying solely on the creditworthiness of the relevant Issuer and (in the case of Guaranteed Notes) the Guarantor, business strategy, financial strategy and Group treasury risk, performance risk in the business, operational threats to the business, financial services risks, competition and consolidation, property, people capabilities, reputational risk, environmental risks, product safety, health and safety, fraud,</p>

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<sup>\*</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 financial year ended 23rd February, 2013.

<sup>\*\*</sup> Underlying profit excludes the impact of non-cash elements of IAS 17, 19, 32 and 39 (principally the impact of annual uplifts in rents and rent-free periods, pension costs, and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition (Tesco Bank) and acquisition costs, and the non-cash impact of IFRIC 13 (Customer Loyalty Programmes). It also excludes restructuring and other one-off costs (relating to Asia, Europe and Tesco Bank).

compliance and internal controls, Information Technology systems and infrastructure, economic, regulatory and political risks, business continuity and crisis management, pension risks and joint venture governance and partnerships. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme, see "Risk Factors".

Description:	Euro Note Programme
Arranger:	Deutsche Bank AG, London Branch
Dealers:	Banco Santander, S.A. Barclays Bank PLC BNP Paribas Citigroup Global Markets Limited Deutsche Bank AG, London Branch Goldman Sachs International HSBC Bank plc J.P. Morgan Securities plc Mitsubishi UFJ Securities International plc The Royal Bank of Scotland plc UBS 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 "Subscription and Sale").
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:	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.

At the date of this Offering Circular, the minimum maturity of all

Notes is one month.

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 “Subscription and Sale” on pages 78 to 80).

**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, société anonyme (“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:

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.

**Index Linked Notes:** 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.

**Dual Currency Notes:** 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.

**Partly Paid Notes:** 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.

**Notes redeemable in instalments:** 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.

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.

Redemption:

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.

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).

Notes having a maturity of less than one year from their date of issue are subject to restrictions on their distribution and denomination (see "Maturities" above).

Denomination of Notes:	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 "Maturities" 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 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 <i>pari passu</i> 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 "Terms and Conditions of the Notes – 16. Substitution" and the Trust Deed.
Rating:	The Programme has been rated (P)Baa1 (senior unsecured) / (P)P-2 (short-term) by Moody's and BBB+ 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 Directive 2004/39/EC).
- 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 Directive 2004/39/EC).
- 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 the Republic of France) 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 78 to 80.
- 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. 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. 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*

TCTS is a finance vehicle for members of the Group. 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. TCTS's only material assets will be each relevant member of the Group's obligation to repay such funds to it. 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. See "Factors that may affect Tesco's ability to fulfil its obligations under Notes issued under the Programme and/or (in the case of Guaranteed Notes) the Guarantee" below for a further description of certain of these risks. Proceeds from Notes issued under the Programme will be on-lent to other members of the Group, 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 in respect of the loans made to them by TCTS.

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

*Tesco is the holding company of the Group*

Tesco is the holding company of the Group. As a holding company, 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 payments (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/or (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 these subsidiaries their claims to the assets of the subsidiaries that generate Tesco's income are subordinated to the creditors of these 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.

#### *Business strategy*

If the Group's strategy follows the wrong direction or is not effectively communicated or implemented, then its business may suffer.

The Group has a seven-part long term strategy which aims to broaden the scope of the business to enable it to deliver strong, sustainable long term growth for all stakeholders. The strategy is: (i) to grow the core United Kingdom (the "UK") business, (ii) to be an outstanding international retailer in stores and online, (iii) to be as strong in everything the Group sells as the Group is in food, (iv) to grow retail services in all of the Group's markets, (v) to put responsibilities to the communities served at the heart of what the Group does, (vi) to be a creator of highly valued brands and (vii) to build the Group's team so that it can create more value.

The Group strives to continuously improve the way in which it operates and the shopping experience of its customers, as well as making an effort to stay close to the needs of its customers. These are fundamental aspects of the Group's strategy. The central focus of the Group's business model is and has always been a combination of scale and growth. The Group's focus on buying the right products and selling these products efficiently is designed to maintain its competitiveness for its customers. Combining these factors effectively will allow the Group to offer its products at an attractive price, which is likely to result in increased sales and continued growth in its customer base. The Group is able to generate mutually beneficial economies of scale with suppliers through increased sales volume, which in turn allows the Group to invest in developing products and business.

Diversification and pursuit of growth in emerging markets under the Group's strategy is reducing reliance on limited business areas. However, by its very nature, diversification also introduces new risks to be managed in areas of the business that are less mature and fully understood.

To ensure the Group continues to pursue the right strategy, the board of directors of Tesco (the "Board") and the executive committee of Tesco (the "Executive Committee"), which Executive Committee is chaired by the Group CEO, regularly review strategic matters. The Board dedicates two full days a year to reviewing the Group's strategy. The Executive Committee also holds specific sessions to discuss strategic issues on a regular basis. The Executive Committee has a structure of sub-committees, which assist with its work and ensure strategic choices are properly considered, new growth opportunities are fully discussed and progress against the Group's priorities are reviewed. The sub-committees comprise the Group Commercial, Compliance, Digital Retailing, Technology, People Matters Group, Property Strategy and Social Responsibility Committees. The Group also invests significant resources in ensuring its strategy is communicated well and understood by the parties who are key to delivering it and has developed operational plans throughout the Group to ensure delivery. The business operates a "Steering Wheel" - a balanced scorecard process whereby it sets goals for different areas of its business and assesses its overall progress in all countries and significant business units to help manage performance and deliver business strategy. The Group also operates structured stakeholder engagement programmes.

#### *Financial strategy and Group treasury risk*

If the Group's financial strategy is incorrect or unclear, this could have an adverse effect on its financial position. The main financial risks of the Group relate to the availability of funds to meet business needs, fluctuations in interest and foreign exchange rates and credit risks relating to the risk of default by parties to financial transactions.

The ability of the Group to fund its day-to-day business commitments and to refinance its maturing borrowings may be impacted by a variety of events beyond its control including credit events, corporate

activity and market dislocation. Such risks are heightened by any turbulence in the financial markets and the prevailing conditions from time to time of the global economic environment.

The Board and Executive Committee regularly review the Group's financial strategy, risks and financial performance. Consistent operational plans and budgets are developed throughout the Group to ensure the delivery of financial plans, which are also monitored through the Steering Wheel balanced scorecard system.

An Annual Finance Plan and General Board Authority set out the controls and authority limits for all Treasury matters. The Group has a Balance Sheet Committee which meets regularly to monitor treasury risks, manage the liquidity needs of the business and review gearing and net debt management of the Group. An annual treasury review is carried out by the Executive Committee.

The Group's treasury function is mandated by the Board to manage the financial risks that arise in relation to underlying business needs. The function has comprehensive treasury policies and controls around the use of financial instruments, hedging, liquidity, bank account management and the segregation of duties between the Group's back and front offices. The function does not operate as a profit centre and the undertaking of speculative transactions is not permitted. The function may use derivative financial instruments to hedge the interest rate and currency risks arising from the Group's operations and financing but within specified parameters and not for any speculative purposes.

#### *Performance risk in the business*

There is a risk that the Group's business may underperform against its plans and against its competitors, particularly since, like all retailers, the business is susceptible to economic downturn that could affect consumer spending.

The Board, the Executive Committee and various operational committees, including the UK Operating Board, meet regularly to review performance risks. All of the Group's business units have stretching targets based on the Steering Wheel balanced scorecard system, and the performance of all business units against budget and KPIs is monitored continually and reported to the Board. Clear budgets, goals and objectives are set for subsidiary CEOs, with a high proportion of reward based on achievement.

The Group's diversification strategy minimises the impact of changes in the economic climate.

#### *Operational threats to the business*

There is a risk that the Group fails to maintain an optimum level of investment in capital, revenue or people and thus is limited in its ability to serve customers and grow.

Operational threats are reviewed regularly by the Board, the Executive Committee, UK Trading Group and various operation committees. Tesco's governance committees, including Compliance Committees, guide and monitor policies. As referred to above, all business units have operation targets based on the Steering Wheel balanced scorecard system and Key Performance Indicators are monitored and reported regularly to the Board. Tesco's People Matters Group regularly reviews talent planning, appointments and new roles. The Group's diversification strategy minimises the impact of changes in the economic climate.

#### *Financial services risks*

Through Tesco Personal Finance PLC ("Tesco Bank"), the Group is subject to certain risks relating to the personal financial services industry in the UK.

##### (i) The Prudential Regulation Authority and Financial Conduct Authority

Tesco Bank is subject to significant legislative and regulatory oversight. In particular, Tesco Bank is subject to supervision by the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), which have substantial powers of intervention over Tesco Bank and its business. Tesco Bank is required to satisfy certain capital adequacy requirements and liquidity ratios as well as a number of other regulatory requirements. If Tesco Bank is unable or fails to satisfy these requirements, it could lose its licence and, consequently, its ability to transact business.

The PRA and FCA also have a number of powers which they can exercise directly against unregulated holding companies, including the holding company of Tesco Bank.

##### (ii) The Banking Act 2009

Under the Banking Act 2009 (the "2009 Act"), actions may be taken by the UK Treasury (the "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 UK institution with permission to accept deposits under the Financial Services and Markets Act 2000 (the "FSMA") (such as Tesco Bank), and certain other UK regulated institutions (each a "UK Bank"), has encountered, or is likely to encounter, financial difficulties. The 2009 Act gives the Treasury certain wide powers to support the implementation of the stabilisation measures contemplated by the 2009 Act.

These powers, which apply regardless of any contractual restrictions, include (a) the power to issue share transfer instruments or orders pursuant to which there may be transferred to a commercial purchaser or a nominee of or a company wholly owned by the Treasury, all or some of the securities (as defined in Section 14 of the 2009 Act) issued by a UK Bank; the share transfer order can extend to a wide range of "securities" including shares and bonds issued by a UK Bank or its holding company and warrants for such shares and bonds and (b) the power to transfer all or some of the property, rights and liabilities of a UK Bank to a commercial purchaser or Bank of England entity. In certain circumstances encumbrances and trusts can be over-reached or varied. Power also exists to over-ride any default provisions in transactions otherwise affected by these powers. Compensation may be payable in the context of share transfer instruments and orders and property transfer instruments. In addition, certain of these powers may be directly exercised in respect of a holding company of a UK Bank. The Government has, however, previously indicated that it intends to limit the use of these powers to financial groups, being a group where the business of the holding company, or its subsidiaries, is primarily financial services. The 2009 Act also includes provisions relating to two new insolvency procedures which may be commenced by specified UK authorities (bank insolvency and bank administration).

The 2009 Act also vests power in the Bank of England to over-ride, vary or impose contractual obligations between a UK 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 UK Bank, or its holding company, to operate effectively. There is also power for the Treasury to amend the law (save for a provision made by or under the 2009 Act) by order for the purpose of enabling the special resolution regime powers to be used effectively, potentially with retrospective effect. The 2009 Act also gives power to the Treasury to make further amendments to the law by order for the purpose of enabling it to use the special resolution regime powers effectively, potentially with retrospective effect.

Exercise of powers under the 2009 Act might have a material adverse effect on all or part of Tesco Bank's business and/or the business of its holding company.

### (iii) The Recovery and Resolution Directive

On 6th June, 2012, the European Commission proposed a Directive on a comprehensive framework for the recovery and resolution of credit institutions (which would include Tesco Bank) and investment firms (the "Recovery and Resolution Directive", also known as the "Crisis Management Directive"). The proposals under the Recovery and Resolution Directive include the requirement for an institution to draw up a recovery plan, which sets out (amongst other things), the measures the institution will take to restore itself to financial viability in certain circumstances. Furthermore the institution will be required to prepare a detailed resolution pack which will need to be provided to regulators in order to enable them to draw up a resolution plan for the institution (both at a group and individual entity level). The recovery and resolution plans will need to be updated on an annual basis. The Recovery and Resolution Directive includes proposals giving regulators wide powers to intervene when an institution is not meeting, or is unlikely to meet, prudential requirements, including by appointing a special manager to take over management of the institution as well as a number of resolution powers which can be used by regulators to resolve the failing institution. The proposed powers are similar to the powers granted to the UK authorities under the 2009 Act as set out above, including the power to nationalise bank holding companies. However, they go beyond such powers notably by giving the authorities the power to write down the debt of a failing bank (or to convert such debt into equity) to strengthen its financial position and allow it to continue as a going concern subject to appropriate restructuring.

The Recovery and Resolution Directive has not yet been finalised and it is at this stage unclear when it will be and the form the final text will take. Exercise of the powers under the Recovery and Resolution Directive could have a material adverse effect on all or part of Tesco Bank's business and/or the business of its holding company.

#### (iv) Banking Reform Proposals

##### *Banking Reform Bill*

On 14th June, 2012, the United Kingdom government published a white paper on banking reform closely based on the recommendations of the Independent Commission on Banking. The Government has now brought forward primary legislation, the Financial Services (Banking Reform) Bill ("Bill") which implements a number of these recommendations, including requiring UK banking groups that include retail banks to make major structural changes to separate out their retail banking business from investment banking business and related activities. The Bill envisages the establishment of a retail banking "ring-fence" and increasing banks' capacity to absorb losses by requiring additional capital to be held and by introducing a statutory "bail-in" tool. The application of the "bail-in" tool will give the authorities the power to write-down or convert liabilities when the tool is used. The Bill also introduces a regime for depositor preference in relation to deposits covered by the Financial Services Compensation Scheme. The UK Government is seeking to improve competition in the banking sector and has said that it will continue to hold the banking industry to account to implement a new current account redirection service to enhance the process for individuals and small businesses to switch their bank account to a new provider.

The Bill is currently passing through the UK Parliament and it is intended that it will receive Royal Assent in February 2014 and for banks to comply with the measures by 2019. The Bill contains very little detail on separation, with implementation to be left almost entirely to secondary legislation. The UK Government recently published a consultation paper setting out the proposed secondary legislation which provides, amongst other things, that the requirement to separate retail banking business from investment banking business will not apply to UK banks holding less than £25 billion in core deposits. It is, therefore, unlikely that these requirements will apply to Tesco Bank. Nevertheless, it is unclear at this stage how the proposals will be finally implemented and as a result it is unclear what the impact will be of these proposals on Tesco Bank's business and/or the business of its holding company

##### *Report of the Parliamentary Commission on Banking Standards*

The Parliamentary Commission on Banking Standards ("PCBS") published its final report 'Changing banking for good' on 19 June 2013. The UK Government has now published its formal response and has accepted all of the PCBS's principal recommendations. The PCBS's final report contained over one hundred recommendations including introducing a new regime for regulating banks' senior management, imposing criminal sanctions on senior management for severe failings, deferral of bonuses for up to ten years and enhancing the governance arrangements within banks.

The UK Government has said that further detailed work is required in a number of areas but, where possible, changes will be incorporated into the Bill. It is unclear at this stage how the proposals will be finally implemented and as a result it is unclear what the impact will be of these proposals on Tesco Bank's business and/or the business of its holding company.

#### (v) Other Risks

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.

Tesco Bank's 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 credit risk in respect of its treasury counterparties and portfolios. In addition, in its insurance business, Tesco Bank is exposed to the insurance cycle and through its associated company, which is jointly owned with Ageas, insurance risk. More generally, there is significant competition in the financial services industry, which could adversely affect Tesco Bank's market share and profitability. Legal developments, changes in legal interpretation or precedent, and changes in public policy may result in new risks emerging in addition to those anticipated.

Because Tesco Bank is a PRA-regulated entity, its treasury function is run independently from the rest of the Group. Tesco Bank's treasury risks include, in particular, liquidity risk, funding risk and interest rate risk (in particular, in the interest rate margin realised between lending and borrowing costs). Tesco Bank is also subject to the risk of unexpected losses arising from operational failure, whether as a result of human error, systems failures, fraud or inadequate controls.



Notwithstanding anything in this risk factor, this risk factor should not be taken as implying that either of the Issuers, the Guarantor or the Group will be unable to comply with its obligations as a company with securities admitted to the Official List or as a supervised firm regulated by the Prudential Regulatory Authority and the Financial Conduct Authority.

#### *Competition and consolidation*

The retail industry is highly competitive. The Group competes with a wide variety of retailers of varying sizes and faces increased competition from UK retailers as well as from international operators in the UK and overseas.

Failure to compete with competitors on areas including price, product range, quality and service could have an adverse effect on the Group's market share and financial results.

The consolidation of competitors, key geographical areas or markets through mergers or trade agreements could also adversely impact the Group's market share.

The Group's business model is to have a broad appeal on price, range and store format to allow it to compete in different markets. The Group regularly reviews its markets, trading opportunities and competitor activities including online, through its Executive Committee, Digital Committee and Trading Groups. The Group has increased its global marketing effort to maximise the impact of its brand and intellectual property. It tracks performance against relevant key performance indicators and measures that customers tell it are critical to their shopping experience and constantly monitors customer perceptions of the Group and its competitors to ensure that it can respond quickly as appropriate. The Group also monitors legislative changes as well as the legal and compliance framework within which it operates.

#### *Property*

The Group acquires and develops property sites. Continuing acquisition and development of property sites carries inherent risk and targets to deliver new retail space may not be achieved. Challenges may arise in relation to finding suitable sites, obtaining planning or other consents and compliance with varying country design and construction standards. If the Group fails adequately to acquire and develop property sites in a manner which is beneficial to the Group's financial performance it may lose market share which may have a correspondingly material adverse effect on the Group's operations and financial results.

The Group's Property Strategy, Property Acquisition and related-Committees closely control all aspects of property acquisition, planning and construction processes to ensure standards are met and risks are minimised. The Group has adopted Group Property blueprints to ensure consistency of approach to such acquisition, planning and construction processes. The Compliance Committees of the Group and of each country monitor legal and regulatory compliance in property activities. The Group also has mall management systems in place to assist tenant management.

#### *People capabilities*

The Group's greatest asset is its employees. Failure to attract, retain, develop and motivate the best people with the right capabilities at all levels of operations could limit the Group's ability to succeed.

The Group's People Matters Group has regular meetings to review and monitor all people policies, procedures and risks. There are clear processes for understanding and responding to employees' needs through the Group's People Matters Group, colleague surveys, regular performance reviews, involvement of trade unions in relevant markets and regular communication of business developments.

The Group invests significantly in training, development and incentives including the Executive Committee Talent Cycle, Talent Planning Leadership Development and succession planning for the future needs of the business. Talent planning and people development is a key objective for each member of the Executive Committee. Pay, pension and share plan arrangements help the Group to attract and retain good people.

#### *Reputational risk*

Failure to protect the Group's reputation and brand in the face of ethical, legal or moral challenges could lead to a loss of trust and confidence. This could result in a decline in the customer base and affect the Group's ability to recruit and retain good people, which could have a material adverse effect on the Group's financial performance.

The Group does business with a large number of own brand suppliers in over 70 countries and the supply chain is made up of complex relationships from individual farmers and growers through to processors, manufacturers and distributors. There is a risk that any part of the supply chain might not adhere to the Group's high ethical standards.

To minimise this risk the Group has a partnership approach to working with suppliers, providing a certain and growing market for their products, regular payments and payments on time, and a commitment to sharing the Group's understanding of customers and changing consumer behaviour. The Group also has a programme of regular risk assessments and audits of suppliers on ethical issues to complement its compliance work on product safety, quality and capability.

Like other companies, the Group must consider potential threats to its reputation and the consequences of reputational damage. Emotional loyalty to the Tesco brand has helped the Group diversify into new areas such as retail services and non-food and the Group recognises the commercial imperative to do the right thing for all its stakeholders and avoid the loss of such loyalty.

The "Tesco Values" are embedded in the way the Group does business at every level and the Group Code of Business Conduct and Bribery Act Guidelines guide its behaviour in its dealings with customers, employees and suppliers. The Group engages with stakeholders to take into account their views and tries to ensure its strategy reflects them. Continued investment in initiatives under the Community Plan (the Group's set of community outreach programmes) and the introduction of a new Value ("We use our scale for good") reflects the Group's commitment to tackling a wide range of societal issues. The Group undertakes comprehensive supplier audits and product surveillance programmes to minimise risks associated with labour standards and product integrity. The Group has high-level committees, including its Executive. Group Commercial, Corporate Responsibility Committee, Social Responsibility, Compliance and Information Security Committee, to guide and monitor its policies.

#### *Environmental risks*

The Group's key environmental risks are related to minimising energy usage in stores and transportation, waste management, climate change and its ability to respond to consumer concerns in this area.

The Group works to mitigate the risk of climate change through energy efficiency, the sustainable management of other resources and waste minimisation. The Group is committed to supporting customers by giving them the information they need to make their own choices and engages with key stakeholders and experts in developing environmental policy.

#### *Product safety*

The safety and quality of the Group's products is of paramount importance to it as well as being essential for maintaining customer trust and confidence. A breach in confidence could affect the size of the Group's customer base and hence financial results.

The Group has detailed and established procedures operating globally to ensure product integrity. It has adopted and implemented a Group Product Policy across the business, which is monitored by its technical teams. There are controls in place around key risks including product integrity, the approval and management of supplier sites, standards in store and distribution centres, the competency of the Group's people, the management of crises, emerging issues and changes in regulatory standards. There is regular reporting to local and Group Compliance Committees on the management of risks associated with products, suppliers and operations. The Group has comprehensive product surveillance programmes in place, including the DNA traceability programme.

The Group works in partnership with suppliers to ensure mutual understanding of the standards required. The business also monitors developments in areas such as health, safety and nutrition in order to respond appropriately to changing customer trends and new legislation.

#### *Health and safety*

A failure by the Group to provide safe environments for its staff and customers could lead to injuries or loss of life and adversely affect the financial results of the Group.

The Group operates stringent processes that reflect best practice and its policies are monitored and audited regularly. The adoption of key performance indicators across the Group's business and quarterly reporting of performance against those indicators help prevent incidents. In addition, the Group Compliance Committee and business unit Compliance Committees regularly monitor compliance with relevant laws and internal policies.

### *Fraud, compliance and internal controls*

As the Group's business develops new platforms and grows in size and geographical scope, the potential for fraud and dishonest activity by the Group's suppliers, customers and employees increases.

Appropriate procedures and controls, including a Group accounting policy, key financial controls, Information Technology ("IT") access controls and the segregation of duties, are set out and audited across the business to reduce fraud risks.

The Group's Internal Audit department undertakes riskbased programmes and detailed investigations into all business areas and reports their findings to the Audit Committee of the Board. The Group's external auditors provide rotational coverage of areas of assessment of controls.

The Group gives clear behavioural guidance to employees through its Tesco Values, the Group Code of Business Conduct, policies and procedures for compliance with the UK Bribery Act 2010 and a whistleblowing service known as the "Protector Line". In addition, the Group Compliance Committee formulates and monitors implementation of, and compliance with, relevant policies and procedures with annual governance returns being completed by each business unit.

The Group's Loss Prevention and Security function monitors fraud, bribery and business continuity across the Group and reports its findings to the Audit Committee.

Store and distribution compliance and technical law and trading reviews are conducted regularly to reinforce compliance across the estate.

The Group's Information Security Committee regularly reviews IT incidents.

### *IT systems and infrastructure*

The Group's business is dependent on efficient IT systems. Any significant failure in the IT processes of its retail operations (for example barcode scanning or supply chain logistics) would impact its ability to trade. Failure to invest appropriately in IT could increase its vulnerability to attack, constrain the growth of the business and fail to safeguard personnel, supplier or customer data. The Group recognises the essential role that IT plays across its operations in allowing it to trade efficiently and that it can also achieve commercial advantage through implementing IT innovations that improve the shopping trip for customers and make life easier for employees.

The Group IT strategy is approved and reviewed by the Executive Committee to ensure that investments in IT systems and innovations improve business efficiency and customers' shopping experience. The Group Technology Committee monitors controls to maintain the integrity and efficiency of the Group's IT infrastructure and data. The Information Security Committee meets regularly to review the development and implementation of policies. There are rigorous processes in place to deal with new and modified IT system implementations and significant IT security incidents. The Group shares systems from across its international operations to ensure consistency of delivery.

### *Economic Risks*

The Group is subject to risks associated with the underlying economic environment and the fiscal measures that apply to the retail sector in each country where it operates. A failure by the Group to mitigate economic risks could limit the Group's ability to succeed and have a material adverse effect on the Group's operations and financial results.

The external economic outlook is carefully considered when developing the Group's strategy and it is continuously monitored through the Executive Committee's review of the Group's performance. In order to anticipate and deal with the continuing economic challenges faced by the Group and its customers around the world, the Group has implemented various measures, including the use of a central Euro Disaster Committee to monitor developments in the Eurozone and ongoing monitoring of country-specific developments by local CEOs. In addition, where possible, the Group seeks to engage in the development of public policy wherever it operates.

### *Regulatory and Political Risks*

The Group is subject to a wide variety of regulations in the different countries in which it operates because of the diverse nature of its business.

In each country in which it operates, the Group may be impacted by legal, regulatory and tax changes, increased scrutiny by the competition authorities and political developments relevant to domestic trade and the retail sector.

The Group carefully considers these external uncertainties when developing strategy and reviewing performance. The Group remains vigilant to future changes in the UK and abroad and monitors overseas developments through local CEOs. Legal and regulatory compliance is monitored through the Compliance Committees of the Group and of each country or business. The Group's compliance with the UK Groceries Supply Code of Practice is also monitored by its Code Compliance Officer. As part of its day-to-day operations, the Group engages with governmental and non-governmental organisations to ensure the views of its customers and employees are represented and it tries to anticipate and contribute to important changes in public policy. Business development follows thorough due diligence work.

**Business continuity and crisis management** A major incident or activism incapacitating management, systems or stores could impact on staff and the Group's ability to trade. The Group has implemented business continuity plans and crisis management plans for each business area. Disaster recovery plans are also in place for key IT systems and data centres. In addition to contingency plans, the Group has security systems and processes that reflect best practice so as to review the risks of incidents or activism across the Group, including liaison with the National Co-ordinator for Counterterrorism of the UK Metropolitan Police Service.

#### *Pension risks*

The Group's pension arrangements are an important part of its employees' overall benefits package especially in the UK. The Group sees them as a strong contributor to its ability to attract and retain good people, the Group's greatest asset.

Since the implementation of IAS 19 'Employee Benefits' there is a risk that the accounting valuation deficit (which is recorded as a liability on the Group's balance sheet) could increase if there is a fall in corporate bond yields which is not offset by an increase in the pension scheme's assets. IAS 19 requires that defined benefit pension plan obligations be measured at discounted present value (using the projected unit credit method) while plan assets are recorded at fair value, with the net obligation then recorded as a liability on the balance sheet. There are also increasing risks associated with legal and regulatory changes which will introduce more burdensome requirements.

The Group has considered its pension risks and has taken action by increasing contributions in 2012 and by reducing risk in its investment strategy. The Group has established an in-house investment capability, Tesco Pension Investment Limited, which has been approved by the then Financial Services Authority, which is now the PRA. A new Audit and Risk Pensions Committee was appointed to provide greater visibility and internal controls of pension and investment risks. There are monthly reviews of pensions risks by the Group's Pension and Treasury Directors. External advisors and the trustees of each pension fund are also fully engaged to consider the deficit and fund performance as well as legislative and regulatory changes and their impact.

#### *Joint venture governance and partnerships*

As the Group continues to enter into new partnerships and joint ventures, as well as developing existing arrangements, there remains an inherent risk in managing these partnerships and joint ventures. It is more difficult to guarantee the achievement of joint goals that affect the Group's partners and the Group relies on its partners to help achieve such goals. The Group may also be impacted by reputational issues which affect its partners. The Group chooses partners with good reputations and sets out joint goals and clear contractual arrangements from the outset. The Group monitors performance and governance of its joint ventures and partnerships.

### **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 of Notes is likely to limit their market value. 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 relevant Issuer has the right to convert the interest rate on any Notes 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 may 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. The relevant Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the relevant Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the relevant Issuer converts 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. If the relevant Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its 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.

#### **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.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC (the "Directive") on the taxation of savings income, each Member State of the European Union (each a "Member State") is required to provide to the tax authorities of any other Member State details of payments of interest or similar income paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at a rate of 35 per cent. A number of non-EU countries and territories (including Switzerland) have adopted similar

measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive. Prospective investors who are in any doubt as to their position should consult their professional advisors.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. At a meeting on 22 May 2013, the European Council called for the adoption of an amended Directive before the end of 2013.

If a payment were to be made or collected through a Member State which has opted for a withholding system or through a non-EU country which has adopted similar measures and has opted for a withholding system, or through certain dependent or associated territories which have adopted similar measures and have opted for a withholding system, and an amount of, or in respect of, tax were to be withheld from that payment, neither the relevant Issuer nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuers are required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

***Payments on the Notes may be subject to U.S. Foreign Account Tax Compliance Withholding Act withholding when paid through non-compliant custodians or other intermediaries***

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that Sections 1471 through 1474 of the U.S. Internal Revenue Code or regulations and other authoritative guidance thereunder (“FATCA”) will affect the amount of any payment received by the clearing systems. However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding and the relevant Notes are treated, for U.S. federal tax purposes, either as equity instruments or as issued after the later of (i) 1 July 2014 or (ii) the date that is six months after the publication of final regulations defining the term “foreign passthru payments” for the purposes of FATCA. FATCA may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free FATCA withholding, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Prospective investors should choose custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Prospective investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. Pursuant to the terms and conditions of the Notes, relevant Issuer’s obligations under the Notes are discharged once it has paid the common depository or common safekeeper for the clearing systems (as holder of the Notes) and neither the relevant Issuer nor any Paying Agent will be required to pay additional amounts should FATCA withholding apply to any amount transmitted through the clearing systems and thereafter through custodians or other intermediaries.

***Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination 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 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 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 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 whilst the registration application is pending. 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). 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 consolidated financial statements of Tesco PLC for its financial year ended 23rd February, 2013 (which appear on pages 71 to 125 of the 2013 annual report); and
- (b) the independent auditors' report and audited consolidated financial statements of Tesco PLC for its financial year ended 25th February, 2012 (which appear on pages 89 to 141 of the 2012 annual report),

including the information set out at the following pages in particular:

	<b>23rd February, 2013</b>	<b>25th February 2012</b>
<b>Group income statement</b>	page 72	page 90
<b>Group statement of comprehensive income</b>	page 73	page 91
<b>Group balance sheet</b>	page 74	page 92
<b>Group statement of changes in equity</b>	page 75	page 93
<b>Group cash flow statement</b>	page 76	page 94
<b>Reconciliation of net cash flow to movement in net debt note</b>	page 76	page 94
<b>Notes to the Group financial statements</b>	page 77 to (and including) page 125	page 95 to (and including) page 141
<b>Independent auditors' report</b>	page 71	page 89

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, société anonyme ("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 Euroclear and Clearstream, Luxembourg will be notified as to 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 44). 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 44) 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 44) and issued in accordance with the provisions of the Agency Agreement.

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

[Date]

**[Tesco PLC/Tesco Corporate Treasury Services PLC]  
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 23 August, 2013 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).

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: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [ ]/Issue Date/Not Applicable]
8. Maturity Date: [Fixed rate — specify date/Floating rate — 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): [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
(Applicable to Notes in definitive form.)
- (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: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (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: [ ]  
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]
<b>PROVISIONS RELATING TO REDEMPTION</b>		
16.	Notice periods for Condition 6(b)	Minimum period: [ ] days Maximum period: [ ] days
17.	Issuer Call	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount(s) and method, if any, of calculation of such amount(s):	[ ] per Calculation Amount/
(iii)	If redeemable in part:	
(a)	Minimum Redemption Amount:	[ ]
(b)	Higher Redemption Amount:	[ ]
(iv)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
18.	Investor Put	[Applicable/Not Applicable]
(i)	Optional Redemption Date(s):	[ ]
(ii)	Optional Redemption Amount:	[ ] per Calculation Amount
(iii)	Notice periods:	Minimum period: [ ] days Maximum period: [ ] days
19.	Restructuring Event Put	[Applicable/Not Applicable]
20.	Final Redemption Amount	[ ] per Calculation Amount
21.	Early Redemption Amount(s) payable on	[ ] per Calculation Amount



redemption for taxation reasons or on event of default:

**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/No]

**THIRD PARTY INFORMATION**

[[ ] has been extracted from [ ]. The Issuer 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 any fees 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.]

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

### 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:*

**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]**  
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**

This document constitutes the Pricing Supplement for the Notes described herein. This document must be read in conjunction with the Offering Circular dated 23 August, 2013 [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 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>1</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   |

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<sup>1</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

- [plus accrued interest from [insert date]] (if applicable)
6. (i) Specified Denominations: [ ]  
(ii) Calculation Amount: [ ]
- (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: [Fixed rate — specify date/Floating rate — Interest Payment Date falling in or nearest to [specify month]]
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): [ ] per Calculation Amount  
(Applicable to Notes in definitive form.)
- (iv) Broken Amount(s): [ ] per Calculation Amount payable on the Interest Payment Date falling [in/on] [ ] [Not Applicable]  
(Applicable to Notes in definitive form.)
- (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: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/[*specify other*]]
- (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: 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): [ ]
- (a) Minimum Rate of Interest: [ ] per cent. per annum
- (b) Maximum Rate of Interest: [ ] per cent. per annum
- (viii) 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 or if different from that set out in Condition [6(e)]): [[ ] per Calculation Amount/specify other/See Appendix]

#### **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 place of payment and not Interest Period end dates 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 [Not Applicable/give details. N.B. A new form of



of each payment comprising the Issue Price and date on which each payment is to be made and consequences of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: *Temporary Global Note and/or Permanent Global Note may be required for Partly Paid issues]*

28. Details relating to Instalment Notes: [Applicable/Not Applicable]  
*(If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Instalment Amount(s): [give details]
- (ii) Instalment Date(s): [give details]
29. Other final terms: [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]. The Issuer 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

- (i) 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 should not be a regulated market*] with effect from [ ].]

### 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 fees payable to the 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 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 Code: [ ]
- (ii) Common Code: [ ]
- (iii) Any clearing system(s) other than Euroclear and Clearstream, Luxembourg and the relevant identification number(s): [Not Applicable/*give name(s) and number(s)*]
- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) (if any): [ ]
- (vi) 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.]

## 5. DISTRIBUTION

- (i) Method of distribution: [Syndicated/Non-syndicated]
- (ii) If syndicated, names of Managers: [Not Applicable/*give names*]
- (iii) Stabilising 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 23 August, 2013 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).

*The Terms and Conditions of the Notes were modified in the Ninth Supplemental Trust Deed dated 23 August, 2013 to provide for the issue of Series of Notes by TCTS and Tesco and the giving of the Guarantee by the Guarantor in respect of Notes issued by TCTS.*

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 23 August, 2013 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 (and amendments thereto, including the 2010 PD Amending Directive) to the extent implemented in the relevant Member State of the European Economic Area and includes any relevant implementing measure in the relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

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 are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

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 23 August, 2013 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, société anonyme ("Clearstream, Luxembourg") and/or Euroclear Bank S.A./N.V. ("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 day which is both:

- (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 any Additional Business Centre specified in the applicable Final Terms; and
- (B) 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. In these Conditions, "TARGET2 System" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.

(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) in: (A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) 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)(iii)); 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 Restructuring Event and within the Restructuring Period (i) (if at the time that Restructuring Event occurs there are Rated Securities) a Rating Downgrade in respect of that Restructuring Event occurs or (ii) (if at such time there are no Rated Securities), a Negative Rating Event in respect of that Restructuring Event occurs (that Restructuring Event and, where applicable, Rating Downgrade or Negative Rating Event, as the case may be, occurring within the Restructuring Period together called 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 "Negative Rating Event" shall be deemed to have occurred if (i) the Issuer or (in the case of Guaranteed Notes) the Guarantor does not, either prior to or not later than 21 days after the relevant Restructuring Event, seek, and thereupon use all reasonable endeavours to obtain, a rating for the Notes or for any other unsecured and unsubordinated debt of Tesco or any Subsidiary of Tesco which is guaranteed on an unsecured and unsubordinated basis by Tesco having an initial maturity of five years or more ("Rateable Debt") from a Rating Agency or (ii) if it does so seek and use such endeavours, it is unable, as a result of such Restructuring Event to obtain such a rating of at least investment grade BBB- (in the case of Standard & Poor's Credit Market Services Europe Limited ("S&P")), Baa3 (in the case of Moody's Investors Service Limited ("Moody's")) or BBB- (in the case of Fitch Ratings Limited ("Fitch Ratings")), or their respective equivalents for the time being), provided that a Negative Rating Event shall not be deemed to have occurred in respect of a particular Restructuring Event if the Rating Agency declining to assign a rating of at least investment grade (as defined above) does not announce or publicly confirm or inform the Trustee in writing at its request that its declining to assign a rating of at least investment grade 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 (whether or not the Restructuring Event shall have occurred at the time such investment grade rating is declined);

"Rated Securities" means the Notes so long as they shall have an effective rating from any Rating Agency and otherwise any unsecured and unsubordinated debt of Tesco having an initial maturity of five years or more which is rated by one of the Rating Agencies; provided that if there shall be no such unsecured and unsubordinated debt of Tesco prior to the maturity of the Notes, the holders of not less than one-quarter of the principal amount of outstanding Notes may require the Issuer to obtain and thereafter update on an annual basis a rating of the Notes from one Rating Agency. In addition, the Issuer may at any time obtain and thereafter update on an annual basis a rating of the Notes from any Rating Agency, provided that, except as provided above, the Issuer shall not have any obligation to obtain such a rating of the Notes;

"Rating Agency" means S&P and its successors or Moody's and its successors or Fitch Ratings and its successors or any other rating agency of equivalent standing specified by the Issuer from time to time in writing to the Trustee;

a "Rating Downgrade" shall be deemed to have occurred in respect of a Restructuring Event if the current rating whether provided by a Rating Agency at the invitation of the Issuer or by its own volition assigned to the Rated Securities by any Rating Agency is withdrawn and is not within the Restructuring Period replaced by a rating of another Rating Agency at least equivalent to that which was current immediately before the occurrence of the Restructuring Event or is reduced from an investment grade rating BBB-/Baa3/BBB- (or their respective equivalents for the time being) or better to a non-investment grade rating BB+/Ba1/BB+ (or their respective equivalents for the time being) or worse; provided that a Rating Downgrade otherwise arising by virtue of a particular reduction in rating shall not be deemed to have occurred in respect of a particular Restructuring Event if the Rating Agency making the reduction in rating to which this definition would otherwise apply does not announce or publicly confirm or inform the Trustee in writing at its request that the reduction was the result, in whole or part, of any event or circumstance comprised in or arising as a result of, or in respect of, the applicable Restructuring Event (whether or not the applicable Restructuring Event shall have occurred at the time of the Rating Downgrade);

a "Restructuring Event" shall be deemed to have occurred at each time (whether or not approved by the Board of Directors of Tesco) that 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; and

"Restructuring Period" means the period ending 90 days after the public announcement of the Restructuring Event having occurred (the "First Period") or such longer period in which the Rated Securities or Rateable Debt, as the case may be, is or are under consideration (announced publicly within the First Period) for rating review or, as the case may be, rating by a Rating Agency.

(e) *Early Redemption Amounts*

For the purpose of paragraph (b) above and Condition 9, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount; or
- (iii) in the case of Zero Coupon Notes, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

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

“RP” means the Reference Price;

“AY” means the Accrual Yield expressed as a decimal; and

- (f) “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). *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 paragraph (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 paragraph (a), (b), (c) or (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 paragraph (e)(iii) 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) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (iv) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union; or
- (v) presented for payment in the United Kingdom; or
- (vi) 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
- (vii) 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 extraordinary 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 extraordinary 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) the Issuer undertakes that it will ensure that it maintains a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council

Directive 2003/48/EC or any law implementing or complying with or introduced in order to confirm to, such Directive;

- (iii) there will at all times be an Agent; and
- (iv) 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. 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) 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 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.

## TESCO PLC - SELECTED FINANCIAL INFORMATION

### Selected Financial Information

The following summary financial information is extracted from the audited annual report and consolidated financial statements of Tesco for the financial year ended 23rd February, 2013. A complete copy of these financial statements (including the explanatory notes relevant to the information set out below) is available as specified under the heading "Documents Incorporated by Reference" on page 26. The Group financial statements consist of the financial statements of Tesco, all entities controlled by it (its subsidiaries) and the Group's share of its interests in joint ventures and associates.

### Group Income Statement (IFRS basis) (Notes 1 and 2)

	<i>Full Year audited 2013 (Note 3) £m</i>	<i>Full Year audited 2012 (Note 4) £m</i>
<b>Revenue</b> (sales excluding VAT) .....	64,826	63,916
<b>Operating profit</b> .....	2,188	4,182
Share of post-tax profits of joint ventures and associates .....	54	91
Finance income .....	177	176
Finance costs .....	(459)	(411)
<b>Profit before tax</b> .....	1,960	4,038
Taxation .....	(574)	(874)
<b>Profit for the year from continuing operations</b> .....	1,386	3,164
<b>Discontinued operations</b>		
Loss for the year from discontinued operations .....	(1,266)	(350)
<b>Profit for the year</b> .....	120	2,814

Notes:

1. A decision to sell the Group's operations in the US was taken in February 2013 and the exit of the Japan operations was successfully completed on 1 January 2013. In accordance with IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the net results for the year are presented within discontinued operations in the group Income Statement (for which the comparatives have been reclassified) and the assets and liabilities of the business are presented separately in the Group Balance Sheet. See Note 7 to the annual report 2012/13 for the 52 weeks ended 23rd February, 2013.
2. The consolidated financial information has been prepared in accordance with the Disclosure and Transparency Rules of the UK Financial Conduct Authority ("DTRs") and International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations, as endorsed by the European Union ("EU"), and those parts of the Companies Acts 1985 and 2006 as applicable to companies reporting under IFRS.
3. 52 weeks ended 23rd February, 2013.
4. 52 weeks ended 25th February, 2012.

## Group Balance Sheet (Note 1)

	<i>audited 23rd February, 2013</i>	<i>audited 25th February, 2012</i>
	£m	£m
<b>Assets</b>		
Non-current assets.....	37,033	37,918
Current assets.....	12,465	12,353
Assets of the disposal group and non-current assets classified as held for sale .....	631	510
<b>Liabilities</b>		
Current liabilities .....	(18,703)	(19,180)
Liabilities of the disposal group.....	(282)	(69)
Non-current liabilities .....	(14,483)	(13,731)
<b>Net assets</b> .....	<u>16,661</u>	<u>17,801</u>
<b>Equity</b>		
Equity attributable to owners of the parent .....	16,643	17,775
Non controlling interests .....	<u>18</u>	<u>26</u>
<b>Total equity</b> .....	<u><u>16,661</u></u>	<u><u>17,801</u></u>

### Notes:

- The consolidated financial information has been prepared in accordance with the DTRs, IFRS and IFRIC interpretations, as endorsed by the EU and those parts of the Companies Acts 1985 and 2006 as applicable to companies reporting under IFRS. The accounting policies applied are consistent with those described in the Tesco PLC Annual Report and Financial Statements 2013.

## 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, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL, United Kingdom and its telephone number is 01992 632222.

The initial share capital of TCTS is £100,000,000.00 comprising 100,000,000 ordinary shares of £1 each, of which 99,999,999 are held by the Guarantor and 1 is held by Tesco Holdings Limited.

Since the date of its incorporation, TCTS has not commenced operations and no financial statements of TCTS have been prepared as at the date of this Offering Circular. TCTS intends to publish its first financial statements in respect of the period ending on 22 February 2014.

Reports and accounts published by TCTS will, when published, be 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. 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 has no prior operating history or prior business and will not have any substantial liabilities other than general financing activities for members of the Group.

TCTS is dependent on the Group 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. TCTS is reliant on payments made to it by other relevant members of the Group 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:

Jonathan M. Lloyd	Director
Adrian R.T. Marsh	Director Group Corporate Finance, Tax and Treasury Director – Tesco PLC
Tesco Services Limited	Corporate Director

The Board of Directors of Tesco Services Limited as Corporate Director of TCTS is comprised of Jonathan M. Lloyd, Adrian Morris, Adrian R. T. Marsh and John Bentley.

The business address of each of the above is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

There are no potential 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**

TCTS is not a company with a primary listing and accordingly is not required to comply with the United Kingdom's corporate governance standards. Instead, 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 on 27th November, 1947 under the Companies Act 1929 as a private limited company with the name of Tesco Stores (Holdings) Limited. Tesco subsequently re-registered as a public limited company under the Companies Acts 1948 to 1980 and changed its name on 14th December, 1981 to Tesco Stores (Holdings) public limited company. On 25th August, 1983 Tesco changed its name to Tesco PLC. It was incorporated with limited liability in England and Wales, and operates as a public limited company under the Companies Act 2006, with registered number 00445790. Tesco's principal and registered office is at Tesco House, Delamare Road, Cheshunt, Hertfordshire, EN8 9SL and the telephone number of its registered office is 0199 263 2222.

The objects of Tesco are set out in clause 4 of its memorandum of association, and include carrying on the business of a holding company.

Tesco and its consolidated subsidiaries (the "Group") has operations in the United Kingdom and the Republic of Ireland, and also in Central Europe and Turkey and Asia. The Group has expanded its traditional supermarket base in the United Kingdom into twelve overseas markets<sup>2</sup> and also into non-food and retailing services such as personal finance and internet shopping as part of its strategy for growth. Tesco's local management team is assisting its franchise partner, Trent, to develop its Star Bazaar hypermarket operation in India.

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 23rd February, 2013<sup>3</sup>, Group sales (including value added tax and excluding the effects of IFRIC 13) were £72 billion, an increase of 1.3 per cent. over the previous year, and underlying profit before taxation<sup>4</sup> was £3.5 billion, a decrease of 14.5 per cent. over the previous year.

### Share Capital

The market capitalisation of Tesco on the London Stock Exchange at the close of business on 22 August, 2013 was £29,558,902,344. The share capital of Tesco, as at the dates specified below, was as follows:

	At 23rd February, 2013 £m	At 25th February, 2012 £m
Allotted, called up, and fully paid: ordinary shares of 5.0p each .....	403	402

### Strategy

The Group is currently embarking on a strategy of growth by continuing to strengthen its United Kingdom (the "UK") business, driving sustainable growth through multichannel leadership in all of its markets and pursuing disciplined international growth.

The Group has sought to strengthen its UK business by focusing on improvements to its stores, product ranges and customer service. During the course of the financial year ended 23rd February, 2013, the Group adopted the 'Food First' strategy, which will involve a more targeted approach to general merchandise in-store. There were improvements to its product ranges, with significant

<sup>2</sup> Continuing operations exclude Japan and the US, which have been treated as discontinued.

<sup>3</sup> The financial information set out in this section headed "Description of Tesco PLC" relating to the financial year ended 23rd February, 2013 or the 52 weeks ended 23rd February, has been extracted from Tesco's audited results for the financial year ended 23rd February, 2013. Continuing operations exclude the results from Tesco's operation in Japan and the US which have been treated as discontinued.

<sup>4</sup> Underlying profit excludes the impact of non-cash elements of IAS 17, 19, 32 and 39 (principally the impact of annual uplifts in rents and rent-free periods, pension costs, and the marking to market of financial instruments); the amortisation charge on intangible assets arising on acquisition (Tesco Bank) and acquisition costs; and the non-cash impact of IFRIC 13 (Customer Loyalty Programmes). It also excludes restructuring and other one-off costs (relating to Asia, Europe and Tesco Bank).

investments in the Group's own-label lines and the re-launching of the 'Everyday Value' range. Increased colleague numbers and the provision of specialist training to more than 250,000 colleagues are designed to improve customer service.

As part of the Group's multichannel strategy, the Group has refocused its investment strategy away from large stores, such as hypermarkets, and instead favouring online and convenience stores. Tesco Bank is also a key part of the Group's multichannel strategy, representing growth into financial products, a move designed to further strengthen consumer loyalty for the Group.

On the international front, the Group has sought to generate returns by using its scale, industry knowledge and experience in high growth economies, such as Thailand, South Korea and Malaysia, where retailing is less mature, to build its market position.

During the course of the financial year ended 23rd February, 2013, Tesco confirmed that the strategic review of Fresh & Easy will result in an exit from the US, having established that the business would not deliver an acceptable return on an appropriate timeframe.

### **United Kingdom Core Business**

As at 23rd February, 2013, the Group operated 3,146 stores in the United Kingdom. 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 (over 60,000 sq.ft.). Tesco also offers many non-food items online, via telephone and through selected stores under the Tesco Direct banner.

United Kingdom sales (including value added tax and excluding the effects of IFRIC 13) were £48.2 billion in the financial year ended 23rd February, 2013, an increase of 1.8 per cent. over the previous year on a 52 week comparable basis. The United Kingdom business contributed £2,272 million trading profit in the financial year ended 23rd February, 2013, a decrease of 8 per cent. over the previous year.

On 5th June 2013 the Group advised that there was a small but discernible impact on frozen and chilled convenience food sales due to the customer response to equine DNA being detected in four products. The four products were withdrawn, reformulated and reintroduced, with new suppliers. The Group has also accelerated its work with all of its suppliers to ensure that its extensive technical processes and specifications can enable customers to place a renewed level of trust in its entire product range.

### **International Business**

In the financial year ended 23rd February, 2013, sales at actual exchange rates (including value added tax and excluding the effects of IFRIC 13) in Europe excluding the United Kingdom were £10.8 billion, a decrease of 4.9 per cent. over the previous year, and contributed trading profit of £329 million. As at 23rd February, 2013 the Group had 142 stores in the Republic of Ireland, 216 in Hungary, 446 in Poland, 376 in the Czech Republic<sup>5</sup>, 136 in Slovakia and 191 in Turkey.

During the financial year ended 23rd February, 2013, sales (including value added tax and excluding the effects of IFRIC 13) in Asia were £12.3 billion, up 5.9 per cent. over the previous year and contributing trading profit of £661 million. As at 23rd February, 2013, the Group's Asian business comprised 1,433 stores in Thailand, 520 in South Korea<sup>6</sup>, 47 in Malaysia and 131 in China.

On 1st January, 2013, Tesco completed the process of withdrawing from the Japanese retail market.

On 17th April, 2013, Tesco confirmed that the strategic review of Fresh & Easy will result in an exit from the United States (the "US"), having established that the business would not deliver an acceptable financial return on an appropriate timeframe. The exit process is ongoing as at the date of this Offering Circular.

The results of the Group's Fresh and Easy business in the US and the business in Japan, have been classified as discontinued operations in the financial results for the financial year ended 23rd February, 2013.

The impact on trading profit of the regulations restricting shopping hours in Korea was broadly in line with the Group's guidance of £100 million. The regulations also resulted in a significant number of Sunday store closures throughout the second half of the financial year ended 23rd February, 2013 and

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<sup>5</sup> Including franchise stores.

<sup>6</sup> Including franchise stores.



resulted in a considerable level of uncertainty in the market, impacting operations of the Group's stores even when such stores were able to open. Following the passing of the legislation in January 2013, the situation seems to have become more certain. There will be a more consistent number of store closures expected on alternate Sundays. As a consequence of the above, it is expected that the effect of the regulations, combined with the extension of 24-hour trading restrictions on opening hours between midnight and 10am, will lead to a maximum incremental impact on trading profit of around £40 million in the financial year ended 22nd February, 2014.

### **One-off charges in the financial year ended 23rd February, 2013**

The Group's level of statutory profit before tax declined by 51.5 per cent. to £1,960 million due to the impact of three main one-off charges.

Firstly, following an announcement in April 2012 that the level of new space in the UK going forward would be reduced, the Group carried out an in-depth review of its property pipeline. This review, along with other provisions, led to a total one-off write-down of the Group's UK properties in the sum of £804 million.

Secondly, there was a goodwill impairment of £495 million to reflect the impact of differing growth prospects in today's environment for the businesses acquired in Poland, the Czech Republic and Turkey in the mid 1990s to early 2000s.

Thirdly, the Group increased its provision for potential Payment Protection Insurance claims against Tesco Bank by £115 million.

### **Retailing Services**

The Group includes Tesco Bank which offers customers in the UK a range of personal finance services, including general insurance, credit cards, personal loans, mortgages, personal savings products and Tesco Compare (an on-line insurance, banking, holidays and utilities comparison service). Tesco Bank is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

Tesco Bank's banking products include savings products (including Tesco Instant Access, ISAs and Internet and Fixed Rate Saver accounts) and lending products (Tesco loans, credit cards and mortgages) and are sold online, by telephone and via the Group's stores. 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.

In the UK, Tesco Bank has a major insurance intermediary business offering a range of general insurance products such as car, home, travel and pet insurance.

As part of its insurance activities, Tesco Bank entered into agreement with Ageas (UK) Ltd ("Ageas") to establish an authorised insurance company (Tesco Underwriting Limited) to provide motor and household insurance products for Tesco's customers. The company is owned 49.9 per cent. by Tesco Bank and 50.1 per cent. by Ageas and undertakes underwriting and claims management activities. Tesco Underwriting Limited started writing business in October 2010.

The Tesco ATM network represents one of the largest cash machine networks in the UK. These services are provided predominantly to individuals who are customers of the Group.

### **Internet Shopping**

Tesco has a profitable dotcom grocery business, Tesco.com, with sales during the year ended 23rd February, 2013 of over £2.3 billion (including value added tax and excluding the effects of IFRIC 13).

Tesco Direct offers a wide range of non-food products on-line to consumers including homeware, furniture, toys, electronics and sporting goods. Customers can choose the product they want on a website and can order online, by telephone or at Tesco Direct desks in selected stores.

The Group has over 150 Grocery Click & Collect locations, with plans to more than double that number in the year ahead. It opened its fifth dotcom only store in Crawley in January 2013, and it will open an additional dotcom only store for the London area, in Erith, in the second half of the financial year ended 22nd February, 2014.

Tesco Direct has significantly expanded its product offering, to nearly 300,000 products, up from 75,000 at the start of the financial year ended 23rd February, 2013. Around two-thirds of Tesco Direct

orders are collected in-store, and the number of Click & Collect locations available has doubled to over 1,500 in the last twelve months.

## **Telecoms**

Tesco operates Tesco Mobile a 50:50 joint venture between Tesco and O2. The company sells exclusively Tesco Mobile branded services in Tesco stores, online and through Tesco Direct, across the UK using O2's technology and network. The service gives Tesco Mobile customers value, simplicity and choice, offering them greater certainty in tariff costs with rewards such as free credit and Clubcard points. Tesco also offers broadband and homephone services and International calling cards.

## **Capital Expenditure**

During the financial year ended 23rd February, 2013, Group capital expenditure was £3.0 billion (compared to £3.7 billion in the financial year ended 25th February, 2012).

On 5th March, 2012, Tesco announced a proposal to create approximately 20,000 new jobs in the United Kingdom over a two-year period to March 2014 as part of significant investment that it proposes to make in that period in customer service, refurbishment of its existing stores and opening of new stores.

## **Financial Information**

Further information on Tesco is contained in its latest financial statements, copies of which are available on request from Tesco and from the specified office of the Agent in London.

## **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:

Sir Richard J. Broadbent	<i>Non-Executive Chairman Trustee of Relate Chairman and Trustee of The GSB Trust</i>
Philip A. Clarke	<i>Executive Director – Group Chief Executive Officer</i>
Laurie P. McIlwee	<i>Executive Director – Chief Financial Officer</i>
Patrick Cescau	<i>Senior Independent Director Non-Executive Director of International Consolidated Airlines Group S.A. Chairman of Intercontinental Hotels Group PLC Trustee of Leverhulme Trust Chairman of the St Jude India Children's Charity</i>
Gareth R. Bullock	<i>Non-Executive Director Non-Executive Director of Spirax Sarco Engineering PLC Non-Executive Director of Global Market Group Limited A member of the Advisory Council of Good Governance (G3) Trustee of the British Council</i>
Stuart J. Chambers	<i>Non-Executive Director Chairman of Rexam PLC</i>
Olivia Garfield	<i>Non-Executive Director CEO Openreach</i>
Ken G. Hanna	<i>Non-Executive Director Chairman of Inchcape PLC Chairman of Aggreko PLC Chairman of Shooting Star CHASE</i>
Deanna Oppenheimer	<i>Non-Executive Director Non-Executive Director of NCR</i>

*Non-Executive Director of AXA Global Board*

Jacqueline A. Tammenoms Bakker

*Non-Executive Director*

*Non-Executive Director of Vivendi*

*Trustee of Van Leer Group Foundation*

*Vice Chair of the Advisory Board to the Rotterdam School of Management*

*Non-Executive Director of Fiat Industrial*

The business address of each of the above is Tesco House, Delamare Road, Cheshunt, Hertfordshire EN8 9SL.

Except as described in the next paragraph, there are no potential 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.

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 review the internal control systems including risk management; to review the internal audit programme; to consider the appointment of the external auditors and their independence; and to review the Audit Committee's own effectiveness. The members of the Audit Committee as at the date of this Offering Circular, are:

G. R. Bullock

P. Cescau

K. G. Hanna (*Chairman*)

#### **Corporate Governance**

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

## 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 relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It is general in nature 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 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 are and continue to be listed on a "recognised stock exchange", as defined in section 1005 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 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 interest on the Notes is paid by a company and, at the time the payment is made, that company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of 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 on account of United Kingdom income tax at the basic rate (currently 20 per cent.). 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 legal 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 would be subject to withholding on account of United Kingdom income tax, subject to any applicable exemptions or reliefs.

HMRC has powers to obtain information relating to securities in certain circumstances. This may include details of the beneficial owners of the Notes (or the persons for whom the Notes are held), details of the persons to whom payments derived from the Notes are or may be paid (including, in some cases, persons other than individuals) and information and documents in connection with transactions relating to the Notes and the identity of the security under which interest is paid. Information may be required to be provided by, amongst others, the holders of the Notes, persons by or through whom payments derived from the Notes are made or who receive such payments (or who would be entitled to receive such payments if they were made), persons who effect or are a party to transactions relating to the Notes on behalf of others and certain registrars or administrators. In certain circumstances, the information obtained by HMRC may be exchanged with tax authorities in other countries.

HMRC has indicated that it will not use its information-gathering power on interest to obtain information about amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 which are paid before 6 April 2014.

## **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC (the “Directive”) on the taxation of savings income, each Member State of the European Union (each a “Member State”) is required to provide to the tax authorities of any other Member State details of payments of interest or similar income paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries), deducting tax at a rate of 35 per cent. A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding system with effect from 1 January, 2015, in favour of automatic information exchange under the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above. At a meeting on 22 May 2013, the European Council called for the adoption of an amended Directive before the end of 2013.

## SUBSCRIPTION AND SALE

The Dealers have, in an amended and restated dealer agreement dated 23 August, 2013 (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 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.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to each EEA State 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 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 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and (iii) the expression “2010 PD Amending Directive” means Directive 2010/73/EU of 24th November, 2010 of the European Parliament and the Council of the European Union.

### **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.

### **France**

Each of the Dealers and the relevant Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular the relevant Final Terms (or Pricing Supplement, in the case of Exempt Notes) or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to qualified investors (*investisseurs qualifiés*) other than individuals, investing for their own account, all as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, L.533-16 and L.533-20 of the French *Code monétaire et financier*.

**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, the accession of TCTS as an issuer under the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of TCTS dated 20 August, 2013. The updating of the Programme, the accession of Tesco as an issuer under the Programme and the issue of Notes thereunder have been duly authorised by a resolution of the Board of Directors of Tesco dated 12 August, 2013. The giving of the Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 12 August, 2013.

### 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 30 August, 2013.

### 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 since the date of its incorporation, or of Tesco or of the Group since 23rd February, 2013 and there has been no material adverse change in the financial position or prospects of TCTS since the date of its incorporation, or of Tesco or of the Group since 23rd February, 2013.

### 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

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 (or in the case of TCTS, since the date of its incorporation) 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**

The consolidated accounts for the Group for the years ended 25th February, 2012 and 23rd February, 2013 were audited by PricewaterhouseCoopers LLP, Chartered Accountants, in each case in accordance with generally accepted auditing standards in the United Kingdom, and reported on without qualification.

PricewaterhouseCoopers LLP have no 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 consolidated audited financial statements of the Group in respect of the financial years ended 25th February, 2012 and 23rd February, 2013, in each case together with the audit reports prepared in connection therewith;
- (iii) the most recently published audited annual financial statements of TCTS and the Group and the most recently published interim financial reports (if any) of TCTS and the Group, in each case together with any audit or review reports prepared in connection therewith;
- (iv) the Dealer Agreement and 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);
- (v) this Offering Circular;
- (vi) 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
- (vii) 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.

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

**Tesco PLC**  
Tesco House  
Delamare Road  
Cheshunt  
Hertfordshire EN8 9SL  
Telephone - 01992 632222

**Tesco Corporate Treasury Services PLC**  
Tesco House  
Delamare Road  
Cheshunt  
Hertfordshire EN8 9SL  
Telephone - 01992 632222

**THE TRUSTEE**

**Royal Exchange Trust Company Limited**  
4th Floor  
40 Dukes Place  
London EC3A 7NH

**PRINCIPAL PAYING AGENT**

HSBC Bank plc  
8 Canada Square  
London E14 5HQ

**PAYING AGENT**

**Banque Internationale à Luxembourg, société anonyme**  
69 route d'Esch  
L-2953 Luxembourg

**LEGAL ADVISERS**

*To the Issuers and the Guarantor*

**Freshfields Bruckhaus Deringer LLP**  
65 Fleet Street  
London EC4Y 1HS

*To the Dealers and the Trustee*

**Allen & Overy LLP**  
One Bishops Square  
London E1 6AD

**AUDITORS TO THE ISSUERS AND THE GUARANTOR**

**PricewaterhouseCoopers LLP**  
1 Embankment Place  
London WC2M 2RH

## DEALERS

**Banco Santander, S.A.**  
Ciudad Grupo Santander  
Edificio Encinar  
Avenida de Cantabria s/n  
28660, Boadilla del Monte  
Madrid, Spain

**BNP Paribas**  
10 Harewood Avenue  
London NW1 6AA

**Deutsche Bank AG, London Branch**  
Winchester House  
1 Great Winchester Street  
London EC2N 2DB

**HSBC Bank plc**  
8 Canada Square  
London E14 5HQ

**Mitsubishi UFJ Securities International plc**  
Ropemaker Place  
25 Ropemaker Street  
London EC2Y 9AJ

**Barclays Bank PLC**  
5 The North Colonnade  
Canary Wharf  
London E14 4BB

**Citigroup Global Markets Limited**  
Citigroup Centre  
Canada Square  
Canary Wharf  
London E14 5LB

**Goldman Sachs International**  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB

**J.P. Morgan Securities plc**  
25 Bank Street  
Canary Wharf  
London E14 5JP

**The Royal Bank of Scotland plc**  
135 Bishopsgate  
London EC2M 3UR

**UBS Limited**  
1 Finsbury Avenue  
London EC2M 2PP