

BASE PROSPECTUS



WM MORRISON SUPERMARKETS PLC
(incorporated with limited liability in the United Kingdom)

£3,000,000,000
Euro Medium Term Note Programme

guaranteed by

SAFEWAY LIMITED
(incorporated with limited liability in the United Kingdom)

On 30 September 2011, Wm Morrison Supermarkets Plc (the "**Issuer**" or "**Morrison**") entered into a £3,000,000,000 Euro Medium Term Note Programme (the "**Programme**") as subsequently amended. This Base Prospectus supersedes all previous base prospectuses relating to the Programme. Any Notes to be issued after the date hereof under the Programme are issued subject to the provisions set out herein. This does not affect any Notes issued prior to the date hereof.

Under this Programme, the Issuer may from time to time issue notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined below).

The payments of all amounts due in respect of the Notes will, subject to the conditions regarding release, be unconditionally guaranteed by Safeway Limited (the "**Guarantor**").

The maximum aggregate nominal amount of all Notes from time to time outstanding under the Programme will not exceed £3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement described herein), subject to increase as described herein.

The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Overview of the Programme" and any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an ongoing basis. References in this Base Prospectus 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 subscribe such Notes.

An investment in Notes issued under the Programme involves certain risks. For a discussion of the principal risks see "Risk Factors".

Application has been made to the Financial Conduct Authority in its capacity as competent authority (the "**UK Listing Authority**") under the Financial Services and Markets Act 2000 (as amended) (the "**FSMA**") for Notes issued under the Programme during the period of 12 months from the date of this Base Prospectus 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 Base Prospectus 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 London Stock Exchange's regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC and 2014/65/EU) (the "**Markets in Financial Instruments Directive**" or "**MIFID**").

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. References in this Base Prospectus 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 Base Prospectus 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") of Notes will (other than in the case of Exempt Notes, as defined above) be set out 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 the London Stock Exchange, on or before the date of issue of the Notes of such Tranche. 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. In the case of Exempt Notes, notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of the 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 Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity.

As at the date of this Base Prospectus, the Issuer is rated Baa3/P-3 (outlook: stable) and the Programme is rated (P)Baa3/(P)P-3 by Moody's Investors Service Ltd. Moody's Investors Service Ltd 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 Moody's Investors Service Ltd. Where a Tranche of Notes is rated, such rating will be disclosed in the applicable Final Terms (or in the case of Exempt Notes, the Pricing Supplement) and will not necessarily be the same as the rating assigned to the Programme by Moody's Investors Service Ltd.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Arranger
Barclays
Dealers

Barclays
Commerzbank
Lloyds Bank
NatWest Markets

BNP PARIBAS
HSBC
MUFG

Santander Global Corporate Banking

SMBC Nikko

The date of this Base Prospectus is 12 January 2018

IMPORTANT INFORMATION

This Base Prospectus comprises a base prospectus in respect of all Notes (other than Exempt Notes) issued under the Programme for the purposes of Article 5.4 of the Prospectus Directive. **"Prospectus Directive"** means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area.

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

The Guarantor accepts responsibility for the information contained in this Base Prospectus and the Final Terms or Pricing Supplement, as the case may be, for each Tranche of Notes issued under the Programme, excluding the information set forth in this Base Prospectus under "Description of Wm Morrison Supermarkets Plc" on pages 76 to 77 and the information and statements in respect of the Issuer contained in paragraphs 1, 6(a), 7(a) and 8(a) under "General Information" on pages 84 to 86. To the best of the knowledge of the Guarantor (having taken all reasonable care to ensure that such is the case) such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

Neither the Dealers nor the Trustee (as defined below) have independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Dealers or the Trustee as to the accuracy or completeness of the information contained or incorporated in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme. No Dealer or the Trustee accepts any liability in relation to the information contained or incorporated by reference in this Base Prospectus or any other information provided by the Issuer or the Guarantor in connection with the Programme or the Notes.

No person is or has been authorised by the Issuer, the Guarantor or the Trustee to give any information or to make any representation not contained in or not consistent with this Base Prospectus 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 the Issuer, the Guarantor, any of the Dealers or the Trustee.

Neither this Base Prospectus nor any other information supplied in connection with the Programme or any Notes (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Issuer, the Guarantor, any of the Dealers or the Trustee that any recipient of this Base Prospectus 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 Issuer and/or the Guarantor. Neither this Base Prospectus 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 Issuer or the Guarantor, any of the Dealers or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances imply that the information contained herein concerning the Issuer 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 of any time subsequent to the date

indicated in the document containing the same. The Dealers and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer or the Guarantor during the life of the Programme or to advise any investor in the Notes of any information coming to their attention.

This Base Prospectus 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 Base Prospectus and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Guarantor, the Dealers and the Trustee do not represent that this Base Prospectus 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 the Issuer, the Guarantor, the Dealers or the Trustee which is intended to permit a public offering of any Notes or distribution of this Base Prospectus in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Base Prospectus 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. Persons into whose possession this Base Prospectus or any Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this Base Prospectus and the offering and sale of Notes. In particular, there are restrictions on the distribution of this Base Prospectus and the offer or sale of Notes in the United States, the European Economic Area (including the United Kingdom) and Japan (see "Subscription and Sale").

This Base Prospectus 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 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 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 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 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 should 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 Base Prospectus 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 the Notes 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 where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of 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 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 U.S. tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (see "**Subscription and Sale**").

MIFID II PRODUCT GOVERNANCE / TARGET MARKET – The Final Terms in respect of any Notes (or Pricing Supplement in the case of Exempt Notes) may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MiFID Product Governance Rules. For the avoidance of doubt, the Issuer is not subject to the MiFID Product Governance Rules and will therefore not make or be responsible for any target market assessment.

IMPORTANT – EEA RETAIL INVESTORS - The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II; (ii) a customer within the meaning of the Insurance Mediation Directive (Directive 2002/92/EC (as amended)) ("**IMD**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 (the "**PRIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIPs Regulation.

ALTERNATIVE PERFORMANCE MEASURES - Certain alternative performance measures ("**APMs**") are included or referred to in this Base Prospectus (including in the documents incorporated by reference). APMs are non-GAAP measures used by the Issuer and its consolidated subsidiaries (the "**Group**") within its financial publications to supplement disclosures prepared in accordance with other applicable regulations such as IFRS. The Issuer considers that these measures provide useful information to enhance the understanding of financial performance. The APMs should be viewed as complementary to, rather than a substitute for, the figures determined according to other regulatory measures. An explanation of each such metric's components and calculation method can be found at page 122 of the auditors' report and audited consolidated annual financial statements for the financial year ended 29 January 2017 of the Issuer and at

pages 36 to 37 of the Issuer's Interim Results for the half year to 30 July 2017 (incorporated by reference).

Each of the Dealers reserves the right to determine whether or not any actual or prospective holders of Notes are to be regarded as its clients in relation to any offering at the relevant time of such offering.

PRESENTATION OF INFORMATION

In this Base Prospectus, all references to:

- *U.S. dollars, U.S.\$* and *\$* refer to United States dollars;
- *Sterling* and *£* refer to pounds sterling; and
- *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.

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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, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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 Base Prospectus 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 Issuer and any relevant Dealer 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, if appropriate, a new Base Prospectus 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.

Words and expressions defined in "Form of the Notes" and "Terms and Conditions of the Notes" shall have the same meanings in this Overview except "**Group**" which means the Issuer and its Subsidiaries and affiliates.

Issuer:	Wm Morrison Supermarkets Plc
Guarantor:	Safeway Limited
Risk Factors:	There are certain factors that may affect the Issuer's and the Guarantor's ability to fulfil their respective obligations under Notes issued under the Programme. The principal risks are set out under "Risk Factors" below and include, among others, the fact that general economic conditions may worsen, that the Group's manufacturing, distribution and systems infrastructure may be interrupted, that the Group may fail to compete successfully with its competitors and that the Group may fail to protect its reputation and brand ethics leading to a loss of confidence and trust in the Group. In addition, there are certain factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme. These are set out under "Risk Factors" and include, among others, certain risks relating to the structure of particular Series of Notes and certain market risks.
Description:	Euro Medium Term Note Programme
Arranger:	Barclays Bank PLC
Dealers:	Banco Santander, S.A. Barclays Bank PLC BNP Paribas Commerzbank Aktiengesellschaft HSBC Bank plc Lloyds Bank plc MUFG Securities EMEA plc

SMBC Nikko Capital Markets Limited

The Royal Bank of Scotland plc (trading as NatWest Markets)

and any other Dealers appointed in accordance with the Programme Agreement.

Trustee:	Citicorp Trustee Company Limited
Issuing and Principal Paying Agent:	Citibank, N.A., London Branch
Programme Size:	Up to £3,000,000,000 (or its equivalent in other currencies calculated as described in the Programme Agreement) outstanding at any time. The Issuer and the Guarantor may increase the amount of the Programme in accordance with the terms of the Programme Agreement.
Distribution:	Notes may be distributed by way of private or public placement and in each case on a syndicated or non syndicated basis.
Currencies:	Notes may be denominated in euro, Sterling, U. S. dollars, yen and, subject to any applicable legal or regulatory restrictions, any other currency agreed between the Issuer and the relevant Dealer.
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").
Maturities:	The Notes will have such maturities as may be agreed between the Issuer and the relevant Dealer, 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 Issuer or the relevant Specified Currency.
Issue Price:	Notes may be issued on a fully paid basis and at an issue price which is at par or at a discount to, or premium over, par.
Form of Notes:	The Notes will be issued in bearer form as described in "Form of the Notes".
Fixed Rate Notes:	Fixed interest will be payable on such date or dates as may be agreed between the Issuer and the relevant Dealer and on redemption and will be calculated on the basis of such Day Count Fraction as may be agreed between the Issuer and the relevant Dealer.
Floating Rate Notes:	Floating Rate Notes will bear interest at a rate determined:

- (a) on the same basis as the floating rate under a notional 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
- (b) on the basis of a reference rate as indicated in the applicable Final Terms (or, in the case of Exempt Notes, the Pricing Supplement).

The margin (if any) relating to such floating rate will be agreed between the 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 Day Count Fraction, as may be agreed between the 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 Issuer may agree with any Dealer 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, which will replace, modify or supplement those Terms and Conditions.

Redemption:

The applicable Final Terms (or, in the case of Exempt Notes, the Pricing Supplement) will indicate either that the relevant Notes cannot be redeemed prior to their stated maturity (other than for taxation reasons or following an Event of Default or following a Change of Control) or that such Notes will be redeemable at the option of the Issuer and/or the Noteholders upon giving notice to the Noteholders or the 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 Issuer and the relevant Dealer.

Denomination of Notes:

The Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer 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, 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 of principal and interest in respect of the Notes and Coupons will be made without deduction for or on account of taxes imposed by any Tax Jurisdiction as provided in Condition 7 (<i>Taxation</i>) unless such deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor will, save in certain limited circumstances provided in Condition 7 (<i>Taxation</i>), be required to pay additional amounts to cover the amounts so deducted.
Negative Pledge:	The terms of the Notes will contain a negative pledge provision as further described in Condition 3 (<i>Negative Pledge</i>).
Cross Acceleration:	The terms of the Notes will contain a cross acceleration provision as further described in Condition 9.1 (<i>Events of Default</i>).
Status of the Notes:	The Notes will constitute direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (<i>Negative Pledge</i>)) unsecured obligations of the Issuer and will rank <i>pari passu</i> among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.
Notes Guarantee and Release / Addition of the Guarantor(s):	The Notes will, subject to the conditions regarding release, be unconditionally guaranteed by the Guarantor(s). The obligations of the Guarantor(s) under the guarantee will be direct, unconditional, unsubordinated and (subject to the provisions of Condition 3 (<i>Negative Pledge</i>)) unsecured obligations of such 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 such Guarantor from time to time outstanding. The Guarantor and any additional Guarantor may, subject to the satisfaction of certain conditions, be released from any further obligation to guarantee Notes issued under the Programme (Condition 2.3 (<i>Release of a Guarantor</i>)). In certain circumstances, as further set out in Condition 2.4 (<i>Additional Guarantors</i>), additional Guarantors may be added and guarantee Notes issued under the Programme.
Rating:	<p>The Issuer is rated Baa3 / P-3 (outlook: stable) and the Programme is rated (P)Baa3 / (P)P-3 by Moody's Investors Service Ltd. Moody's Investors Service Ltd is established in the European Union and is registered under the CRA Regulation.</p> <p>The provisional rating of the Programme does not immediately apply to any individual Notes issued under</p>

the Programme and has been obtained by the Issuer with the understanding that Moody's Investors Service Ltd will continue to monitor the credit of the Issuer and make future adjustments to the ratings to the extent warranted.

Where a Series of Notes is rated, such rating will be disclosed in the applicable Final Terms (or, in the case of Exempt Notes, Pricing Supplement) and will not necessarily be the same as the rating assigned to the Programme.

A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Listing and admission to trading:

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 Base Prospectus 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.

Exempt Notes may also be listed or admitted to trading, as the case may be, on such other or further stock exchange(s) or markets as may be agreed between the Issuer and the relevant Dealer in relation to each Series (provided that such exchange or market is not a regulated market for the purposes of MiFID).

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

The applicable Pricing Supplement 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.

Governing Law:

The Notes and any non-contractual obligations arising out of or in connection with the Notes 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, the European Economic Area (including the United Kingdom) 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".

Notes with a maturity of less than one year:

Any Notes having a maturity of less than one year must (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their business;

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 or (b) be issued in other circumstances which do not constitute a contravention of the FSMA by the Issuer.

RISK FACTORS

Each of the Issuer and the Guarantor believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme. Nonetheless, there are a wide range of factors which individually or together could result in the Issuer and 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 Issuer 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 Issuer's and the Guarantor's control. The Issuer and the Guarantor have identified in this Base Prospectus 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 Base Prospectus and reach their own views prior to making any investment decision.

FACTORS THAT MAY AFFECT THE ISSUER'S AND THE GUARANTOR'S ABILITY TO FULFIL THEIR RESPECTIVE OBLIGATIONS UNDER NOTES ISSUED UNDER THE PROGRAMME AND THE GUARANTEE

Customer and business strategy

The Group has identified six strategic priorities (to be more competitive, serve customers better, find local solutions, develop popular and useful services, simplify and speed up and make the core supermarkets strong again). There is a risk that the Group's strategy does not meet the needs of its customers in respect of price, range, quality and service. As a result, if the Group does not deliver the shopping experience that customers want this could have a material adverse effect on sales and market share.

Economic and market risk

The profitability of the Group's business could be adversely affected by the worsening of general economic conditions. Although the Group has internal controls and frameworks to mitigate economic and market risk, it has no control over changes in inflation and interest rates, foreign currency exchange rates and controls, the price of commodities or other economic factors affecting its business such as household and consumer spending. These factors, together with the potential changes that may arise in connection with the UK's exit from the European Union make it more difficult for the Group to anticipate changes in its supplier costs, its customers' propensity to spend within the Group and may have a materially adverse effect on the performance of the Group in terms of its operations and financial results.

The Group has a central treasury function which is responsible for managing the Group's financial risk exposures, including interest rate, currency and certain commodity risks in accordance with Board policies. The treasury function may use derivative financial instruments to hedge the risks arising from the Group's operations and financing but not for any speculative purposes. A major event could have a materially adverse effect on the hedging arrangements or the Group's operations and could impact the financial results.

Data

There is a risk that a security breach leads to a loss of customer, employee or Group confidential data. A major data security breach could lead to significant reputational damage and fines. The risk environment is challenging with increased levels of cybercrime and the forthcoming General Data Protection Regulation.

Business interruption

There is a risk that a major incident, such as a natural disaster, strike action or major system failure, could cause significant disruption to business operations. The Group's manufacturing, distribution and technology systems infrastructures are fundamental to ensuring the normal continuity of trading in its stores and online. If a major incident occurred to this infrastructure or another key facility this could have a detrimental impact on the Group's ability to operate effectively and could result in reputational damage.

Funding, liquidity and treasury counterparty risk

The Group's activities expose it to a variety of financial risks including the availability of funding to meet business needs (liquidity risk) and the risk of default by counterparties to financial transactions (credit risk) and uncertainty produced by fluctuations in interest rates, foreign exchange rates and commodity prices (market risk). The Issuer's central treasury function is responsible for managing these financial risks in accordance with Board approved policies.

The ability of the Group to manage its cash flow, to hedge market risk and to refinance maturing borrowings when necessary 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 could have negative implications for the Group's business.

Competitiveness

The grocery sector continues to have high levels of competitive activity, particularly in relation to price and enhancement of service. It is crucial to understand and to meet the current and future needs of customers. Failure to engage with suppliers and compete successfully with competitors in areas including price, product range, quality and service could have a materially adverse effect on the Group's financial results.

Other risks associated with the supply chain include, but are not limited to, the potential for supplier failure causing disruption or a change in supplier pricing. This could have a negative impact on the Group's operations and financial performance.

Human resources

The employees of the Group are key to the achievement of its plan. There is a risk associated with the failure to attract, retain or motivate talented employees. This could affect the Group's operations in a number of ways, ranging from, but not limited to, delivering retail standards in stores through to ineffective buying capability or management capability in general. Business change and the challenging trading environment may impact on employees leading to an increase in this risk. There is uncertainty on potential changes to employment regulations when the UK leaves the European Union. This could result in a recruitment and retention risk, particularly at some manufacturing sites operated by the Group.

Food safety and product integrity

There is a risk that the products sold by the Group are unsafe or not of the integrity that customers expect. This applies to any failure that could affect the safety and quality of products throughout the Group's supply chain and includes products manufactured by the Group. If food safety standards and product integrity are not adhered to, or the response to any incident associated with this is not sufficiently robust it could have a materially adverse effect on the reputation of the Group and its financial performance.

Health and safety

Failure to prevent incidents that result in injury or harm to customers or employees could impact business reputation and customer confidence and lead to financial penalties.

Pension risks

The Group has a number of pension schemes. The Group's CARE schemes are not open to new accrual, however the schemes are still subject to risk in relation to their liabilities as a result of changes in life expectancy, inflation and volatility regarding the value of investments and the returns derived from such investments. The Group has a Retirement Saver scheme which remains open to employees. As a "cash balance" scheme which offers a pension "pot" at retirement rather than a pension through retirement, the volatility of investment values and returns is the primary risk associated with this scheme. The Group also has a defined contribution scheme which was introduced during 2017.

A significant future funding requirement of pension liabilities could have a materially adverse effect on the Group's operations and financial results.

Legal, regulation and compliance

The Group operates in an environment governed by strict regulations including the Groceries Supply Code of Practice (GSCOP), competition, employment, health and safety, and regulations over the Group's products. There is uncertainty on any potential regulation changes relating to the UK's exit from the European Union.

The Group also faces risk where legal proceedings are brought against it. The outcome of legal proceedings is inherently uncertain, may attract adverse publicity and could result in financial loss. Defending legal proceedings can be expensive and time-consuming and there is no guarantee that all costs incurred will be recovered even if the Group is successful. The failure to manage these risks could have a materially adverse effect on the Group's operations and financial results.

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 wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

Risks applicable to all Notes

If the 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 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 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.

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.

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.

Regulation and reform of benchmarks, including LIBOR, EURIBOR and other interest rates and other types of benchmarks

The London Interbank Offered Rate ("**LIBOR**"), the Euro Interbank Offered Rate ("**EURIBOR**") and other interest rates and indices which are deemed to be "benchmarks" are the subject of ongoing national and international regulatory reform. The implementation of the anticipated reforms may result in changes to a benchmark's administration, causing it to perform differently than in the past, or to be eliminated entirely, or resulting in other consequences which cannot be predicted as at the date of this Base Prospectus. Any such consequence could have an adverse effect on any Notes linked to such a "benchmark" (including, for example, Floating Rate Notes whose interest rate is linked to LIBOR or EURIBOR).

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") applies from 1 January 2018 (save that certain provisions, including those relating to "critical benchmarks", took effect as at 30 June, 2016). The Benchmark Regulation could have a material impact on any Notes linked to LIBOR, EURIBOR or another "benchmark" rate or index, in particular, if the methodology or other terms of the "benchmark" are changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark. In addition, the Benchmark Regulation stipulates that each administrator of a "benchmark" regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. There is a risk that administrators of certain "benchmarks" will fail to obtain a necessary licence, preventing them from continuing to provide such "benchmarks". Other administrators may cease to administer certain "benchmarks" because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith.

As an example of such benchmark reforms, on 27 July 2017, the UK Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of the LIBOR benchmark after 2021 (the "**FCA Announcement**"). The FCA Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The potential elimination of the LIBOR benchmark could require an adjustment to the terms and conditions, or result in other consequences, in respect of any Notes linked to LIBOR. Any such consequences could have a material adverse effect on the value and return on any such Notes.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of benchmarks, could increase the costs and risks of administering or otherwise participating in the setting of a benchmark and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain benchmarks, trigger changes in the rules or methodologies used in certain benchmarks or lead to the disappearance of certain benchmarks. Uncertainty about the future of benchmarks, any of the above changes or any other consequential changes as a result of international, national or other proposals for reform or other initiatives or investigations, could have an adverse effect on the value of, and return on, any Notes linked to a benchmark and the trading market for such Notes.

Risks related to Notes generally

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

The 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 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 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 provisions of the Notes or (ii) determine that any Event of Default or potential 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 Issuer, in the circumstances described in Condition 14 (*Meetings of Noteholders, Modification, Waiver and Substitution*).

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

The conditions of the Notes are based on English law in effect as at the date of this Base Prospectus. 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 Base Prospectus and any such change could materially adversely impact the value of any Notes affected by it.

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

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

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

Risks related to the market generally

Set out below is a brief description of the principal 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 Issuer will pay principal and interest on the Notes and the Guarantor will make any payments under the Notes 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 Issuer or 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 Issuer or any Notes may not reflect all the risks associated with an investment in those Notes

The Programme is currently rated (P)Baa3 / (P)P-3 by Moody's Investors Service Ltd. The provisional rating of the Programme does not immediately apply to any individual Notes issued under the Programme and has been obtained by the Issuer with the understanding that Moody's Investors Service Ltd will continue to monitor the credit of the Issuer and make future adjustments to the ratings to the extent warranted.

The credit ratings assigned to the Issuer and the Programme, and any credit ratings that may be assigned to the Notes by a credit rating agency, 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 or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using a credit rating for regulatory purposes unless such ratings are issued by a credit rating agency established in the European Union and registered under the CRA Regulation (and such registration has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by the European Securities and Markets Authority ("**ESMA**") on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies is set out on the cover of this Base Prospectus.

DOCUMENTS INCORPORATED BY REFERENCE

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

- (a) the independent auditor's report and audited consolidated annual financial statements for each of the 52 weeks ended 29 January 2017 and 52 weeks ended 31 January 2016 of the Issuer (the "**Issuer's Annual Reports**") including the information set out at the following pages of the Issuer's Annual Reports:

	2017	2016
Independent Auditor's Report	Pages 50 to 58	Pages 47 to 54
Consolidated Statement of Comprehensive Income	Page 59	Page 55
Consolidated Balance Sheet	Page 60	Page 56
Consolidated Cash Flow Statement	Page 61	Page 57
Consolidated Statement of Changes in Equity.	Page 62	Page 58
Notes to the Group Financial Statements	Pages 65 to 116	Pages 60 to 97
Company Accounting Policies	Pages 104 to 106	Pages 100 to 102
Glossary	Page 122	

- (b) the independent auditor's report and audited consolidated annual financial statements for each of the 52 weeks ended 29 January 2017 and the 52 weeks ended 31 January 2016 of the Guarantor (the "**Guarantor's Annual Reports**") including the information set out at the following pages of the Guarantor's Annual Reports:

	2017	2016
Independent Auditor's Report	Pages 10 to 12	Pages 11 to 13
Consolidated Statement of Comprehensive Income	Page 13	Page 14
Consolidated Balance Sheet	Page 14	Page 15
Consolidated Cash Flow Statement	Page 15	Page 16
Consolidated Statement of Changes in Equity.	Page 16	Page 17
Group Accounting Policies	Pages 17 to 24	Pages 18 to 24
Notes to the Group Financial Statements	Page 25 to 46	Pages 25 to 46

- (c) the Issuer's Interim Results for the half year to 30 July 2017 together with the auditor's independent review report in relation to the Issuer's condensed consolidated financial statements for the 26 weeks ended 30 July 2017 including the information set out at the following pages:

Consolidated Statement of Comprehensive Income	Page 16
Consolidated Balance Sheet	Page 17
Consolidated Cash Flow Statement	Page 18
Consolidated Statement of Changes in Equity.	Pages 19 to 20
Notes to the Group Financial Statements	Pages 21 to 33

- (d) the Terms and Conditions of the Notes contained on pages 41 to 71 of the base prospectus dated 1 November 2016, 43 to 73 of the base prospectus dated 8 October 2015, pages 41 to 72 of the base prospectus dated 14 February 2014, pages 30 to 59 of the base prospectus dated 16 November 2012 and pages 32 to 60 of the base prospectus dated 30 September 2011.

Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the UK Listing Authority in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

Copies of documents incorporated by reference in this Base Prospectus can be obtained from the registered office of the Issuer, from the specified office of the Paying Agent for the time being in London and on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html through a regulatory information service.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Base Prospectus shall not form part of this Base Prospectus.

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 Base Prospectus.

The Issuer and the Guarantor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in this Base Prospectus which is capable of affecting the assessment of any Notes, prepare a supplement to this Base Prospectus or publish a new Base Prospectus for use in connection with 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 be in bearer form and will initially be issued in the form of a temporary global note (a "**Temporary Global Note**") or, if so specified in the applicable Final Terms, a permanent global note (a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**" and each a "**Global Note**") which, in either case, will:

- (i) if the Global Notes are intended to be issued in new global note ("**NGN**") form, as stated in the applicable Final Terms, be delivered on or prior to the original issue date of the Tranche to a common safekeeper (the "**Common Safekeeper**") for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream**", "**Luxembourg**" and, together with Euroclear, the "**ICSDs**"); and
- (ii) if the Global Notes are not intended to be issued in NGN form, be delivered on or prior to the original issue date of the Tranche to a common depository (the "**Common Depository**") for Euroclear and Clearstream, Luxembourg.

Where the Global Notes issued in respect of any Tranche of Notes are in NGN form, the ICSDs will be notified 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.

Whilst any Note is represented by a Temporary Global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes 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 Euroclear and/or Clearstream, Luxembourg and Euroclear and/or Clearstream, Luxembourg, as applicable, has given a like certification (based on the certifications it has received) to the Agent.

On and after the date (the "**Exchange Date**") which is 40 days after a 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 (a) interests in a Permanent Global Note of the same Series or (b) definitive Notes of the same Series with, where applicable, 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 above unless such certification has already been given. The holder of a Temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification, exchange of the Temporary Global Note for an interest in a Permanent Global Note or for definitive Notes is improperly withheld or refused.

Payments of principal, interest (if any) or any other amounts on a Permanent Global Note will be made through Euroclear and/or Clearstream, Luxembourg (against presentation or surrender (as the case may be) of the 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 a Permanent Global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and

talons attached upon either (a) not less than 60 days' written notice from Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in such Permanent Global Note) to the Agent as described therein or (b) only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that (i) an Event of Default (as defined in Condition 9.1 (*Events of Default*)) has occurred and is continuing, (ii) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no successor clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Permanent Global Note in definitive form and a certificate to such effect signed by two authorised signatories of the Issuer is given to the Trustee. The Issuer will promptly give notice to Noteholders in accordance with Condition 13 (*Notices*) if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Euroclear and/or Clearstream, Luxembourg (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 Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 45 days after the date of receipt of the first relevant notice by the Agent.

The exchange upon 60 days' written notice option, as described in paragraph (a) above, should not be expressed to be applicable if the Notes are issued in denominations comprising a minimum Specified Denomination (such as €100,000 (or its equivalent in another currency)) plus one or more higher integral multiples of another smaller amount (such as €1,000 (or its equivalent in another currency)). Furthermore, such denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for definitive Notes.

The following legend will appear on all Notes which have an original maturity of more than one year and on all interest coupons relating to such Notes unless the relevant Final Terms or Pricing Supplement specify that TEFRA C applies or that TEFRA does not apply:

"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 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 such Notes or interest coupons.

Notes which are represented by a Global Note will only be transferable in accordance with the rules and procedures for the time being of Euroclear or Clearstream, Luxembourg, as the case may be.

Pursuant to the Agency Agreement (as defined under "Terms and Conditions of the Notes"), 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 at a point after the Issue Date of the further Tranche, the Notes of such further Tranche shall be assigned a common code and ISIN 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 the distribution compliance period (as defined in Regulation S under the Securities Act) applicable to the Notes of such Tranche.

Any reference herein to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in the applicable Final Terms.

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer or any Guarantor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

The Issuer and 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, in the case of Notes other than Exempt Notes, a new Base Prospectus will be made available which will describe the effect of the agreement reached in relation to such Notes.

FORM OF FINAL TERMS

Set out below is the form of Final Terms which will be completed for each Tranche of Notes issued under the Programme which are not Exempt Notes.

[MIFID II Product Governance – Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels. For the avoidance of doubt, references in this paragraph to "manufacturer" do not refer to the Issuer nor to the Guarantor who are not subject to MiFID II.]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of MiFID II (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

[Date]

Wm Morrison Supermarkets Plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Safeway Limited

under the £3,000,000,000 Euro Medium Term Note Programme

PART A – CONTRACTUAL TERMS

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 12 January 2018 [as supplemented by the supplement[s] to it dated [] [and []]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC, as amended) (the "**Base Prospectus**"). 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 Base Prospectus. Full information on the Issuer, the Guarantor[s] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html through a regulatory information service.]

[Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated [] which are incorporated by reference in the Base Prospectus dated 12 January 2018. This document constitutes the Final Terms of the

Notes described herein for the purposes of Article 5.4 of the Prospectus Directive (Directive 2003/71/EC, as amended) and must be read in conjunction with the Base Prospectus dated 12 January 2018 [as supplemented by the supplement[s] to it dated [] [and []]] which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the Base Prospectus), including the Conditions incorporated by reference in the Base Prospectus. Full information on the Issuer, the Guarantor[s] and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange at www.londonstockexchange.com/exchange/news/market-news/market-news-home.html through a regulatory information service.]

- | | | |
|----|--|---|
| 1. | (a) Issuer: | Wm Morrison Supermarkets Plc |
| | (b) Guarantor(s): | Safeway Limited/[] |
| 2. | (a) Series Number: | [] |
| | (b) Tranche Number: | [] |
| | (c) 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 [] below, which is expected to occur on or about []]] [Not Applicable] |
| 3. | Specified Currency or Currencies: | [] |
| 4. | Aggregate Nominal Amount: | |
| | (a) Series: | [] |
| | (b) Tranche: | [] |
| 5. | Issue Price: | [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []] |
| 6. | (a) Specified Denomination(s): | [] [[€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].] |
| | (b) Calculation Amount: | [] |
| 7. | (a) Issue Date: | [] |
| | (b) Interest Commencement Date: | []/[Issue Date]/[Not Applicable] |
| 8. | Maturity Date: | []/[Interest Payment Date falling in or nearest to []] |
| 9. | Interest Basis: | [[] per cent. Fixed Rate]
[[] +/- [] per cent. Floating Rate]
[Zero Coupon]
(See paragraph [14/15/16] below) |

10. Redemption/Payment Basis: Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount
11. Change of Interest Basis or [] [Not Applicable]
Redemption/Payment Basis:
12. Put/Call Options: [Investor Put]
[Issuer Call]
[Issuer Make-Whole Call]
[Investor Put on a Change of Control]
[(See paragraph [18/19/20/21] below)]
[Not Applicable]
13. (a) Status of the Notes: Senior
(b) Status of the Notes Guarantee: Senior
(c) Date [Board] approval for issuance of Notes [and Notes Guarantee] obtained: [[] and [], respectively] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
(a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
(b) Interest Payment Date(s): [] [and []] in each year up to and including the Maturity Date
(c) Fixed Coupon Amount(s): [] per Calculation Amount
(d) Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
(e) Day Count Fraction: [30/360] [Actual/Actual (ICMA)]
(f) Determination Date(s): [[] in each year] [Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
(a) Specified Period(s)/Specified Interest Payment Dates: []/[] in each year, commencing on [], up to and including [], in each case subject to adjustment in accordance with the Business Day Convention specified in paragraph 15(b) below]
(b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding

- Business Day Convention]
- (c) Additional Business Centre(s): [] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] month [LIBOR/EURIBOR]
 - Interest Determination Date(s): []
 - Relevant Screen Page: []
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) Linear Interpolation: [Not Applicable]/[Applicable - the Rate of Interest for the [long/short] [first/last] Interest Period shall be calculated using Linear Interpolation]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [[] per cent. per annum] [zero per cent. per annum] [Not Applicable]
- (k) Maximum Rate of Interest: [[] per cent. per annum] [Not Applicable]
- (l) 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)]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (a) Accrual Yield: [] per cent. per annum

(b) Reference Price: []

(c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]

[Actual/360]

[Actual/365]

PROVISIONS RELATING TO REDEMPTION

17. Notice periods for Condition 6.2: Minimum period: [] days

Maximum period: [] days

18. Issuer Call: [Applicable/Not Applicable]

(a) Optional Redemption Date(s): []/[Any date from and including [] to but excluding []]

(b) Optional Redemption Amount: [] per Calculation Amount

(c) If redeemable in part:

(i) Minimum Redemption Amount: [[] per Calculation Amount] [Not Applicable]

(ii) Maximum Redemption Amount: [[] per Calculation Amount] [Not Applicable]

(d) Notice periods: Minimum period: [] days

Maximum period: [] days

19. Issuer Make-Whole Call: [Applicable/Applicable from and including [] to but excluding []/Not Applicable]

(a) Gross Redemption Yield: []

(b) Reference Bond: []

(c) Redemption Margin: [] per cent.

(d) If redeemable in part:

(i) Minimum Redemption Amount: [[] per Calculation Amount] [Not Applicable]

(ii) Maximum Redemption Amount: [[] per Calculation Amount] [Not Applicable]

(e) Notice periods: Minimum period: [] days

Maximum period: [] days

20. Investor Put: [Applicable/Not Applicable]

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount: [] per Calculation Amount

- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
21. Investor Put on a Change of Control: [Applicable/Not Applicable]
- (a) Optional Redemption Amount: [] per Calculation Amount
- (b) Notice periods: Minimum period: [] days
Maximum period: [] days
22. Final Redemption Amount: [] per Calculation Amount
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default: [] per Calculation Amount

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: [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]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (b) New Global Note: [Yes] [No]
25. Additional Financial Centre(s): [Not Applicable]/[]
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]

[THIRD PARTY INFORMATION]

[] has been extracted from []. The Issuer and Guarantor[s] confirm 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

Signed on behalf of

Wm Morrison Supermarkets Plc:

[Safeway Limited/Others]:

.....

.....

By:

By:

Duly authorised

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) Application [has been] [is expected to be] made for the Notes to be admitted to listing on the Official List of the UK Listing Authority and to trading on the London Stock Exchange's regulated market.
- (ii) Date from which admission [] [Not Applicable] effective:
- (iii) Estimate of total expenses related [] [Not Applicable] 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]:

[Moody's Investors Service Ltd: []]

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

[Save for fees [of []] 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 their affiliates in the ordinary course of business.]

4. YIELD (Fixed Rate Notes Only)

Indication of yield: []

5. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. 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): [Not Applicable]/[]
- (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.]

6. **DISTRIBUTION**

U.S. Selling Restrictions:

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

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Exempt Notes issued under the Programme.

[MIFID II Product Governance – [Appropriate Target Market Legend to be included]]

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area (the "EEA"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU on markets in financial instruments ("MiFID II"); (ii) a customer within the meaning of Directive 2002/92/EC on insurance mediation where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Directive. Consequently no key information document required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

NO PROSPECTUS IS REQUIRED IN ACCORDANCE WITH DIRECTIVE 2003/71/EC AS AMENDED FOR THE ISSUE OF NOTES DESCRIBED BELOW. THE UK LISTING AUTHORITY HAS NEITHER APPROVED NOR REVIEWED THIS PRICING SUPPLEMENT.

[Date]

Wm Morrison Supermarkets Plc

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

Guaranteed by Safeway Limited

under the £3,000,000,000 Euro Medium Term 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 Base Prospectus dated 12 January 2018 [as supplemented by the supplement[s] to it dated [] [and []]] (the "**Base Prospectus**"). Full information on the Issuer, the Guarantor[s] and the offer of the Notes is only available on the basis of the combination of this Pricing Supplement and the Base Prospectus. The Base Prospectus has been published on the website of the London Stock Exchange through a regulatory information service.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus [dated []] which are incorporated by reference in the Base Prospectus]¹.

- | | | | |
|----|-----|-----------------|------------------------------|
| 1. | (a) | Issuer: | Wm Morrison Supermarkets Plc |
| | (b) | Guarantor(s): | Safeway Limited/[] |
| 2. | (a) | Series Number: | [] |
| | (b) | Tranche Number: | [] |

¹ Only include this language where it is a fungible issue and the original Tranche was issued under a Base Prospectus with a different date.

- (c) 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 [] below, which is expected to occur on or about []]] [Not Applicable]
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount:
- (a) Series: []
- (b) Tranche: []
5. Issue Price: [] per cent. of the Aggregate Nominal Amount [plus accrued interest from []]
6. (a) Specified Denomination(s): [] [[€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].]
- (b) Calculation Amount: []
7. (a) Issue Date: []
- (b) Interest Commencement Date: []/[Issue Date]/[Not Applicable]
8. Maturity Date: []/[Interest Payment Date falling in or nearest to []]
9. Interest Basis: [[] per cent. Fixed Rate]
- [[] +/- [] per cent. Floating Rate]
- [Zero Coupon]
- (See paragraph [14/15/16] below)
10. Redemption/Payment Basis: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at 100 per cent. of their nominal amount]
11. Change of Interest Basis or Redemption/Payment Basis: [] [Not Applicable]
12. Put/Call Options:
- [Investor Put]
- [Issuer Call]
- [Issuer Make-Whole Call]
- [Investor Put on a Change of Control]
- [(See paragraph [18/19/20/21] below)]

[Not Applicable]

13. (a) Status of the Notes: Senior
- (b) Status of the Notes Guarantee: Senior
- (c) Date [Board] approval for issuance of Notes [and Notes Guarantee] obtained: [[] and [], respectively] [Not Applicable]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (a) Rate(s) of Interest: [] per cent. per annum payable in arrear on each Interest Payment Date
- (b) Interest Payment Date(s): [] [and []] in each year up to and including the Maturity Date
- (c) Fixed Coupon Amount(s): [] per Calculation Amount
- (d) Broken Amount(s): [[] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []] [Not Applicable]
- (e) Day Count Fraction: 30/360] [Actual/Actual (ICMA)]
- (f) Determination Date(s): [[] in each year] [Not Applicable]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [None/give details]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (a) Specified Period(s)/Specified Interest Payment Dates: []/[] in each year, commencing on [], up to and including [], in each case subject to adjustment in accordance with the Business Day Convention specified in paragraph 15(b) below
- (b) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/ Preceding Business Day Convention/[]]
- (c) Additional Business Centre(s): [] [Not Applicable]
- (d) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (e) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [] [Not Applicable]
- (f) Screen Rate Determination: [Applicable/Not Applicable]
- Reference Rate: [] month [LIBOR/EURIBOR]

- Interest Determination Date(s): []
 - Relevant Screen Page: []
- (g) ISDA Determination: [Applicable/Not Applicable]
- Floating Rate Option: []
 - Designated Maturity: []
 - Reset Date: []
- (h) 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)]
- (i) Margin(s): [+/-] [] per cent. per annum
- (j) Minimum Rate of Interest: [[] per cent. per annum] [zero per cent. per annum] [Not Applicable]
- (k) Maximum Rate of Interest: [[] per cent. per annum] [Not Applicable]
- (l) 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)]
- (m) Fallback provisions, rounding provisions and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [None/give details]
16. Zero Coupon Note Provisions [Applicable/Not Applicable]
- (a) Accrual Yield: [] per cent. per annum
- (b) Reference Price: []
- (c) Day Count Fraction in relation to Early Redemption Amounts: [30/360]
 [Actual/360]
 [Actual/365]
- (d) Any other formula/basis of determining amount payable for Zero Coupon Notes: [None/give details]

PROVISIONS RELATING TO REDEMPTION²

17. Notice periods for Condition 6.2: Minimum period: [] days
Maximum period: [] days
18. Issuer Call: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []/[Any date from and including [] to but excluding []]
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]
- (c) If redeemable in part:
- (i) Minimum Redemption Amount: [[] per Calculation Amount] [Not Applicable]
- (ii) Maximum Redemption Amount: [[] per Calculation Amount] [Not Applicable]
- (d) Notice periods: Minimum period: [] days
Maximum period: [] days
19. Issuer Make-Whole Call: [Applicable/Applicable from and including [] to but excluding []/Not Applicable]
- (a) Gross Redemption Yield: []
- (b) Reference Bond: []
- (c) Redemption Margin: [] per cent.
- (d) If redeemable in part:
- (i) Minimum Redemption Amount: [[] per Calculation Amount] [Not Applicable]
- (ii) Maximum Redemption Amount: [[] per Calculation Amount] [Not Applicable]
- (e) Notice periods: Minimum period: [] days
Maximum period: [] days
20. Investor Put: [Applicable/Not Applicable]
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount and method, if any, of calculation of such amount(s): [[] per Calculation Amount/specify other/see Appendix]

² (N.B. When setting any 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 business days' notice for a call and 15 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 Paying Agent or Trustee)

- (c) Notice periods: Minimum period: [] days
Maximum period: [] days
21. Investor Put on a Change of Control: [Applicable/Not Applicable]
- (a) Optional Redemption Amount and method, if any, of calculation of such amount(s): [] per Calculation Amount
- (b) Notice periods: Minimum period: [] days
Maximum period: [] days
22. Final Redemption Amount: [[] per Calculation Amount/specify other/see Appendix]
23. Early Redemption Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required): [[] per Calculation Amount/specify other/see Appendix]
(N.B. If the Final Redemption Amount is 100 per cent. of the nominal value (i.e. par), the Early Redemption Amount is likely to be par (but consider). If, however, the Final Redemption Amount is other than 100 per cent. of the nominal value, consideration should be given as to what the Early Redemption Amount should be.)

GENERAL PROVISIONS APPLICABLE TO THE NOTES

24. Form of Notes:
- (a) Form: [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]
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event]]
- (b) New Global Note: [Yes] [No]
25. Additional Financial Centre(s): [Not Applicable]/[]
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. Other terms: [None/give details]

Signed on behalf of

Wm Morrison Supermarkets Plc:

.....

By:

Duly authorised

Signed on behalf of

[Safeway Limited/Others]:

.....

By:

Duly authorised

PART B – OTHER INFORMATION

1. LISTING AND ADMISSION TO TRADING

- (i) [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be listed on [specify market – note this must not be a regulated market] with effect from [].] [Not Applicable]:
- (ii) Date from which admission [] [Not Applicable] effective:
- (iii) Estimate of total expenses related [] [Not Applicable] 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]:

[Moody's Investors Service Ltd: []]

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

[Save for fees [of []] 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 their affiliates in the ordinary course of business.]

4. OPERATIONAL INFORMATION

- (i) ISIN: []
- (ii) Common Code: []
- (iii) Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. 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): [Not Applicable]/[]
- (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 this Pricing Supplement, 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**

U.S. Selling Restrictions:

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

TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) 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 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 Final Terms in relation to any Tranche of Notes may complete and supplement the following Terms and Conditions for the purpose of such Notes. 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 Pricing Supplement, as the case may be, (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note.

This Note is one of a Series (as defined below) of Notes issued by Wm Morrison Supermarkets Plc (the "**Issuer**") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "**Trust Deed**") dated 30 September 2011 made between the Issuer, Safeway Limited (as guarantor) (the "**Original Guarantor**") and Citicorp Trustee Company Limited (the "**Trustee**", which expression shall include any successor as Trustee).

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

- (a) in relation to any Notes represented by a global Note (a "**Global Note**"), units of each Specified Denomination in the Specified Currency;
- (b) any Global Note; and
- (c) any definitive Notes issued in exchange for a Global Note.

The Notes and the Coupons (as defined below) have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 14 February 2014 and made between the Issuer, the Original Guarantor, the Trustee, Citibank N.A., London Branch, as issuing and principal paying agent and agent bank (the "**Agent**", which expression shall include any successor agent) and the other paying agents named therein (together with the Agent, the "**Paying Agents**", which expression shall include any additional or successor paying agents).

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

The final terms for this Note (or the relevant provisions thereof) are set out in (i) in the case of Notes other than "Exempt Notes", Part A of a final terms document (the "**Final Terms**") attached to or endorsed on this Note which complete and supplement these Terms and Conditions (the "**Conditions**") for the purpose of such Notes or (ii) in the case of Exempt Notes, Part A of a pricing supplement (the "**Pricing Supplement**") attached to or endorsed on this Note which complete and supplement these Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Conditions, amend, modify or replace the Conditions for the purpose of such Notes. 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. If this Note is an Exempt Note, any reference in the Conditions to "**applicable Final Terms**" shall be deemed to be a reference to "**applicable Pricing Supplement**" where relevant.

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, 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. Global Notes do not have Coupons or Talons attached on issue.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "**Noteholders**", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below) and the holders of the Coupons (the "**Couponholders**", which expression shall, unless the context otherwise requires, include the holders of the Talons), 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 (a) expressed to be consolidated and form a single series and (b) have the same terms and conditions or terms and conditions which are the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee being at 8 October 2015 at Citigroup Centre, Canada Square, Canary Wharf, London E14 5LB 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, the Trustee and the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in the Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

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

In the 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.

This Note may be a Fixed Rate Note, a Floating Rate Note, 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 include terms and conditions not contemplated by the Conditions, in such event the relevant provisions will be included 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 the Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Guarantor(s), the Paying Agents and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note 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 Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg 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(s), the Paying Agents and the Trustee 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(s), any Paying Agent and the Trustee 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 the Notes**" and related expressions shall be construed accordingly. 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 error, be conclusive and binding on all concerned.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system specified in Part B of the applicable Final Terms.

2. **STATUS OF THE NOTES AND THE GUARANTEE**

2.1 **Status of the Notes**

The Notes and any relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (*Negative Pledge*)) unsecured obligations of the Issuer and rank *pari passu* among themselves and (save for certain obligations required to be preferred by law) equally with all other unsecured obligations (other than subordinated obligations, if any) of the Issuer, from time to time outstanding.

2.2 **Status of the Notes Guarantee**

The payment of principal and interest in respect of the Notes and all other moneys payable by the Issuer under or pursuant to the Trust Deed has been unconditionally and (subject to Condition 2.3 (*Release of a Guarantor*)) irrevocably guaranteed by the Original Guarantor in the Trust Deed (the "**Notes Guarantee**"). The obligations of the Original Guarantor (and any additional or other Guarantor which becomes a guarantor pursuant to Condition 2.4 (*Additional Guarantors*)) under the Notes Guarantee are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3.1 (*Negative Pledge*)) unsecured obligations of such 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 such Guarantor, from time to time outstanding.

2.3 Release of a Guarantor

The Issuer may by written notice to the Trustee signed by two Authorised Signatories (as defined in the Trust Deed) of the Issuer request that the Original Guarantor (or any additional or other Guarantor which becomes a Guarantor pursuant to Condition 2.4 (*Additional Guarantors*)) ceases to be a Guarantor in respect of Notes if such Guarantor is no longer providing a Guarantee in respect of any other Financial Indebtedness of the Issuer or a Subsidiary of the Issuer. Upon the Trustee's receipt of such notice, such Guarantor shall automatically and irrevocably be released and relieved of all its future obligations under the Notes Guarantee and all of its future obligations as a Guarantor under the Trust Deed but without prejudice to any obligations which may have accrued prior to such release. Such notice must also contain the following certifications:

- (a) no Event of Default or Potential Event of Default (as defined in the Trust Deed) is continuing or will result from the release of such Guarantor;
- (b) no part of the Financial Indebtedness in respect of which such Guarantor is or was providing a Guarantee is at that time due and payable but unpaid; and
- (c) such Guarantor is not (or will cease to be simultaneously with such release) providing a Guarantee in respect of any other Financial Indebtedness of the Issuer or any Subsidiary of the Issuer.

"Financial Indebtedness" means any indebtedness for or in respect of:

- (a) notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market; and
- (b) any amount (in the aggregate exceeding £50,000,000) borrowed under any credit facility, including the £1,350,000,000 Revolving Credit Facility dated 8 September 2014 between the Issuer, the Original Guarantor and the banks named therein, or any replacement or extension thereof.

"Guarantee" means in respect of any Financial Indebtedness, any guarantee or indemnity given in respect of such Financial Indebtedness.

"Subsidiary" means a subsidiary within the meaning of section 1159 of the Companies Act 2006, as amended.

Notice of any release of a Guarantor pursuant to this Condition 2.3 will be given to the Noteholders in accordance with Condition 13 (*Notices*).

2.4 Additional Guarantors

If any Subsidiary of the Issuer provides a Guarantee in respect of any Financial Indebtedness of the Issuer or any Subsidiary of the Issuer, the Issuer covenants that it shall procure that such Subsidiary shall within 45 days of the giving of such Guarantee, execute and deliver to the Trustee a deed supplemental to the Trust Deed, such supplemental trust deed to be substantially in the form set out in Schedule 5 of the Trust Deed and with substance reasonably satisfactory to the Trustee, and accompanied by such opinion(s) as the Trustee shall require, pursuant to which such Subsidiary of the Issuer shall guarantee the obligations of the Issuer in respect of the outstanding Notes, the Coupons and the Trust Deed on the same terms *mutatis mutandis* as the Notes Guarantee including, but not limited to, such guarantee being joint and several with the obligations of every other Guarantor thereunder. The Original Guarantor has in the Trust

Deed confirmed that it has consented to any such entity giving a guarantee as aforesaid without any need for the Original Guarantor to execute any supplemental trust deed. Notice of any addition of a Guarantor pursuant to this Condition 2.4 will be given to the Noteholders in accordance with Condition 13 (Notices). Any additional Guarantor that is not incorporated within the United Kingdom shall appoint the Issuer as its agent for service of process.

3. **NEGATIVE PLEDGE**

3.1 **Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), neither the Issuer nor any of its Subsidiaries will create or have outstanding any mortgage, charge, lien, pledge or other security interest (each a "**Security Interest**") upon, or with respect to, any of its present or future business, undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by the Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

provided that the provisions of this Condition 3 shall not apply with regard to any Security Interest given by any company becoming a Subsidiary of the Issuer after the Issue Date of the first tranche of the Notes, providing such Security Interest exists at the time of such company becoming a Subsidiary of the Issuer (other than any Security Interest created in contemplation thereof) and any such Security Interest thereafter created by such Subsidiary in substitution for the aforesaid Security Interest either in the case of security over assets the value of which, in the opinion of the Trustee, does not materially exceed the then current value of the assets subject to such security immediately prior to such substitution.

3.2 **Interpretation**

For the purposes of the Conditions:

"Group" means the Issuer and its Subsidiaries for the time being, excluding the Real Property Companies.

"Permitted Real Estate Transaction" means any disposal or non-recourse secured financing entered into by any member of the Group or any Real Property Company of Real Property Assets (each as defined below) and related assets (which shall include, for the avoidance of doubt, shares in Real Property Companies) on arm's length terms whose market value, when aggregated with the market value of all such assets which have been the object of all previous such transaction from the Issue Date of the first tranche of the Notes, does not exceed £3,000,000,000, after adjustment for any increase in:

- (a) the Retail Price Index; and
- (b) the market value of Real Property Assets and related assets which are acquired by the Group or a Real Property Company after the Issue Date of the first tranche of the Notes or which have been fully released from such non-recourse secured

financing arrangements which have been entered into by any member of the Group or any Real Property Company after the Issue Date of the first tranche of the Notes,

provided that if any such disposal and non-recourse secured financing applies to the same Real Property Asset or related asset, it shall not be counted twice for the purpose of the £3,000,000,000 limit provided above.

"Real Property Assets" means:

- (a) any freehold, leasehold or immovable property; and
- (b) any buildings, fixtures, fittings (including trade fixtures and fittings), fixed plant or machinery from time to time situated on or forming part of that freehold, leasehold or immovable property.

"Real Property Company" means any Subsidiary of the Issuer which is exclusively for the purpose of holding Real Property Assets and whose sole assets are Real Property Assets, assets ancillary to owning and managing Real Property Assets and the rentals, fees, income and other assets and proceeds received as a consequence of owning and managing Real Property Assets.

"Relevant Indebtedness" means (i) any present or future indebtedness (whether being principal, premium, interest or other amounts) for or in respect of any notes, bonds, debentures, debenture stock, loan stock or other securities which are for the time being or are intended to be quoted, listed or ordinarily dealt in on any stock exchange, over-the-counter or other securities market, and (ii) any guarantee or indemnity in respect of any such indebtedness, but in either case not including a Permitted Real Estate Transaction.

"Retail Price Index" means the U.K. All Items Retail Prices Index as published by the United Kingdom Office for National Statistics contained in the Monthly Digest of Statistics (or contained in any official publication substituted therefor) or any comparable index which may replace it.

4. **INTEREST**

4.1 **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. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity 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 in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in the 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

(b) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable 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.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.1:

(a) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

(i) 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 (I) the number of days in such Determination Period and (II) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or

(ii) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:

(A) 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 that would occur in one calendar year; and

(B) 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

(b) 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 a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

"Determination Period" means each 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, one cent.

4.2 Interest on Floating Rate Notes

(a) 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:

- (i) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (ii) 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 the 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 in 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:

- (A) in any case where Specified Periods are specified in accordance with Condition 4.2(a)(ii) above, the Floating Rate Convention, such Interest Payment Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) 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 (i) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (B) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (C) 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
- (D) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In the Conditions, "**Business Day**" means a day which 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 each Additional Business Centre (other than TARGET2 System) specified in the applicable Final Terms;

- II. if TARGET2 System is specified as an Additional Business Centre in the applicable Final Terms, a day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System (the TARGET2 System) is open; and
- III. either (i) 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 and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which if the Specified Currency is Australian dollars or New Zealand dollars shall be Sydney and Auckland, respectively) or (ii) in relation to any sum payable in euro, a day on which the Target2 System is open.

(b) **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.

(i) 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 subparagraph (i), "**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 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 (the "**ISDA Definitions**") and under which:

- (A) the Floating Rate Option is as specified in the applicable Final Terms;
- (B) the Designated Maturity is a period specified in the applicable Final Terms; and
- (C) the relevant Reset Date is the date specified in the applicable Final Terms.

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

(ii) 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:

- (A) the offered quotation; or
- (B) 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 (A) above, no such offered quotation appears or, in the case of (B) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(c) **Minimum Rate of Interest and/or Maximum Rate of Interest**

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 (b) 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 (b) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(d) **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:

- (i) 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
- (ii) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable 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.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 4.2:

- (A) if "Actual/Actual (ISDA)" or "Actual/Actual" 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 (I) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366

and (II) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);

- (B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D₁ will be 30; and

"D₂" 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 D₁ is greater than 29, in which case D₂ will be 30;

- (F) 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D₁ will be 30; and

"D₂" 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 D₂ will be 30;

- (G) 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:

"Y₁" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y₂" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M₁" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M₂" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D₁" 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 D₁ will be 30; and

"D₂" 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 D₂ will be 30.

(e) **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, the Trustee and any stock exchange on which the relevant Floating Rate Notes are for the time being listed (by no later than the first day of each Interest Period) and notice thereof to be published in accordance with Condition 13 (*Notices*) 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 (*Notices*). For the purposes of this paragraph, the expression "**London Business Day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

(f) **Linear Interpolation**

Where Linear Interpolation is specified as being 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 shall be determined as if the Designated Maturity were the period of time for 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.

(g) **Determination or Calculation by Trustee**

If for any reason at any relevant time the Agent defaults in its obligation to determine the Rate of Interest or in its obligation to calculate any Interest Amount in accordance with subparagraph 4.2(b)(i) or subparagraph 4.2(b)(ii) above or, as the case may be, and in each case in accordance with paragraph (d) above, the Trustee (or an agent appointed by the Trustee at the expense of the Issuer) 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 4.2, 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.

(h) **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 4.2 by the Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on the Issuer, the Guarantor(s), the Agent, the other Paying Agents and all Noteholders and Couponholders and (in the absence of wilful default or bad faith) no liability to the Issuer, the Guarantor(s), the Noteholders 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.

4.3 **Interest on Exempt Notes**

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 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.

4.4 **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 until whichever is the earlier of:

- (a) the date on which all amounts due in respect of such Note have been paid; and
- (b) as provided in the Trust Deed.

5. PAYMENTS

5.1 Method of payment

Subject as provided below:

- (a) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, 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 Australian dollars or New Zealand dollars, shall be Sydney and Auckland, respectively); and
- (b) payments will be made in euro 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, at the option of the payee, 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 (*Taxation*) 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 (*Taxation*)) any law implementing an intergovernmental agreement thereto).

5.2 Presentation of definitive Notes and Coupons

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in Condition 5.1 above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) 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 Long Maturity Notes (as defined below)) 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 (*Taxation*)) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 8 (*Prescription*)) 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 in definitive form 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 or "Long Maturity 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. A "**Long Maturity Note**" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

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.

5.3 **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 outside the United States. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such Global Note by the Paying Agent to which it was presented or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

5.4 **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(s) 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 Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by the Issuer or, as the case may be, the Guarantor(s) to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition 5, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (a) 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;
- (b) 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

- (c) such payment is then permitted under United States law without involving, in the opinion of the Issuer and any Guarantor, adverse tax consequences to the Issuer or such Guarantor.

5.5 **Payment Day**

If the date for payment of any amount in respect of any Note 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 (*Prescription*)) is:

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

5.6 **Interpretation of principal and interest**

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

- (a) any additional amounts which may be payable with respect to principal under Condition 7 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (b) the Final Redemption Amount of the Notes;
- (c) the Early Redemption Amount of the Notes;
- (d) the Optional Redemption Amount(s) (if any) of the Notes;
- (e) the Make-Whole Redemption Amount (if any) of the Notes;
- (f) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 6.7 (*Early Redemption Amounts*)); and
- (g) 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 the 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 (*Taxation*) or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

6. **REDEMPTION AND PURCHASE**

6.1 **Redemption at maturity**

Unless previously redeemed or purchased and cancelled 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.

6.2 **Redemption for tax reasons**

Subject to Condition 6.7 (*Early Redemption Amounts*), 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 (*Notices*), the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of such notice that:

- (a) 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 (*Taxation*) or any 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 a Tax Jurisdiction (as defined in Condition 7 (*Taxation*)) or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (b) such obligation cannot be avoided by the Issuer or, as the case may be, any 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, any 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 relevant 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 addressed to the Trustee to the effect that the Issuer or, as the case may be, the relevant 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 and the Couponholders.

Notes redeemed pursuant to this Condition 6.2 will be redeemed at their Early Redemption Amount referred to in Condition 6.7 (*Early Redemption Amounts*) together (if appropriate) with interest accrued to (but excluding) the date of redemption.

6.3 Redemption at the option of the Issuer (Issuer Call)

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer may, 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 (*Notices*) (which notices shall be irrevocable and shall specify the date fixed for redemption), 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 and not more than the Maximum 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 be (i) in the case of Redeemed Notes represented by definitive Notes, 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, selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (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 (*Notices*) not less than 15 days prior to the date fixed for redemption.

6.4 Make-Whole Redemption at the option of the Issuer (Issuer Make-Whole Call)

If Issuer Make-Whole Call is specified as being applicable in the applicable Final Terms, the Issuer may, 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 (*Notices*) (which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding at any time or from time to time (i) where no particular period during which Issuer Make-Whole Call is applicable is specified, prior to their Maturity Date; or (ii) where Issuer Make-Whole Call is specified as only being applicable for a certain period, during such period, in each case on the date for redemption specified in such notice (the "**Make-Whole Redemption Date**") at the Make-Whole Redemption Amount.

The "**Make-Whole Redemption Amount**" shall be the higher of par and the price, as reported to the Issuer and the Trustee by the Financial Adviser, at which the Gross Redemption Yield on the Notes is equal to the Gross Redemption Yield (determined by reference to the middle market price) at 3.00 pm London time on the Redemption Calculation Date of the Reference Bond, plus the Redemption Margin (if any). For the purposes of this paragraph, "**Financial Adviser**" shall mean a financial adviser selected by the Issuer and approved by the Trustee; and "**Redemption Margin**" and "**Gross Redemption Yield**" shall be as set out in the applicable Final Terms. "**Reference Bond**" shall be specified in the applicable Final Terms or, if no such bond is so specified in the applicable Final Terms, shall be a government security or securities selected by the Financial Adviser as having an actual or interpolated maturity comparable with the remaining term to the Maturity Date that would be utilised, at the time of selection and in accordance with customary market practice, in pricing new issues of corporate debt securities denominated in the Specified Currency and of a comparable maturity to the remaining term to the Maturity Date. The "**Redemption Calculation Date**" will be set out in the relevant notice of redemption.

Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount and not more than the Maximum 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 be (i) in the case of

Redeemed Notes represented by definitive Notes, 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, selected in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, (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 (*Notices*) not less than 15 days prior to the date fixed for redemption.

6.5 **Redemption at the option of the Noteholders (Investor Put) (other than upon a Change of Control)**

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 (*Notices*) not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms, 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.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, 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 required to be made 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.

6.6 **Redemption as a result of a Change of Control of the Issuer**

If Investor Put on a Change of Control is specified as being applicable in the applicable Final Terms, if at any time while any Note remains outstanding (i) a Change of Control occurs and (ii) within the Change of Control Period (A) (if at the time that the Change of Control occurs the Notes are rated at the invitation of the Issuer by one or more Rating Agencies) a Rating Downgrade in respect of that Change of Control occurs, or (B) (if at such time the Notes are not rated) a Negative Rating Event in respect of that Change of Control occurs (in either case, 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 to redeem the Notes under Condition 6.2 (*Redemption for tax reasons*) or, if applicable, Condition 6.3 (*Redemption at the option of the Issuer (Issuer Call)*) or, if applicable, Condition 6.4 (*Make-Whole Redemption at the option of the Issuer (Issuer Make-Whole Call)*) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the Optional Redemption Date (Put) (as defined below) at its principal amount together with (or, where purchased, together with an amount equal to) accrued interest to but excluding the Optional Redemption Date (Put).

A "**Change of Control**" shall be deemed to have occurred at each time (whether or not approved by the board of directors or senior management of the Issuer) that any person

("Relevant Person") or persons acting in concert (as defined in the City Code on Takeovers and Mergers) or any person or persons acting on behalf of any such person(s), at any time (A) directly or indirectly acquires more than 50 per cent. of the issued ordinary share capital of the Issuer or (B) directly or indirectly acquires such number of the shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights exercisable at general meetings of the Issuer, provided that a Change of Control shall not be deemed to have occurred if the shareholders of the Relevant Person are also, or immediately prior to the event which would otherwise constitute a Change of Control were, in the opinion of the Issuer, substantially similar to the pre-existing shareholders of the Issuer.

"Change of Control" Period means the period ending 180 days after the Relevant Announcement Date (or such longer period for which the Notes are under consideration (such consideration having been announced publicly within the period ending 90 days after the Change of Control) for rating review or, as the case may be, rating by a Rating Agency, such period not to exceed 60 days after the public announcement of such consideration).

"Investment Grade Rating" means a rating of BBB- by S&P, Baa3 by Moody's, or BBB- by Fitch or their equivalent for the time being, or better.

A **"Negative Rating Event"** shall be deemed to have occurred if (i) the Issuer does not on or before the 21st day after the relevant Change of Control seek, and use all reasonable endeavours to obtain from a Rating Agency, a rating in respect of the Notes or (ii) if it does so seek and use such endeavours, it has not at the expiry of the Change of Control Period and as a result of such Change of Control obtained an Investment Grade Rating, provided that the Rating Agency publicly announces or confirms in writing to the Issuer that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the applicable Change of Control.

"Rating Agency" means each of Standard & Poor's Rating Services, a division of The McGraw Hill Companies, Inc. ("**S&P**"), Moody's Investors Service Ltd ("**Moody's**") and Fitch Ratings Limited ("**Fitch**") and their successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.

A **"Rating Downgrade"** shall be deemed to have occurred in respect of a Change of Control if within the Change of Control Period the rating previously assigned to the Notes by any Rating Agency is (x) withdrawn or (y) changed from an Investment Grade Rating to a non Investment Grade Rating (BB+ by S&P/Ba1 by Moody's/ BB+ by Fitch, or their equivalent for the time being, or worse) or (z) (if the rating assigned to the Notes by any Rating Agency shall, immediately prior to the Change of Control Period, be below an Investment Grade Rating) lowered one full rating category (for example, from BB+ to BB by S&P, or Ba1 to Ba2 by Moody's or BB+ to BB by Fitch or such similar lower or equivalent rating), provided that a Rating Downgrade otherwise arising by virtue of a particular change in rating shall be deemed not to have occurred in respect of a particular Change of Control if the Rating Agency making the change in rating to which this definition would otherwise apply does not publicly announce or confirm in writing that the reduction 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 Change of Control.

"Relevant Announcement Date" means the date that is the earlier of (a) the date of the first public announcement of the relevant Change of Control and (b) the date of the earliest Relevant Potential Change of Control Announcement (if any).

"Relevant Potential Change of Control Announcement" means any public announcement or statement by or on behalf of the Issuer, any actual or potential bidder or any adviser acting on behalf of any actual or potential bidder relating to any potential

Change of Control where within 90 days following the date of such announcement or statement, a Change of Control occurs.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Noteholders in accordance with Condition 13 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option contained in this Condition 6.6.

To exercise the option to require redemption or, as the case may be, purchase of a Note under this Condition 6.6 the holder of that Note must, if the Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver such Note, on any Payment Day (as defined in Condition 5.5 (*Payment Day*)) in the city of the specified office of the relevant Paying Agent 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 "**Put Option Notice**") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition 6.6. The Note should be delivered together with all Coupons appertaining thereto maturing after the date (the "**Optional Redemption Date (Put)**") which is the seventh day after the last day of the Put Period, failing which an amount will be deducted from the payment to be made by the Issuer on redemption or, as the case may be, purchase of the Notes corresponding to the aggregate amount payable in respect of such missing unmatured Coupons.

If the Notes are represented by a Global Note or are in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of the Notes following a Put Event the holder of the Notes must, within the Put 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 and 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 and, if the Notes are represented by a Global Note and the terms of such Global Note so provide, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

The Paying Agent to which such Note and Put Option Notice are delivered or the Agent, as the case may be, will issue to the holder concerned a non-transferable receipt (a "**Put Option Receipt**") in respect of the Note so delivered or, in the case of a Global Note or Note in definitive form held through Euroclear or Clearstream, Luxembourg, notice so received. The Issuer shall redeem or at the option of the Issuer purchase (or procure the purchase of) the Notes in respect of which Put Option Receipts have been issued on the Optional Redemption Date (Put), unless previously redeemed and purchased. Payment in respect of any Note so delivered will be made, if the holder duly specified a bank account in the Put Option Notice to which payment is to be made, on the Optional Redemption Date (Put) by transfer to that bank account and in every other case on or after the Optional Redemption Date (Put), in each case against presentation and surrender or (as the case may be) endorsement of such Put Option Receipt at the specified office of any Paying Agent in accordance with the provisions of this Condition 6.6.

The Trustee is under no obligation to ascertain whether a Change of Control or any event which would lead to the occurrence of or could constitute a Put Event has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Put Event or other such event has occurred.

6.7 Early Redemption Amounts

For the purpose of Condition 6.2 above and Condition 9 (*Events of Default and Enforcement*), each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (a) in the case of a Note (other than a Zero Coupon Note), at the Early Redemption Amount specified in the applicable Final Terms; or
- (b) in the case of a Zero Coupon Note, at an amount (the "**Amortised Face Amount**") calculated in accordance with the following formula:

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

where:

RP means the Reference Price;

AY means the Accrual Yield expressed as a decimal; and

^y is the Day Count Fraction specified in the applicable Final Terms which will be either (i) 30/360 (in which case the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) 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 (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).

6.8 Purchases

The Issuer, any Guarantor or any Subsidiary of the Issuer or any Guarantor may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured 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 any Guarantor, surrendered to any Paying Agent for cancellation.

6.9 Cancellation

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and any Notes purchased and cancelled pursuant to Condition 6.8 above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

6.10 Late payment on Zero Coupon Notes

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to Condition 6.1, 6.2, 6.3, 6.4, 6.5 and 6.6 above or upon its becoming due and repayable as provided in Condition 9.1 (*Events of Default*) is improperly withheld or refused, the amount due and repayable in respect of such Zero

Coupon Note shall be the amount calculated as provided in Condition 6.7(b)) 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 payable were replaced by references to the date which is the earlier of:

- (a) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (b) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes 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 (*Notices*).

7. TAXATION

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer or any 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 any Tax Jurisdiction (as defined below) unless such withholding or deduction is required by law. In such event, the Issuer or, as the case may be, the relevant Guarantor will pay such additional amounts ("**Additional Amounts**") as shall be necessary in order that the net amounts received by the holders of the Notes 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 or Coupons, as the case may be, in the absence of such withholding or deduction; except that no Additional Amounts shall be payable with respect to any Note or Coupon:

- (a) the holder of which is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note or Coupon; or
- (b) 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 an Additional Amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 5.5 (*Payment Day*)); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to Council Directive 2003/48/EC on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) 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 or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (i) "**Tax Jurisdiction**" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax the Issuer or any Guarantor; and
- (ii) 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 Trustee or the Agent 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 (*Notices*).

8. PRESCRIPTION

The Notes 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 (*Taxation*)) 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 8 (*Prescription*) or Condition 5.2 (*Presentation of definitive Notes and Coupons*) or any Talon which would be void pursuant to Condition 5.2 (*Presentation of definitive Notes and Coupons*).

9. EVENTS OF DEFAULT AND ENFORCEMENT

9.1 Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but in the case of the happening of any of the events described in paragraphs (b) to (d) (other than the winding up or dissolution of the Issuer or a Guarantor), (e) to (g) inclusive and (i) below, only if the Trustee shall have certified in writing to the Issuer and the Guarantor(s) that such event is, in its opinion, materially prejudicial to the interests of the Noteholders), give notice in writing to the Issuer that each Note is, and each Note shall thereupon immediately become, due and repayable at its Early Redemption Amount together with accrued interest as provided in the Trust Deed if any of the following events (each an "**Event of Default**") shall occur:

- (a) if default is made in the payment of any principal or interest due in respect of the Notes or any of them or if there is failure by the Issuer to purchase or procure purchase of any Notes pursuant to Condition 6.6 (*Redemption as a result of a Change of Control of the Issuer*) and the default or failure continues for a period of seven days in the case of principal and 14 days in the case of interest; or
- (b) if the Issuer or a Guarantor fails to perform or observe any of its other obligations under the Conditions or the Trust Deed and (except in any case where, in the opinion of the Trustee, the failure is incapable of remedy when no such continuation or notice as is hereinafter mentioned will be required) the failure continues for the period of 30 days (or such longer period as the Trustee may permit) next following the service by the Trustee on the Issuer or the Guarantor(s) (as the case may be) of notice requiring the same to be remedied; or
- (c) if: (i) any indebtedness of the Issuer, any Guarantor or any Material Subsidiary (as defined below) becomes due and repayable prematurely by reason of an event of default (however described) and a demand is made for such payment; or (ii) the Issuer, any Guarantor or any Material Subsidiary fails to make any payment in respect of any indebtedness on the due date for payment as extended by any originally applicable grace period provided that no event described in this subparagraph (c) shall constitute an Event of Default unless the relevant amount of indebtedness due and unpaid, either alone or when aggregated (without duplication) with other amounts of indebtedness due and unpaid relative to all (if any) other events specified in (i) and (ii) above which have occurred and are continuing, exceeds £20,000,000 (or its equivalent in any other currency or currencies) excluding Permitted Real Estate Transactions; or

- (d) if any order is made by any competent court or effective resolution passed for the winding up or dissolution of the Issuer, any Guarantor or any Material Subsidiary (save for the purposes of a Permitted Transaction); or
- (e) if the Issuer, any Guarantor or any Material Subsidiary ceases or threatens to cease to carry on the whole or substantially the whole of its business, save for the purposes of a Permitted Transaction, or the Issuer, any Guarantor or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due, or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent; or
- (f) if (A) proceedings are initiated against the Issuer, any Guarantor or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws, or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator, liquidator or other similar official, or an administrative or other receiver, manager, administrator, liquidator or other similar official is appointed, in relation to the Issuer, any Guarantor or any Material Subsidiary or, as the case may be, in relation to all or substantially all of the undertaking or assets of any of them, or an encumbrancer takes possession of all or substantially all of the undertaking or assets of any of them, or a distress, execution, attachment, sequestration or other process is levied, enforced upon, sued out or put in force against all or substantially all of the undertaking or assets of any of them and (B) in any case (other than the appointment of an administrator) is in respect of indebtedness of more than £20,000,000 and is not discharged within 30 days, or is not part of a Permitted Transaction; or
- (g) if the Issuer, any Guarantor or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws other than as part of Permitted Transaction (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of, or enters into any composition or other arrangement with, its creditors generally (or any class of its creditors (other than intra-group creditors)) or any meeting is convened to consider a proposal for an arrangement or composition with its creditors generally (or any class of its creditors (other than intra-group creditors)); or
- (h) if the Notes Guarantee(s) ceases to be, or is claimed by the Issuer or any Guarantor not to be, in full force and effect (except in accordance with the provisions of Condition 2.3 (*Release of a Guarantor*)); or
- (i) if any event occurs which, under the laws of any Relevant Jurisdiction has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in paragraphs (d) to (g) above.

9.2 Enforcement

The Trustee may at any time, at its discretion and without notice, take such proceedings and/or other steps or action (including lodging an appeal in any proceedings) against or in relation to the Issuer or any Guarantor as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons or otherwise, but it shall not be bound to take any such proceedings or other steps or action unless (i) it shall have been so directed by an Extraordinary Resolution or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and (ii) it shall have been indemnified and/or secured and/or prefunded to its satisfaction.

The Trustee may refrain from taking any action in any jurisdiction if the taking of such action in that jurisdiction would, in its opinion based upon legal advice in the relevant jurisdiction, be contrary to any law of that jurisdiction. Furthermore, the Trustee may also refrain from taking such action if it would otherwise render it liable to any person in that jurisdiction or if, in its opinion based upon such legal advice, it would not have the power to do the relevant thing in that jurisdiction by virtue of any applicable law in that jurisdiction or if it is determined by any court or other competent authority in that jurisdiction that it does not have such power.

No Noteholder or Couponholder shall be entitled to (i) take any steps or action against the Issuer or any Guarantor to enforce the performance of any of the provisions of the Trust Deed, the Notes or the Coupons or (ii) take any other proceedings (including lodging an appeal in any proceedings) in respect of or concerning the Issuer or the Guarantor, in each case unless the Trustee, having become bound so to take any such action, steps or proceedings, fails so to do within a reasonable period and the failure shall be continuing.

9.3 Definitions

For the purposes of the Conditions:

"Material Subsidiary" means, at any time, a Subsidiary in the Group whose gross assets or turnover (excluding intra-Group items) then equal or exceed 10.0 per cent. of the gross assets or turnover of the Group; and

for this purpose:

- (a) the gross assets or turnover of a Subsidiary in the Group will be determined from its financial statements (unconsolidated if it has Subsidiaries) upon which the latest audited financial statements of the Group have been based;
- (b) if a company becomes a member of the Group after the date on which the latest audited financial statements of the Group have been prepared, the gross assets or turnover of that Subsidiary will be determined from its latest financial statements;
- (c) the gross assets or turnover of the Group will be determined from its latest audited financial statements, adjusted (where appropriate) to reflect the gross assets or turnover of any company or business subsequently acquired or disposed of; and
- (d) if a Material Subsidiary disposes of all or substantially all of its assets to another Subsidiary of the Group, it will immediately cease to be a Material Subsidiary and the other Subsidiary (if it is not already) will immediately become a Material Subsidiary; the subsequent financial statements of those Subsidiaries and the Group will be used to determine whether those Subsidiaries are Material Subsidiaries or not,

all as more particularly defined in the Trust Deed.

The Issuer shall in accordance with the Trust Deed from time to time, provide to the Trustee a list of Subsidiaries or other companies which are or become Material Subsidiaries, certified by two Authorised Signatories of the Issuer.

"Permitted Transaction" means (i) an intra-Group reorganisation of any member of the Group (excluding the Issuer) on a solvent basis or (ii) a reorganisation on terms previously approved by an Extraordinary Resolution.

"Relevant Jurisdiction" means the jurisdiction pursuant to the laws of which the relevant entity is incorporated.

10. **REPLACEMENT OF NOTES, COUPONS AND TALONS**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent 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, Coupons or Talons must be surrendered before replacements will be issued.

11. **PAYING AGENTS**

The names of the initial Paying Agents 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 entitled, with the prior written approval of the Trustee, 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:

- (a) there will at all times be an Agent;
- (b) so long as the Notes are listed on any stock exchange or admitted to listing by any other relevant authority, 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 other relevant authority; and
- (c) there will at all times be a Paying Agent in a Member State of the European Union that will not be 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 conform to, such Directive.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 5.4 (*General provisions applicable to payments*). 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 (*Notices*).

In acting under the Agency Agreement, the Paying Agents act solely as agents of the Issuer and the Guarantor(s) and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

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 (*Prescription*).

13. **NOTICES**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that any such publication in a newspaper will be made in the *Financial Times* in London. The Issuer

shall also ensure that notices are duly published in a manner which complies with the rules of any 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 date of the first publication in all required newspapers. If publication as provided above is not practicable, a notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee shall approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the holders of the Notes on the second business day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) 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 through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

14. MEETINGS OF NOTEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

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 the Notes, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the Issuer, the Guarantor(s) or the Trustee and shall be convened by the Issuer if required in writing by Noteholders holding not less than five 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 is one or more persons holding or representing more than 50 per cent. 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 any matter defined in the Trust Deed as a Basic Terms Modification (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 or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one third in nominal amount of the Notes for the time being outstanding. The Trust Deed provides that (i) a resolution passed at a meeting duly convened and held in accordance with the Trust Deed by a majority consisting of not less than three-fourths of the votes cast on such resolution, (ii) a resolution in writing signed by or on behalf of the holders of not less than three fourths in principal amount of the Notes for the time being outstanding or (iii) consent given by way of electronic consents through the relevant clearing system(s) (in a form satisfactory to the Trustee) by or on behalf of the holders of not less than three-fourths in principal amount of the Notes for the time being outstanding, shall, in each case, be effective as an Extraordinary Resolution of the Noteholders. An Extraordinary Resolution passed by the Noteholders

shall be binding on all the Noteholders, whether or not they are present at any meeting and whether or not they voted on the resolution, and on all Couponholders.

The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes, the Trust Deed or Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, where, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders so to do or may agree, without any such consent as aforesaid, to any modification which is of a formal, minor or technical nature or to correct a manifest error. Any such modification shall be binding on the Noteholders and the Couponholders and any such modification shall be notified to the Noteholders in accordance with Condition 13 (Notices) as soon as practicable thereafter.

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

The Trustee may, without the consent of the Noteholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition 14) as the principal debtor under the Notes, the Coupons and the Trust Deed of another company, being a Subsidiary of Wm Morrison Supermarkets Plc subject to (a) the Notes being unconditionally and irrevocably guaranteed by Wm Morrison Supermarkets Plc, (b) the Trustee being satisfied that the substitution is not materially prejudicial to the interests of the Noteholders and (c) certain other conditions set out in the Trust Deed being complied with.

15. **INDEMNIFICATION AND PROTECTION OF THE TRUSTEE AND TRUSTEE CONTRACTING WITH THE ISSUER AND/OR ANY GUARANTOR**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility and liability towards the Issuer, the Guarantor(s), the Noteholders and the Couponholders, including (i) provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction and (ii) provisions limiting or excluding its liability in certain circumstances. The Trust Deed provides that, when determining whether an indemnity or any security or pre-funding is satisfactory to it, the Trustee shall be entitled (i) to evaluate its risk in any given circumstance by considering the worst-case scenario and (ii) to require that any indemnity or security given to it by the Noteholders or any of them be given on a joint and several basis and be supported by evidence satisfactory to it as to the financial standing and creditworthiness of each counterparty and/or as to the value of the security and an opinion as to the capacity, power and authority of each counterparty and/or the validity and effectiveness of the security.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer, any Guarantor and/or any of their respective Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, the Issuer, any Guarantor and/or any of their respective Subsidiaries, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

16. **FURTHER ISSUES**

The Issuer shall be at liberty from time to time without the consent of the Noteholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and the date from which interest starts to accrue and so that the same shall be consolidated and form a single Series with the outstanding Notes.

17. **CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

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

18. **GOVERNING LAW**

The Trust Deed, the Agency Agreement, the Notes, the Coupons and any non contractual obligations arising out of or in connection with the Trust Deed, the Agency Agreement, the Notes and the Coupons are governed by, and shall be construed in accordance with, English law.

USE OF PROCEEDS

The net proceeds from each issue of Notes will be applied by the Issuer for its general corporate purposes.

DESCRIPTION OF WM MORRISON SUPERMARKETS PLC

The Issuer was founded in 1899 in Bradford and incorporated as a limited company under the name Wm. Morrison (Provisions) Limited on 22 January 1940 (company number 00358949) and re-registered as a public limited company with its current name on 12 November 1981.

Directly and through the Guarantor, the Issuer operates a chain of supermarkets within Great Britain, as well as one store in Gibraltar. The stores offer food and groceries, much of which is sourced and processed through the Issuer's own manufacturing facilities. The Issuer offers a range of non-food products and services throughout its supermarkets, as well as through an online home delivery service available in England. The Issuer's principal and registered office is at Hilmore House, Gain Lane, Bradford BD3 7DL and the telephone number of its registered office is 0845 611 5000.

For the financial half-year ended 30 July 2017, sales (excluding VAT) were £8,421 million, 4.8 per cent higher compared to the same period in the prior year (31 July 2016: £8,032 million). Revenue from the sale of goods in-stores and online amounted to £6,436 million, excluding fuel, 2.1 per cent higher compared to the same period in the prior year (31 July 2016, £6,302 million). Underlying profit before tax increased by £20 million to £177 million (31 July 2016: £157 million). The Group is the fourth largest grocery retail supplier in the UK with a Grocery Market Share of 10.3 per cent for the 12 weeks ending 10 September 2017 (12 weeks ending 11 September 2016: 10.4 per cent.) (Source: Kantar Worldpanel).

As at 30 July 2017, the Group operated 491 stores across Great Britain with the exception of one store in Gibraltar. The total store sales area amounted to 14.094 million square feet (29 January 2017: 14.094 million square feet). Stores range in size from below 15,000 square feet to over 40,000 square feet. As at 30 July 2017, the Group also had 334 petrol filling stations, 17 manufacturing and packing sites, predominantly in the North and Midlands regions of the UK, as well as 8 distribution centres.

The Group's brand is built upon: (i) its unique offering of making and packing much of the food that it sells in its stores, (ii) the breadth and depth of the craft skills that its employees (including, but not limited to, butchers, bakers and fishmongers) deploy in preparing its products and serving its customers and its specific focus on fresh food.

Board of Directors of the Issuer

Name	Position	Principal activities outside the Group
Andrew Higginson	Chairman	Chairman of N Brown Group Plc Non-Executive Director of Woolworths, South Africa Chairman of ITC Luxury Travel Chair of Evergreen Garden Care
David Potts	Chief Executive	No directorships outside the Group
Trevor Strain	Chief Financial Officer	No directorships outside the Group
Rooney Anand	Non-Executive Director	Chief Executive Officer of Greene King PLC Chairman of Purity Soft Drinks limited
Neil Davidson	Non-Executive Director	Chairman of OptiBiotix Health PLC

Name	Position	Principal activities outside the Group
Belinda Richards	Non-Executive Director	Non-Executive Director of Grainger Plc Non-Executive Director of Monks Investment Trust Plc Non-Executive Director of Phoenix Group Holdings Non-Executive Director of Schroder Japan Growth Fund PLC Member of the Advisory Group of Audit Committee Chairmen at the Financial Reporting Council and a member of the Governing Council of the Centre for the Study of Financial Innovation
Tony van Kralingen	Non-Executive Director	Chair of Crown Commercial Services
Paula Vennells	Non-Executive Director	Chief Executive of the Post Office. Non-Executive Chair of First Rate Exchange Services Limited
Kevin Havelock*	Non-Executive Director	Executive of Unilever PLC

*Appointment effective as of 1 February 2018.

The business address of each of the above is Hilmore House, Gain Lane, Bradford BD3 7DL.

No potential conflicts of interests exists between the directors' duties to the Issuer and their private interests or other duties.

Certain directors hold directorships outside the Group, all of which have been considered and authorised by the Board of Directors in accordance with the Companies Act 2006 and the Issuer has concluded there are no material conflicts resulting therefrom.

No shareholder exercises control over the Issuer.

Recent Developments

On 18 September 2017, the Issuer announced a tender offer (the "**Tender Offer**") to holders of (i) Safeway Limited's outstanding £200,000,000 6.125 per cent. Notes due 2018 (the "**2018 Notes**") and (ii) the Issuer's outstanding (a) €700,000,000 2.250 per cent. Notes due 2020 (the "**2020 Notes**") and (b) £400,000,000 3.500 per cent. Notes due 2026 (the "**2026 Notes**") in order to reduce the level of gross debt outstanding and resulting interest expense incurred by the Issuer.

The Tender Offer closed on 26 September 2017 with the Issuer purchasing back (i) £63,730,000 in aggregate nominal amount of the 2018 Notes, (ii) €130,708,000 in aggregate nominal amount of the 2020 Notes and (iii) £66,123,000 in aggregate nominal amount of the 2026 Notes.

High Court proceedings were commenced in 2015 against the Issuer in respect of a claim brought by 5,518 former and current employees for compensation primarily pursuant to the Data Protection Act. The claim is with regard to the criminal actions of a former employee of the Issuer who posted employee personal information onto the internet. The first stage of these High Court proceedings was based on liability and on 1 December 2017 the Court published its judgment confirming that the Issuer was not at fault in relation to the way that it controlled the personal data in question but, as the employer of the former employee who posted the data onto the internet, the Issuer was held to be vicariously liable. The Court has directed that the Issuer has an immediate right to appeal and the Issuer expects to submit the application for appeal in the near future. The proceedings are likely to continue for some time and the Court has not provided any indication with regard to what possible damages the claimants could be awarded, other than to state in the judgment that they would be "modest".

DESCRIPTION OF SAFEWAY LIMITED

Safeway Limited is a wholly owned subsidiary of the Issuer having its registered office at Hilmore House, Gain Lane, Bradford BD3 7DL. It was incorporated on 28 February 1977 under the name Boydbrush Limited (company number 1299733), and changed its name to Safeway plc on 2 July 1996. Following its acquisition by the Issuer the Guarantor was re-registered as a private limited company on 18 May 2004. The Guarantor is a holding company and, for the financial year ended 29 January 2017, through its wholly-owned subsidiary, Safeway Stores Limited, it accounted for approximately 49 per cent. of the Group's turnover. Its directors are Jonathan Burke and Trevor Strain. The business address of the directors is Hilmore House, Gain Lane, Bradford, BD3 7DL.

No potential conflicts of interest exists between the directors' duties to the Guarantor and their private interests or other duties.

TAXATION

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" (as defined by FATCA) may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. Each of the Issuer and the Guarantor may be foreign financial institutions for these purposes. A number of jurisdictions (including the United Kingdom) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions.

Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change.

Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to 1 January 2019 and Notes that are characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued on or prior to the date that is six months after the date on which final regulations defining "foreign passthru payments" are filed with the U.S. Federal Register generally would be "grandfathered" for purposes of FATCA withholding unless materially modified after such date (including by reason of a substitution of the Issuer). However, if additional notes (as described under "Terms and Conditions of the Notes—Further Issues") that are not distinguishable from previously issued Notes are issued after the expiration of the grandfathering period and are subject to withholding under FATCA, then withholding agents may treat all Notes, including the Notes offered prior to the expiration of the grandfathering period, as subject to withholding under FATCA. Noteholders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes.

The proposed Financial Transactions Tax

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common financial transactions tax ("**FTT**") which is being considered by Belgium, Germany, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**").

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

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

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

United Kingdom Taxation

The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current United Kingdom law and HM Revenue & Customs' ("**HMRC**") published practice relating only to United Kingdom withholding tax treatment of payments of interest (as that term is understood for United Kingdom tax purposes) in respect of Notes. It 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 may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.

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", within the meaning of 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 only if they are both: (i) 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 (ii) admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes carry a right to interest and are and remain so listed on a "recognised stock exchange", interest on the Notes will be payable without withholding or deduction for or on account of United Kingdom income tax.

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

In other cases, an amount must generally be withheld from payments of interest on the Notes that has a United Kingdom source on account of United Kingdom income tax at the basic rate (currently 20 per cent.), subject to any other available exemptions and reliefs. 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 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).

SUBSCRIPTION AND SALE

The Dealers have, in a Programme Agreement (such Programme Agreement as modified and/or supplemented and/or restated from time to time, the "**Programme Agreement**") dated 12 January 2018, agreed with the Issuer 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". In the Programme Agreement, the Issuer (failing which, the Guarantor) has 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 and to indemnify the Dealers against certain liabilities incurred by them in connection therewith.

United States

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from, or not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under 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, in the case of Exempt Notes, Pricing Supplement) will identify whether TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer, sell or deliver Notes (a) as part of their distribution at any time or (b) 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 except in accordance with Regulation S of the Securities Act. 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 any 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 this paragraph have the meanings given to them by Regulation S under the Securities Act.

Until 40 days after the commencement of the offering of any Series 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 if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act.

Prohibition of sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms (or Pricing Supplement, as the case may be) in relation thereto to any retail investor in the EEA. For the purposes of this provision:

- (a) the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended "**MiFID II**"); or
 - (ii) a customer within the meaning of Directive 2002/92/EC (as amended, the "**Insurance Mediation Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or
 - (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the "**Prospectus Directive**"); and
- (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

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

- (a) in relation to any Notes which have a maturity of less than one year, (i) 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 (ii) 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 of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (b) 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 Issuer or the Guarantor; and
- (c) 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, except 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.

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 Base Prospectus 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 neither the Issuer, the Guarantor, the Trustee nor any of the other Dealers shall have any responsibility therefor.

None of the Issuer, the Guarantor, the Trustee and 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

1. **Authorisation**

The establishment of the Programme and the issue of Notes have been duly authorised by a resolution of the Board of Directors of the Issuer dated 14 July 2011 and of a duly constituted committee dated 23 September 2011. The annual update of the Programme was duly authorised by a resolution of the Board of Directors of the Issuer dated 11 September 2017 and a sub-committee of the Board of Directors of the Issuer dated 11 January 2018. The giving of the Notes Guarantee has been duly authorised by a resolution of the Board of Directors of the Guarantor dated 14 July 2011 and 11 January 2018.

2. **Listing of Notes**

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 Global Note or Notes initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme 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. The listing of the Programme in respect of Notes is expected to be granted on or around 17 January 2018.

3. **Documents Available**

For the period of 12 months following the date of this Base Prospectus, copies of the following documents will, when published, be available for inspection from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in London:

- (a) the Memorandum and Articles of Association of each of the Issuer and the Original Guarantor and the constitutional documents of any additional Guarantor;
- (b) the consolidated financial statements of the Issuer in respect of the 52 weeks ended 29 January 2017 and 52 weeks ended 31 January 2016, the consolidated financial statements of the Guarantor in respect of the 52 weeks ended 29 January 2017 and 52 weeks ended 31 January 2016 and the Issuer's Interim Results for the half year to 30 July 2017. The Issuer and the Guarantor each currently prepares audited consolidated accounts on an annual basis and Issuer also prepares unaudited unconsolidated accounts on an annual basis;
- (c) the most recently published audited annual financial statements of the Issuer and any Guarantor and the most recently published unaudited interim financial statements (if any) of the Issuer. The Issuer currently prepares unaudited consolidated interim accounts on a semi annual basis;
- (d) the Trust Deed, the Agency Agreement, and the forms of the Global Notes, the Notes in definitive form, the Coupons and the Talons;
- (e) a copy of this Base Prospectus; and
- (f) any future Base Prospectus, prospectuses, information memoranda, supplements, Final Terms and Pricing Supplements (save that a Pricing Supplement relating to an Exempt Note will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the Paying Agent as to its holding of Notes and identity) to this Base Prospectus and any other documents incorporated herein or therein by reference.

4. **Clearing Systems**

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

5. **Conditions for determining price**

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

6. **Significant or Material Change**

(a) *Issuer*

There has been no significant change in the financial or trading position of the Issuer or the Group since 30 July 2017 and there has been no material adverse change in the prospects of the Issuer since 29 January 2017.

(b) *Guarantor*

There has been no significant change to the financial or trading position and no material adverse change in the prospects of the Guarantor and its subsidiary since 29 January 2017.

7. **Litigation**

(a) *Issuer*

Save as disclosed under the heading "Recent Developments" on page 74, neither the Issuer nor any other member of the Group is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Issuer or the Group.

(b) *Guarantor*

The Guarantor is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor is aware) in the 12 months preceding the date of this document which may have or have in such period had a significant effect on the financial position or profitability of the Guarantor.

8. **Auditors**

(a) *Issuer*

The auditors of the Issuer are PricewaterhouseCoopers LLP ("**PwC**"), who produced an unqualified audit report in respect of the Issuer's accounts for each of the financial year ended 29 January 2017 and the financial year ended 31 January 2016 in accordance with International Auditing Standards.

(b) *Guarantor*

The auditors of the Guarantor are PwC, who produced an unqualified report of the Guarantor's accounts for each of the financial year ended 29 January 2017 and the financial year ended 31 January 2016 in accordance with International Auditing Standards.

9. ***Dealers transacting with the Issuer and any 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 Issuer, any Guarantor and their affiliates in the ordinary course of business.

Certain of the Dealers and their affiliates may have positions, deal or make markets in the Notes issued under the Programme, related derivatives and reference obligations, including (but not limited to) entering into hedging strategies on behalf of the Issuer and its affiliates, investor clients, or as principal in order to manage their exposure, their general market risk, or other trading activities.

In addition, in the ordinary course of their business activities, the Dealers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Issuer or the Issuer's affiliates. Certain of the Dealers or their affiliates that have a lending relationship with the Issuer routinely hedge their credit exposure to the Issuer consistent with their customary risk management policies. Typically, such Dealers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Programme. Any such positions could adversely affect future trading prices of Notes issued under the Programme. The Dealers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

10. ***Additional information regarding Dealers***

Each of the Dealers reserves the right to determine whether or not any actual or prospective holders of Notes are to be regarded as its clients in relation to any such offering described in the relevant Final Terms or Pricing Supplement when read together with this Offering Circular at the relevant time of such offering.

11. ***Indicative Yield for Fixed Rate Notes***

In relation to any Tranche of Fixed Rate Notes, an indication of the yield in respect of such Notes will be specified in the relevant Final Terms. The yield is calculated at the Issue Date of the Notes on the basis of the Issue Price. It is not an indication of future yield.

12. ***Trustee's action***

The Conditions and the Trust Deed provide for the Trustee to take action on behalf of the Noteholders in certain circumstances, but only if the Trustee is indemnified and/or secured and/or pre-funded to its satisfaction. It may not always be possible for the Trustee to take certain actions, notwithstanding the provision of an indemnity and/or security and/or pre-funding to it. Where the Trustee is unable to take any action, the Noteholders are permitted by the Conditions and the Trust Deed to take the relevant action directly.

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